

REMARKS OF WILLIAM S. SWELBAR
2010 RAA FALL ANNUAL MEETING
DECEMBER 9, 2010

HI. MY NAME IS BILL. I AM THE ONE THAT CONSCIOUSLY MADE THE DECISION TO LEAVE THE CONSULTING WORLD FOR AN ACADEMIC PLATFORM – ALL IN THE NAME OF FINANCIAL SUICIDE. THAT DECISION WAS EASY BECAUSE OFTEN IN THE CONSULTING WORLD, YOU HAVE TO TELL PEOPLE WHAT THEY WANT TO HEAR. NOW I DEVOTE MOST OF MY PROFESSIONAL LIFE – PRIMARILY THROUGH SWELBLOG.COM TELLING PEOPLE THINGS THEY DON'T WANT TO HEAR. AND WHEN IT COMES TO AIRLINE LABOR ISSUES, THAT'S A LONG LIST.

I AM HONORED TO HAVE BEEN INVITED TO JOIN YOU TODAY AT THE 2010 RAA FALL ANNUAL MEETING TO TALK ON TWO OF MY VERY FAVORITE SUBJECTS – EACH THAT NEVER FAILS TO GENERATE A LOT OF HEAT: THE REGIONAL AIRLINE SECTOR AND LABOR ISSUES.

MY BEGINNINGS IN THIS INDUSTRY CAN BE FOUND IN THE DETROIT FLIGHT ATTENDANT DOMICILE FLYING FOR REPUBLIC AIRLINES. I AM A DEREGULATION BABY, HIRED IN JULY 1979.

I WORKED MY WAY THROUGH SCHOOL FLYING ILLEGAL OVERNIGHTS, SLEEPING IN A MAKESHIFT BEDROOM WITH A DESK IN THE BASEMENT OF THE AIRPORT AT SAULT STE. MARIE, MICHIGAN. I SAT ON A COMMITTEE THAT TRIED TO FIND THE CAPITAL TO DO A LEVERAGED BUYOUT OF REPUBLIC. ULTIMATELY WE SETTLED ON A VERY SUCCESSFUL ESOP ARRANGEMENT. AND A CAREER WAS BORN.

SINCE MAKING THE PERSONAL DECISION TO LEAVE THE EVERYDAY CONSULTING WORLD IN 2006, I HAVE USED NEW MEDIA TO SAY THINGS THAT SOME PEOPLE DO NOT WANT TO HEAR. TO THEM, WWW.SWELBLOG.COM IS THE VOICE OF THE DEVIL. I SAY IT TAKES COLD TRUTHS TO PROMOTE CHANGE, AND THAT'S WHY WE'RE HERE.

MY PERSONAL INVOLVEMENT IN EACH OF THE PHASE 1 BANKRUPTCY CASES AT US AIRWAYS AND UNITED LED ME TO CONCLUDE THAT AN ENORMOUS OPPORTUNITY WAS MISSED IN RE-ENGINEERING THE WAY AIRLINE EMPLOYEES, AND THE INDUSTRY FOR THAT MATTER, WORK. NOW I UNDERSTAND THAT CONSENSUAL AGREEMENTS WITH LABOR WERE IMPORTANT, BUT IT STILL DOES NOT MASK THE FACT THAT, DURING THAT PERIOD, WE SHOULD HAVE FOUND A WAY TO ALSO REWRITE COLLECTIVE BARGAINING AGREEMENTS TO EXCISE DECADES-OLD LANGUAGE THAT HAS LITTLE TO NO APPLICATION TODAY.

ALL THAT SAID, THE INDUSTRY IS WHERE THE INDUSTRY IS – AND STILL BURDENED WITH OUTSIZED EMPLOYEE EXPECTATIONS BASED ON HISTORIC OUTCOMES IN PATTERN BARGAINING THAT HAVE DEFINED THE BOOM AND BUST CYCLES OF THIS INDUSTRY FOR DECADES.

IN HIS 2010 STATE OF THE AIR TRANSPORT INDUSTRY SPEECH, IATA DIRECTOR GENERAL GIOVANNI BISIGNANI SAID, “LABOR, OUT OF TOUCH WITH REALITY, IS THE NEXT RISK. WE CANNOT PAY SALARY INCREASES WITH OUR \$47 BILLION IN LOSSES. PILOTS AND CREW MUST COME DOWN TO EARTH AND STRIKES AT THIS TIME ARE SHORTSIGHTED NONSENSE. LABOR NEEDS TO STOP PICKETING AND COOPERATE.”

BISIGNANI’S COMMENT IS COLD TRUTH, AND AIRLINE MANAGEMENT SHOULD FEEL ITS CHILL AS MUCH AS LABOR.

GIVEN THE HIGH FIXED COSTS OF THE INDUSTRY, AIRLINES CAN RARELY AFFORD A STRIKE OR EVEN INTERMITTENT WORK STOPPAGES. BUT THAT DOESN’T MEAN MANAGEMENT DOESN’T HAVE TO ACCEPT SOME RESPONSIBILITY FOR THE AIRLINE LABOR MESS. OVER THE YEARS, AIRLINES HAVE TIME AND AGAIN AGREED TO CONTRACTS DURING ECONOMIC UP CYCLES THAT ARE SIMPLY TOO RICH TO SUSTAIN, MAKING IT THAT MUCH HARDER TO PAY THE BILLS DURING SUBSEQUENT DOWNTURNS.

LABOR IS COMPLICIT IN THIS SHORT-SIGHTEDNESS, PRIMARILY BECAUSE UNIONS ARE NOT STRUCTURED TO MANAGE THE RESPONSIBILITY THEY POSSESS. UNIONS ARE HIGHLY SIMPLE POLITICAL ORGANIZATIONS WITH A SHORT-TERM VIEW THAT RARELY EXTENDS BEYOND THE NEXT CONTRACT CYCLE. THEIR LEADERS ARE POLITICIANS WHOSE GOALS ARE SIMILARLY SHORT-TERM – TO STAY IN OFFICE.

VOLATILE PRICES ARE UNSETTLING IN COMMODITY INDUSTRIES. AND AIRLINES ARE VERY MUCH IN THE COMMODITY BUSINESS. BEGINNING IN LATE 2000, VOLATILITY CAME IN THE FORM OF AIRLINE TRAVEL SPEND CAPTURING A SMALLER SHARE OF THE GROSS DOMESTIC PRODUCT. SUPPRESSED DEMAND ACCOMPANIED THE ECONOMIC RECESSION. TODAY'S VOLATILITY IS CENTERED ON OIL PRICES AND CURRENCY. IN THE FUTURE, CONTINUED VOLATILITY IN LABOR PRICES COULD PROVE DISASTROUS BECAUSE THERE ARE NO OTHER AREAS ON THE INCOME STATEMENT THAT CAN CROSS-SUBSIDIZE LABOR COSTS ABOVE WHAT THE MARKET WILL BEAR.

THE FINANCIAL PERFORMANCE OF THE US INDUSTRY IN 2010 SHOWS THAT SOME REAL PROGRESS HAS BEEN MADE OVER THE TUMULTUOUS "LOST DECADE". IN PAST TIMES MARGINS LIKE THOSE PRODUCED THIS YEAR WOULD PROVIDE THE INDUSTRY COMFORT – WHETHER TO NEGOTIATE FAT LABOR CONTRACTS, CONTINUE TO DEPLOY REGIONAL JETS WITH IRRATIONAL EXHUBERANCE OR EVEN TO PLACE A SIZEABLE AIRCRAFT ORDER.

SCOPE

THERE CAN'T BE AN HONEST DISCUSSION ON LABOR IN THE US AIRLINE INDUSTRY WITHOUT TALKING ABOUT SCOPE – THE RESTRICTIVE CLAUSES PILOT UNIONS NEGOTIATE TO PROTECT CERTAIN FLYING FOR THEIR MEMBERS. I BELIEVE THAT THIS ROUND OF CONTRACT NEGOTIATIONS AT MAJOR CARRIERS WILL BE THE MOST IMPORTANT SINCE DEREGULATION, AND SCOPE WILL PLAY A PIVOTAL ROLE AS THE AIRLINES TAKE A HARD LOOK AT ECONOMICS. AND MAINLINE PILOT SCOPE AGREEMENTS ARE ALL ABOUT ECONOMICS.

TODAY, REGIONAL CARRIERS MAKE UP A LARGE SHARE OF THE INDUSTRY, MOST FLYING DONE WITH 76-SEAT AIRCRAFT AND LESS. THIS WASN'T BY DESIGN, BUT WAS MORE THE INDUSTRY'S SEAT-OF-THE-PANTS RESPONSE TO SCOPE RESTRICTIONS THAT MAKE IT SO DIFFICULT FOR SO MANY TO BUILD OUT THE MOST EFFICIENT FLEET – PARTICULARLY IN THE CUT THROAT US DOMESTIC MARKET.

I AM CONVINCED THAT, IF NOT FOR BANKRUPTCY, WE WOULD NOT BE SEEING MAINLINE CARRIER'S REGIONAL PARTNERS FLYING AIRCRAFT 70 SEATS AND GREATER IN THE NUMBERS WE ARE. SO IF TODAY'S ARCHITECTURE WAS DRAWN WITH OUTDATED TOOLS, THEN TOMORROW'S ARCHITECTURE WILL LIKELY REQUIRE COMPUTER AIDED DESIGN SOFTWARE. THAT, AS OLD-SCHOOL ARCHITECTS MIGHT SAY, IS EQUIVALENT TO REPLACING THE PENCIL WITH A KEYBOARD -- LIMITING IN THAT THE DIGITAL WORLD REQUIRES EXACT INPUTS RATHER THAN THE LESS PRECISE NATURE OF SKETCHING. AND THAT HAS REAL IMPLICATIONS FOR ALL PILOTS AND THE CARRIERS THAT EMPLOY THEM.

FROM MY PERSPECTIVE THIS NEXT ROUND OF PILOT NEGOTIATIONS COULD ALSO BE THE TIPPING POINT FOR SCOPE: THE CRITICAL JUNCTURE IN AN EVOLVING SITUATION THAT LEADS TO A NEW AND POTENTIALLY IRREVERSIBLE DEVELOPMENT. WHAT IF MAINLINE PILOTS AGAIN TREAT THE RELAXATION OF SCOPE AS TRADING CURRENCY TO MAKE IMPROVEMENTS IN THE MAINLINE COLLECTIVE BARGAINING AGREEMENT? WOULDN'T THEY ULTIMATELY BE CEDING MAINLINE NARROWBODY FLYING IN THE US DOMESTIC MARKET OVER THE NEXT 20 YEARS? I THINK SO.

THIS APPROACH WOULD BE A MISTAKE FOR MANAGEMENT, TOO, BECAUSE SCOPE RELIEF HAS HISTORICALLY BEEN ASSIGNED TOO MUCH VALUE IN BARGAINING – IN MY HUMBLE OPINION. TO BE SURE, THERE IS VALUE IN THE SHIFT OF FLYING FROM THE MAINLINE TO REGIONAL PARTNERS. BUT THE DIFFERENCES IN LABOR RATES BETWEEN THE MAINLINE AND THE REGIONAL ARE

LESS THAN THEY WERE BEFORE THE LAST ROUND OF INDUSTRY RESTRUCTURING. DOMESTIC REVENUES CONTINUE TO SUFFER, PARTICULARLY COMPARED TO THE REVENUE ENVIRONMENT WHEN VALUES WERE LAST ASCRIBED TO SCOPE RELIEF. AND WITH LITTLE GROWTH EXPECTED IN US DOMESTIC FLYING, AIRLINES MUST QUESTION WHERE THEY'LL FIND THE ARBITRAGE.

LABOR RATE DIFFERENTIALS BETWEEN MAINLINE AND REGIONAL CARRIERS ARE SMALLER THAN THEY WERE IN 2001. REGULATORY OVERSIGHT OF THE REGIONAL INDUSTRY WILL ADD UNTOLD EXPENSE. MOST MAINLINE AIRLINES ARE ORDERING NARROWBODY EQUIPMENT TO REPLACE AIRCRAFT IN THEIR FLEETS, NOT EXPAND THEIR FLEETS. AND THERE ARE STILL THOUSANDS OF MAINLINE PILOTS ON FURLOUGH.

PERHAPS A BETTER WAY THAN SCOPE FOR PILOT UNIONS TO THINK ABOUT JOB PROTECTION IS TO FIND THE ECONOMICS THAT WILL EMPLOY THE MOST PILOTS AT THE MAINLINE. THAT CHALLENGE MUST ACKNOWLEDGE THE FACT THAT THE INDUSTRY HAS CHANGED -- FOREVER. IT CAN NO LONGER SUPPORT THE LABOR COSTS IT DID TEN YEARS AGO LARGELY BECAUSE IT DOES NOT HAVE THE PRICING POWER IT DID THEN. IF THE REGIONAL INDUSTRY HAS BEEN USED AS CURRENCY TO CROSS-SUBSIDIZE PILOTS AT THE MAINLINE – **AND IT HAS**; AND ASSUMING THAT THE TRADING CURRENCY IS NOT WHAT IT WAS AS WE ENGAGE IN THIS ROUND OF BARGAINING – **AND IT IS NOT**, THEN SOMETHING HAS TO GIVE.

THERE ARE TWO SOLUTIONS AS I SEE IT: 1) RELAX SCOPE FURTHER IN ORDER TO WIN BIGGER INCREASES IN WAGES, BENEFITS AND WORKING CONDITIONS FOR PILOTS AT THE MAINLINE; OR 2) EMBRACE THE ABSOLUTE FACT THAT CONTRACTUAL MAINLINE RATES, WORK RULES AND BENEFITS NEED TO BE LOWER FOR US DOMESTIC MAINLINE FLYING. EITHER SCENARIO PRESENTS A CONUNDRUM FOR AIRLINE LABOR.

DOMESTIC MARKET FLYING DIFFERENTIALS CAN BE THE NEW TRADING CURRENCY USED TO ADAPT ANY PILOT CONTRACT TO THE MARKET REALITIES OF TODAY. THERE IS NO WAY TO “PERFUME THE PIG” HERE; THE MAINLINE DID SOMETHING SIMILAR IN 1984 – **READ “B-SCALE”** - IN ORDER TO AVERAGE DOWN LABOR COSTS TO FACILITATE GROWTH. WHEN IT WAS DECIDED THAT THE CONCEPT WAS NOT INTERNALLY HEALTHY, MAINLINE PILOT LABOR MADE THE REGIONAL INDUSTRY THE NEW VEHICLE TO CROSS-SUBSIDIZE MAINLINE PILOT COSTS.

I’VE NEVER SEEN LABOR ACCEPT ANY RESPONSIBILITY FOR THE CURRENT VOLATILE CONDITION OF THE INDUSTRY. THE ABILITY TO CARRY EXCESS HEADCOUNT IS A LUXURY OF YESTERDAY’S INDUSTRY THAT CANNOT BE AFFORDED IN THE INDUSTRY TODAY AND CERTAINLY NOT IN THE FUTURE. THE PROPOSED NEW FLIGHT TIME/DUTY TIME RULES WILL CAUSE EXTRA HEADCOUNT TO BE CARRIED TOMORROW. FOR ORGANIZED LABOR – AND BY EXTRAPOLATION, AIRLINE LABOR – TO BE SUCCESSFUL, UNIONS CAN NO LONGER BE IN THE BUSINESS OF KEEPING THEMSELVES IN BUSINESS BY MAXIMIZING DUES INCOME. IT HAS TO BE ABOUT MEANINGFUL CHANGE.

THAT CHANGE MUST ENTAIL UNDERSTANDING NEW ECONOMIC REALITIES, OR AS THE *HARVARD BUSINESS REVIEW* RECENTLY PUT IT:

“THAT THERE WILL BE NO GOING HOME AGAIN... THAT THE LANDSCAPE OF BUSINESS HAS BEEN FOREVER ALTERED.”

EVOLUTIONARY SURVIVAL IN THE WORLD, AND IN THE BUSINESS ENVIRONMENT IS ABOUT ADAPTING. CAN UNIONS ADAPT TO THE IDEA THAT INSTEAD OF BEING IN BUSINESS TO SECURE DECENT WAGES FOR THE GREATEST NUMBER OF PEOPLE THEY MIGHT BE BETTER OFF SECURING GREAT JOBS FOR FEWER WORKERS?

IF THE US AIRLINE INDUSTRY WILL BE POSITIONED TO SURVIVE AND COMPETE FOR THE LONG TERM, THESE NEGOTIATIONS MUST CONSIDER LONG-TERM REALITIES. AND THAT’S GOING TO REQUIRE THAT AIRLINES AND UNION LEADERS

FIND BETTER WAY TO NEGOTIATE CONTRACTS WITH SOMETHING OTHER THAN A SHORT-TERM MINDSET.

THE REGIONAL INDUSTRY

EVOLVE, ADAPT OR RISK IRRELEVANCE, RIGHT? WELL THIS SECTOR OF THE INDUSTRY HAS BEEN ASKED TO EVOLVE AND ADAPT ABOUT EVERY TEN YEARS IT SEEMS. THROUGH IT ALL, THE REGIONAL SECTOR HAS BECOME INCREASINGLY RELEVANT. AND IT IS BEING ASKED TO DO IT AGAIN AS WE SPEAK.

THE SECTOR IS CONSOLIDATING. ECONOMIES OF SCALE ARE IMPORTANT TO BUSINESSES IN ANY INDUSTRY. AND IT SEEMS THAT THERE IS NO MORE IMPORTANT TIME THAN NOW FOR THIS SECTOR OF THE INDUSTRY TO BE CONSOLIDATING GIVEN THE FACT THAT THERE WILL BE CERTAIN NEW COSTS IMPOSED ON THE INDUSTRY BY REGULATION. CONSOLIDATION SHOULD HELP TO MITIGATE THOSE COSTS.

IN ORDER TO PREPARE FOR WHAT PROMISES TO BE A DIFFERENT TOMORROW, THERE ARE DIFFERENT MODELS EMERGING. SKYWEST IS BUYING REGIONAL CARRIERS FLYING FOR DIFFERENT MAINLINE PARTNERS; REPUBLIC IS BUYING MAINLINE-LIKE CARRIERS SEEMING TO BET THAT THE FEE FOR DEPARTURE MODEL HAS LIMITED UPSIDE; AND PINNACLE IS BOTH BUYING REGIONAL CARRIERS FLYING PREDOMINANTLY FOR THE SAME MAINLINE BRAND AS WELL AS BETTING ON A RESURGENCE OF THE TURBOPROP.

THUS FAR WE HAVE PAINTED MANY SCENARIOS AND APPLIED PROBABILITIES TO NONE OF THEM.

1. SCOPE WILL BE RELAXED TO PERMIT REGIONAL PARTNERS TO FLY LARGER THAN 76-SEAT FLYING IN THIS ROUND OF NEGOTIATIONS: 5%
2. GIVEN THE COST INCREASES EXPECTED FROM REGULATION, CERTAIN SMALL COMMUNITIES WILL BE DISENFRANCHISED FROM THE AIR TRANSPORTATION GRID OVER THE NEXT 5 YEARS: 95%

3. WHERE SCOPE LIMITS THE MAINLINE TO A LESS THAN COMPETITIVE LEVELS OF 76-SEAT AND LESS FLYING, THERE WILL BE RELAXATION TO PERMIT AN INCREASED NUMBER OF SAID UNITS OF FLYING: 65%
4. ALL OF THE 50-SEAT FLYING SCHEDULED TO COME OFF OF LEASE BETWEEN NOW AND 2016 WILL BE REPLACED: 0%
5. THE MAINLINE PILOTS WILL MAKE THE NECESSARY CONCESSIONS IN THIS ROUND OF BARGAINING ATTRACTIVE ENOUGH FOR MAINLINE MANAGEMENT TO BRING THE FLYING BACK IN HOUSE: 10%
6. THE LEADERSHIP CHANGE AT ALPA, SCHEDULED FOR JANUARY 1, 2011, WILL LEAD TO A MORE PRAGMATIC APPROACH REGARDING SCOPE ISSUES AND THE SMALL JET'S PLACE INSIDE THE NETWORK ARCHITECTURE: 90%

SPEAKING OF ALPA, LET'S LOOK BACK ON SOME COMMENTS MADE OVER THE PAST 18 MONTHS OR SO.

1. LIKENED the *"low-experience pilot problem"* to the mainline airlines' business model. **(Its economics – not a business model)**
2. *"When a regional airline operates a route for a mainline carrier and offers subpar wages and benefits, **only low-experience pilots, who cannot qualify for a job with a better paying airline, are typically willing to accept such employment.**"*
3. *"The managements at XXX and YYY have not changed their ways. The management at ZZZ haven't changed their ways. Do I need to go further? I have a big book," It was then suggested that carriers were actually punishing Captains that report maintenance issues with their aircraft, concluding: "Some managements are still insisting that they are going to beat their pilots into submission."*

WHAT DO I SEE GOING FORWARD

I SEE A DAY WHEN THE REGIONAL CARRIER IS THE FACE OF A LARGE AND GROWING NUMBER OF SMALL COMMUNITIES AND NOT THE MAINLINE CARRIER AS IT IS TODAY. JUST AS COMMUNITIES TRY AND SELL THEIR AIR SERVICE STORY TO THE MAINLINE PLANNING DEPARTMENT TODAY, THEY WILL BE SELLING THAT SAME STORY TO THE PLANNING DEPARTMENTS OF THE REGIONAL CARRIERS TOMORROW. WHY? BECAUSE VACUUMS WILL FORM BECAUSE THE MARKET IS FORCED TO OPERATE UNDER ARTIFICIAL RULES AND CONSTRAINTS – **AND WE ALL KNOW THAT NATURE ABHORS VACUUMS.** THE REGIONAL SECTOR WILL INCREASINGLY BECOME A LARGE AND LARGER FACE OF THE DOMESTIC MARKET.

BUT IT WILL BE DONE WITH AN INCREASING LEVEL OF FLYING BEING DONE “AT RISK”. IF I AM RIGHT AND THIS ROUND OF NEGOTIATIONS “SCOPES OUT” THE REGIONAL SECTOR FROM FLYING MORE 76-SEATERS AND DOES NOT PERMIT THE FLYING OF BIGGER AIRCRAFT, THERE NEEDS TO BE AN EXIT STRATEGY FOR THE SECTOR FROM THE WAY BUSINESS IS CONDUCTED TODAY. AN EXIT FROM THE TENTACLES OF MAINLINE RESTRICTIONS ON WHAT AND HOW MUCH FLYING CAN BE DONE BY PARTNER AIRLINES.

I CAN SEE A DAY WHEN THE REGIONAL CARRIERS OF TODAY ARE BUYERS OF MAINLINE DOMESTIC HUBS. IF THE REGIONALS ARE ABOUT TO GET “SCOPED OUT” OF THE EQUATION, THEN HUB ECONOMICS ARE SURE TO SUFFER. FEED SUPPORTS MAINLINE DEPARTURES AT THE HUB. ABSENT THE FEED, WELL HUBS THAT MAY BE PROFITABLE TODAY POTENTIALLY BECOME UNPROFITABLE.

IF THE US REGIONAL CARRIERS ARE GOING TO GET “SCOPED OUT”, THEN WHO SAYS THAT THE REGIONAL SECTOR SHOULD NOT BE PURSUING OPPORTUNITIES ABROAD? OPPORTUNITIES WHERE A US REGIONAL BRAND BECOMES THE STANDARD EMBRACED BY ONE OF THE GLOBAL ALLIANCES? OWNERSHIP LAWS

NEED NOT APPLY ONLY TO MAINLINE CARRIERS, WHAT ABOUT THE US REGIONAL SECTOR PUSHING FOR CHANGES IN THE LAW BECAUSE THEY ARE “SCOPED OUT” IN THE US? CONSOLIDATION INSIDE THE REGIONAL SECTOR IS BUILDING COMPANIES WITH SIGNIFICANT SCOPE AND SCALE ON THE OPERATING SIDE. LIKE THE MAINLINE CARRIERS, FOCUS ON THE BALANCE SHEET NEEDS TO BE FRONT AND CENTER IN ORDER TO TAKE ADVANTAGE OF OPPORTUNITIES THAT MAY SEEM FAR FETCHED TODAY BUT IN REALITY ARE NATURAL NEXT STEPS FOR THIS SECTOR OF THE INDUSTRY.

FINALLY -- MAYBE IT IS JUST HIGH TIME TO ASK THE QUESTION ABOUT THE OWNERSHIP OF FLYING. SCOPE SEEMS TO SUGGEST THAT ALL FLYING WITHIN THE NETWORK IS THE SOLE DOMAIN OF THE MAINLINE CARRIER – OR AT LEAST THE MAINLINE PILOTS. JUST BECAUSE A MAINLINE CARRIER FLEW A ROUTE IN 1989 WITH A DC-9 OR IN 1982 WITH A 727 AND THE SEGMENTS ARE NOW FLOWN WITH REGIONAL EQUIPMENT DOES NOT ENTITLE A PILOT GROUP TO ROUTE OWNERSHIP IN PERPETUITY. IN A DEREGULATED WORLD, NO ONE OWNS DOMESTIC ROUTE RIGHTS. NOR SHOULD ANY DOMESTIC FLYING BE GOVERNED BY A LABOR AGREEMENT THAT PROHIBITS A MARKET FROM WORKING FREELY.

I DIGRESS.

THANK YOU FOR THE OPPORTUNITY TO SPEND SOME TIME WITH YOU TODAY.