

IMPACT and CONSEQUENCES of the "1,500 HOUR RULE" and NPRM

Dan Garton
American Eagle Airlines

Increased Pilot Requirements from NPRM

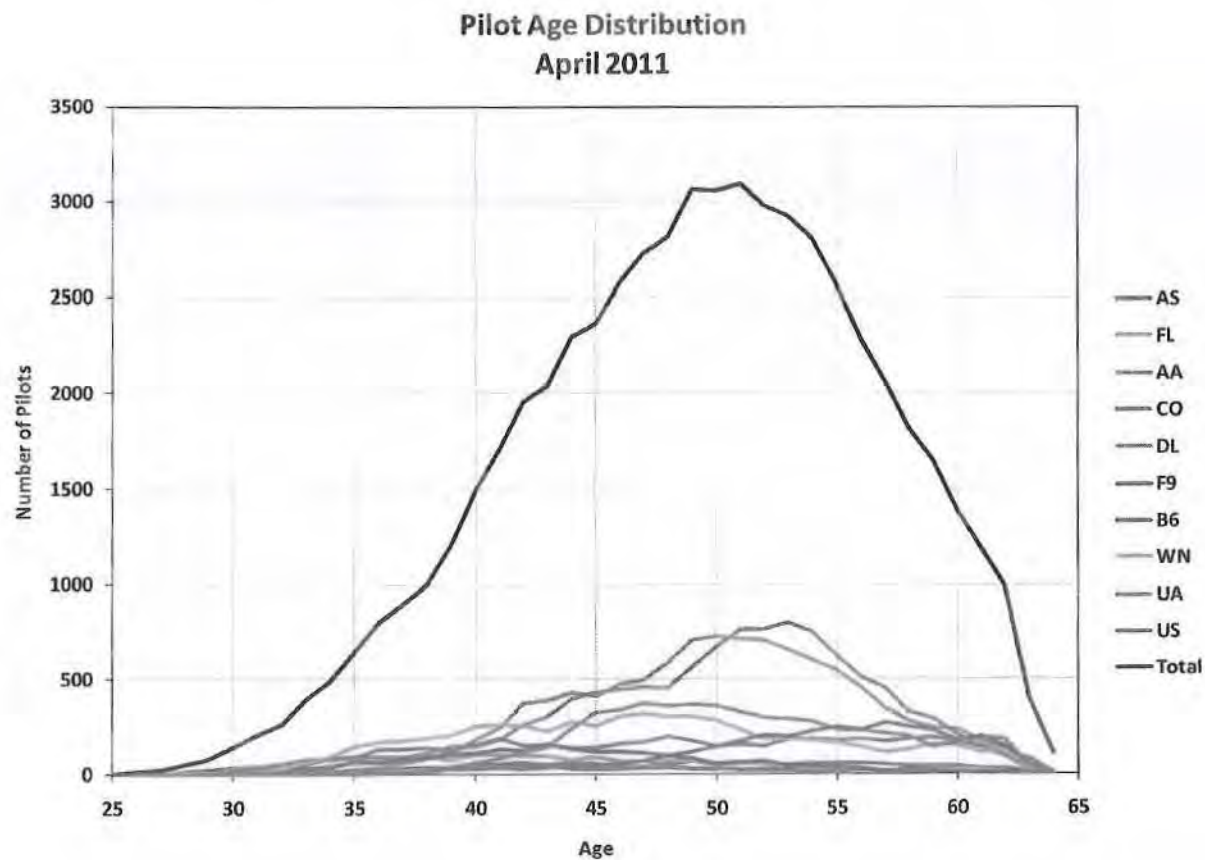
- **NPRM governing flight crew member duty and rest requirements will increase the demand for pilot staffing industry-wide in advance of the application of the new rules**
- **Together, American and American Eagle expect to need between 6% and 30% more pilots as a result of the NPRM**
 - AA alone estimated the need for between 430 and 2,400 additional pilots as a result of its interpretation of the NPRM
 - Separately, American Eagle and Executive Airlines estimated a combined shortfall of approximately 240 pilots, or 8%
- **Applied to the industry as a whole, and based on data from individual carriers aggregated by the ATA, the average carrier will need to hire 9.6% more pilots prior to the effective date of the NPRM**
 - Based on current pilot employment levels from Form 41, this implies an industry-wide shortfall of 7,160 pilots

Supply of New Pilots is Already an Issue

- **The supply of qualified pilots in the U.S. is already tight due to a number of factors, including (a) growth of travel world-wide, especially in Asia, (b) reduced numbers of pilots from the military, (c) reduced attractiveness of the commercial pilot profession, and (d) the added burden of financing training costs**
 - Industry-wide, the number of FAA issued Airline Transport Pilot certificates decreased almost 60% from 1999 to 2009 (7,173 to 2,895)
 - Total number of active pilot certificates held in the U.S. dropped by 9% from 2000 to 2009, from 608,079 to 554,237
 - The Aircraft Owners and Pilots Association (AOPA) predicts that this number will continue to decline, to 500,000 by 2014
- **The pilot supply situation is expected to worsen due to both the “1,500 Hour Rule” provision of HR 5700 and mandatory retirement at age 65**

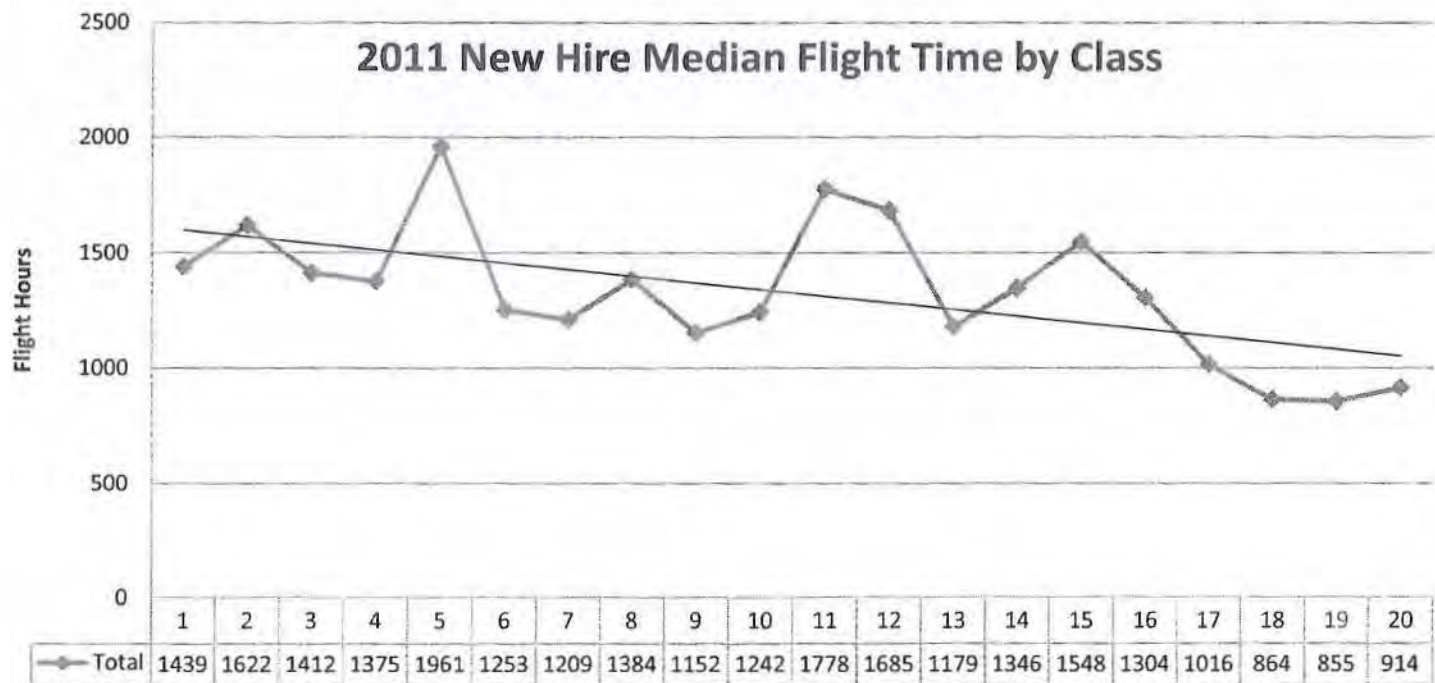
Supply of New Pilots is Already an Issue

- Active pilots will begin reaching the age of 65, and begin retiring in December of 2012, as a result of *“The Fair Treatment for Experienced Pilots Act”*
- Other carriers will be replacing pilots at a high rate at the same time as AA



American Eagle's Hiring Experience in 2011

- American Eagle has hired 570 pilots so far in 2011
 - Minimums were lowered in late January as applicant numbers decreased
 - 1,000 hours total time min lowered to 800 hours (500 hours for bridge schools)



The Regional Industry's Hiring Experience in 2011

- **American Eagle's hiring experience in 2011 has been similar to that of the regional industry at large**
 - **Eagle represents almost one quarter of regional industry hiring in 2011**
- **According to RAA carrier statistics, the regional industry (including Eagle) has hired 2,458 pilots year to date**
 - **Of the pilots hired, almost half (46%) had less than 1,500 hours:**
 - 54% (1,331) had > 1,500 hours
 - 26% (633) had between 1,000 – 1,499 hours
 - 20% (494) had < 1,000 hours

What It All Means

- **The regional industry's experience in 2011 indicates that the supply of new pilots is already an issue at regional carriers, without the application of the 1,500 Hour Rule or the NPRM**
 - In addition to mandatory retirements and others issues impacting the pilot supply pipeline industry-wide, Regionals face the added burden of losing pilots to mainline partners due to pass-through agreements and wage differentials
- **Then, once the 1,500 Hour Rule takes effect, roughly 50% of current new hire pilots at regional airlines would not be eligible candidates, significantly impacting the ability of regional carriers to maintain necessary staffing levels**
- **Finally, overlaying the added requirements of the NPRM would be especially burdensome to regional carriers**
 - The 9.6% pilot shortfall estimated by the ATA as a result of the NPRM translates to the need for almost 7,200 additional pilots industry-wide
 - Although mainline carriers may be able to source additional pilots from the regional carriers, the Regionals, given current difficulties and the 1,500 hour rule, will have no new source

Small Communities Will Be 'The Biggest Losers'

- The inability of mainline and regional carriers to staff the additional flight crews needed as a result of the new regulations will result in service reductions to the *smallest communities* and/or routes to communities with the most marginal financial performance
 - A shortage of 7,160 pilots @ 10 pilots/airplane = 716 airplanes not staffed
(For context, American Eagle schedules just over 250 airplanes each day)
 - Assuming each airplane flies an average of 3.5 round-trips per day, 716 idled aircraft = 2,505 round-trips that could no longer be flown
(American Eagle schedules about 860 round-trips daily)
 - Further assuming each market is flown with of 3.5 round-trips on average, 716 markets would be cancelled due to the shortage of pilots
(American Eagle serves approximately 245 markets)

Recommended Solutions and Ideas to Mitigate the Initial Impact

NPRM

1. **95% Schedule Reliability** – Reporting and adjustments of Flight Duty Periods should be based on *maximum charted* FDPs, not on the *scheduled* FDP published by the air carrier
2. **FDP Extensions** – Air carriers should be allowed to extend the charted FDP a maximum of 2 hours on a “day of” basis for items not under control of the air carrier (i.e. weather, ATC, mechanical issues); FDPs should not be able to be extended on consecutive days, but more than 1 time per 168 hour (7 day) period
3. **Short Call Reserve** – Time spent on short call reserve should not be included as part of duty, until the pilot is called and notified of his/her assignment
4. **Phasing of Rule** – A “knife edge” implementation would be extremely burdensome for air carriers
5. **Correction of Problem Pairings** – Quarterly with 90 day window

1,500 Hour Rule

1. **Training Credit** – Accredited universities and FAA certified commercial flight schools
2. **Military Pilot Exemptions**
3. **Grandfathering** – Of currently employed, trained and qualified pilots
4. **Modification of 121 Air Carrier Training for low experience pilots**