

AA PILOTS FOR ALPA

Economic & Financial Analysis at ALPA vs. APA

The One Minute Summary:

1. **ALPA's Economic & Financial Analysis (E&FA) Department** consists of a full-time staff of finance professionals well-respected by airline management teams across the industry with access to multiple ALPA member airlines' approach to costs (including foreign and non-ALPA carriers).
 - Designed to remain insulated from the politics of any particular ALPA carrier.
 - Integral section of non-political staff of experts working at ALPA National Headquarters.
2. **APA's E&FA Committee**, in contrast, consists of two to three pilot *volunteers* (with a background in finance). These volunteers have access to an outside consultant working under a service contract which the APA BOD can terminate at any time.
 - Focus is exceptionally limited, solely intent on the pilots of American Airlines. This provides APA with immediate access to costing services in-house, but severely constrains the committee's range and scope of the industry-wide financial picture.
 - APA's E&FA Committee and externally hired economic consultant also refrain from internal political issues, but committee messaging and reports are still significantly impacted by the APA BOD's control over committee appointments, hiring, and renewal of the E&FA external consultant service agreement. *The resulting economic advice provided by the committee may be impacted as a direct result of these inherent conflicts of interest.*

Want to know more? [More detail below!](#)

About ALPA's E&FA Department

- **Composition:** ALPA's E&FA Department consists of 14 professional finance experts and airline industry economists, who are authorities on airline financials and cost units relating to pilot advocacy.
- **Scope of Work:**
 - Provides support for ALPA's Collective Bargaining Committee, Fee-for-Departure Committee, Flight Time/Duty Time Committee, Strategic Planning Committee, and Strategic Preparedness and Strike Committee (SPSC).
 - Supports ALPA members in all items related to economic and industry trends, analyzing business plans, and valuing all economic proposals.
 - Expertly analyze hundreds of airline financial results, business plans, and projections for all ALPA and select non-ALPA airlines (including certain foreign airlines) and perform a multitude of ad hoc financial analyses.
 - Develops and analyzes negotiations questionnaires, provides industry and economic overviews, conducts contractual comparisons, analyzes schedules, evaluates domestic and international partnerships, and evaluates airlines' ability to pay.
- **Structure:** The Director of E&FA reports directly to ALPA's General Manager, who ultimately reports to ALPA's President. Therefore, the E&FA Department remains insulated from the politics of any given member airline, while remaining available to provide active support to any ALPA member's MEC.

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How does ALPA's E&FA work in practice?

- ALPA's E&FA Department is integral to the contractual negotiating process from the genesis of strategic development, assisting to frame contractual goals based on an airline's financials, alongside industry standards and benchmarking.
- Non-pilot finance professionals within the department work on multiple valuations and costing projects across multiple airlines. This provides a depth and breadth of experience that is impossible to replicate within an independent union like APA.
- ALPA's E&FA Department provides continuous costing and valuation support, both inside and outside of Section 6 Negotiations and bankruptcy. This practice also maintains working relationships in each airline management's labor finance team, helping maintain credibility during the final, hard stages of the formal negotiating process.

APA E&FA Committee

- **Composition:** APA's Constitution & Bylaws provide for two full-time pilots and one part-time pilot to serve on this committee. Additionally, APA has an ongoing service agreement with an outside consulting firm to provide economic consulting to APA and the E&FA committee.
- **Scope of Work:**
 - Charged with providing contractual valuation and costing services to APA's Negotiating Department and Board of Directors when requested.
 - Obligated to provide SEC earnings summaries in layman's terms to the APA BOD and membership.
 - Not permitted to interface with Wall Street analysts directly. These institutional relationships are under the auspices of APA's Investor Relations Ad Hoc Committee, which in turn falls under the jurisdiction of the APA Communications Committee.
- **Structure:** The APA E&FA Committee is hired by and ultimately reports to the APA BOD. They are also part of the APA Department of Negotiations, directly managed by the Negotiating Committee Chairman and Director of Negotiations. The committee's budget is normally supported from an extra 0.5% dues increase during contract and bankruptcy negotiations. It is extremely likely the APA E&FA budget will be significantly smaller once current Section 6 negotiations conclude.

How does APA's E&FA work in practice?

- APA's E&FA Committee monitors and summarizes quarterly earnings calls for Delta Air Lines, United Airlines, Southwest Airlines, JetBlue, and Alaska Airlines. These summaries are sent to both the membership and APA BOD shortly after completion.
- APA E&FA members join the Negotiating Committee (when invited) for bargaining sessions with AA. APA's E&FA Committee attends these meetings at the sole discretion of the current APA Negotiating Committee Chairman.
- APA's E&FA team meets with AA's Labor Finance team to discuss items when a disagreement exists on the value of specific contract proposals.
- These discussions are typically productive. While APA's E&FA Committee provides accurate analysis, the committee does not carry the same industry credibility as ALPA's E&FA Department. This may result in multiple sessions to settle costs of certain contractual items likely requiring far fewer meetings had ALPA's E&FA Department been involved.
- The ability to meet with AA's Labor Finance team is very tightly controlled by both APA's Director of Negotiations and APA Negotiating Chair. This can cause relationships with AA's labor finance team to grow stale, requiring a need to re-establish rapport when negotiations are interrupted, stalled, or drawn out.

Key Takeaways:

APA's E&FA Committee consists of *voluntary* members, albeit with outstanding financial credentials, education, and experience, but funded by the Section 6 Dues Assessment, and *likely have significant turnover after the current bargaining cycle, resulting in a loss of institutional memory.*

ALPA's E&FA Department has an enduring "built to last" infrastructure with a vast wealth of experience and credibility, populated with professional full-time financial and economic subject matter experts solely focused on accurate and timely costing and valuing of industry pilot contractual items. This *professional* department is comprised of permanently employed staff members who build *careers* at ALPA, based on their ability to deliver solid data analysis, providing positive and lasting contractual results for ALPA pilots.

Under ALPA leadership, the pilots of each airline still set priorities for negotiations. The purpose of ALPA E&FA is to equip pilot leaders (which would be the AA Master Executive Council should the unions merge) with the information they need to advocate most effectively for their pilots. Local airline leadership still enjoys the ability to employ outside consultants to substantiate or differentiate ALPA E&FA analysis.

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