



A Declaration Of War

Embraer Goes For The Kill

Do you wonder why Delta, American, and United have suddenly, and seemingly in unison, moved aggressively against the scope clauses of its mainline pilot union contracts? Why has Delta hastily offered up money for its pilots, when the RLA allows them to drag this out for a decade? Why has American declared bankruptcy, with bank accounts that measure in the billions, yet demands no pay cut for its pilots? Why has Jeffery suddenly declared that he wants to get his pilot contract finished, but no progress is being made?

Nothing of this sort happens by accident or coincidence. There is something behind the effort, and Robert Wall of Aviation Daily tells us exactly what that is.

“Embraer Expects Flood Of Large Regional Jet Orders From U.S. Carriers”

That headline is impossible with the current scope clauses at the major network carriers in North America. This is what is behind the recent, coordinated grab for the scope of flying done by mainline US pilots and is nothing short of a declaration of war on the pilot profession.

We interrupt our three part series on “Shiny Objects Syndrome” and provide this commentary to be used as a companion piece when reading the Shiny Object Syndrome series. The article serving as the basis for commentary is published by *Aviation Daily*, June 6, 2012, by Robert Wall. Aviation Daily’s words appear in [blue](#), with our commentary in black.

Expected changes to AMR Corp.'s scope clause provision with its American Airlines pilots should result in large orders from U.S. carriers, says Paulo Caesar Silva, Embraer's president for Commercial Aviation.

What prevents outsourcing of pilot jobs? Is it the good-natured disposition of pilots that the public admires? Is it dedicated professionalism? Is it keeping your hands clean and your powder dry for decades on end?

No. It is the contractual language reserving the exclusivity of flying to the pilots on the seniority list of the mainline, and more importantly, the ability to defend it. Nothing else. Paulo Caesar Silva, the president of Embraer's Commercial Aviation division, sees the erosion of our scope clauses as nothing short of the foundation of his company.

AMR Corp is in bankruptcy court arguing that their pilots do too much flying and that they need to outsource anywhere between 400-1400 jobs (depending if the source is under oath) to save their once great airline. Once the scope protections are eliminated by the enormously one-sided bankruptcy procedure in the United States, AMR will contract to buy larger jets for its outsourcing operation, American Eagle.

There is "huge opportunity that we see now in the U.S. market," Silva says, adding, "We estimate that in the next few years there will be 400-500 aircraft that will have to be acquired by these major airlines in the United States."

The "next few years" will see 400-500 new Embraer aircraft enter the US market? Just think, Delta is only acquiring 70 (or that is what DALPA thinks will be the cap), and they are the second largest airline. How many jungle jets are United and American going to buy? How will no less than 330 aircraft be split?

No wonder pilots at United want release from mediation. Their negotiators must be facing down a massive drive for more outsourcing, and they already have the most lax scope clause in the business.

The mystery is gone as to why many American Airlines pilots are plotting a wildcat. The future of their livelihoods depend on that outsourcing drive being turned away, one way or another.

American will place "a huge order" in the next year, Silva says, noting "this will be the driver" for others, including Delta Air Lines—which is ridding its regional feed of many 50-seat jets—to seek more regional jets in the 70-plus size range, which includes Embraer's E-175 airframe.

That answers the question on where the aircraft are going. Silva tells us that AMR will place "a huge order" within the next year. Silva notes that "this will be the driver" for others (CUH, DAL, and any start-ups) to seek even more 70+ seat Embraer jets.

It seems that DALPA's bid for relevancy, in the face of decertification by DPA, has dire consequences for all mainline pilots - not just the junior pilots at Delta. The erosion of scope at Delta, and the smashing of the APA-AMR pilot contract in mid-June spills over to the rest of us. Delta's fight is United's fight; American's fight is Delta's fight, and United's fight is American's fight.

More ominous for AAL pilots is the provision in their new CLA with US Airways that provides an exception for the hard metrics to grow the mainline when the regional feed is upsized. The exception provides that if AMR irrevocably obligates itself to acquire new R-Js prior to the effective date of the US Airways/APA Conditional Labor Agreement, APA pilots have to suck up the disparity by not having any way to obligate US Airways to inflate the mainline accordingly.

That is a hole big enough to drive a fleet of 88 seat jets through. The wording of the CLA prevents AAL pilots from having the ability to block such an instance. How much will Horton get in his golden parachute for buying a bunch of Silva's jets prior to the effective date of transfer to US Airways?

[Silva also expects United Airlines will seek greater scope clause relief from its pilots groups.](#)

Of course Jeffery is seeking even greater scope concessions from the most abused pilots in the industry. Why wouldn't he? The RLA has Jay Heppner and ALPA-UAL pinned down. The details of the negotiations between United and its pilots have not been released, but everyone knows the sticking issue is scope. We anticipate that Jeffery will dangle some cash in front of senior pilots to grease the skids on, yet another, scope concession. If not, he will just wait them out under the RLA until they grow fatigued and cave in for cheap.

[Embraer is currently negotiating with AMR about the return of ERJ regional jets from its American Eagle Airlines division. AMR has said it wants to relax its strict scope clause, which currently limits its feed to 50-seat jets, to 88-seat aircraft.](#)

This is how the deal is being sold to AAL pilots. The fear grenade goes something like this: "Brazil doesn't recognize US bankruptcy law, but they are willing to trade in our useless 50 seaters for larger 88 seaters and restructure the debt. If not, we may lose a chunk of our Latin American division if Brazil impounds our 777s in Sao Paulo."

It is doubtful this is the case. Embraer needs AMR and every other network carrier to buy their jets. Impounding 777s would create an international crisis that Brazil would likely lose, as it would create a chilling effect for future sales of jungle jets. Additionally, if it is true that Brazil (specifically Embraer) doesn't recognize US bankruptcy law, you certainly wouldn't know it by all the drool coming from Silva's mouth when he contemplates bankruptcy court smashing, yet another, pilot scope clause.

This is, yet another, epic screw-up by management and the pilots are supposed to clean up the mess while the executives rake in the millions.

Growth in the U.S. could be critical for Embraer as other markets are softening with declines in gross domestic product growth. Embraer's outlook sees 4,125 90- to 120-seat regional jets sold through 2030, most of them expected in the last decade, while the forecast for the 61- to 90-seat segment is for 2,670 aircraft. The 30- to 60-seat market will be relatively quiet, with only 15 aircraft to be sold in the next decade and 430 through 2030.

Deliveries to North America will dominate, with around one-third of the market or 2,350 units. Europe will be next, followed by China and Latin America, predicts Embraer.

Remember when OPERATION ORANGE said that this fight between management and mainline pilots will be over by the end of the decade? We have been saying that since we went public in October of 2010, and this is exactly what we are talking about.

By the end of the decade, management WILL HAVE the ability to outsource enough of the domestic operation to wait out a strike by pilots. At that point, management can petition the NMB for release, lock-out the pilots, and do a comprehensive replacement of its mainline. (See CrossAir and Swiss Air as one possibility). Silva must be pretty confident to announce that many aircraft will be purchased by network carriers. It isn't just the outsourcing, but using these new aircraft to permanently replace the entire domestic air transportation system in the United States and Canada.



It looks as if Silva is targeting the North American market, with 2350 new jets. How does that compare to the entire R-J lift now being operated? The ONLY WAY that happens is if United, Delta, and American succeed in carving out the scope clauses in their contracts, which means that if you are flying what is considered "mainline" aircraft today, you will be likely furloughed out to fly in one of many outsourcing operations that will all bid against one another for work.

Say goodbye to seniority and any benefit it provides. Seniority is only valuable if you are employed. There may be a ephemeral pilot shortage looming, but management and government do not care; they will just get foreign labor to fly these jets.

This is a fight where the victor will be known by 2020. That's when Silva plans on accelerating the deliveries of his larger jets.

This does not need to happen. No pilot union has balked at flying these new Embraer jets. It is management that does not want its mainline pilots to fly them. Cost has little to do with it. It is control the management teams want. They desperately need an avenue around their pilot scope clauses to install their "lift brokering" model, and Embraer is the easiest way to do it.

Pilots in the United States (and Canada) need to unite to turn back these plans. Silva isn't speaking in hypotheticals; things such as the ordering of an entirely new class of aircraft fleet don't happen with such casual musings. Things like this happen because the long-term planners for the various airlines get together with their counterparts at aircraft manufacturers and chart a course to follow. The Embraer jets fit the need for the airlines in the outsourcing arena.

By supporting OPERATION ORANGE, we can get legislation passed pushing back the legality of domestic code sharing and putting a price tag on small-jet flying that brings it under the umbrella of the mainline pilot union. The window on our opportunity is still wide open, but growing smaller with each bout of complacency and distraction with shiny objects.

Silva has told us that management is preparing for another round of concessions like we had over the past decade. We are of the opinion that the AMR bankruptcy filing is not the last battle of the previous war, but the first skirmish in the next one. The next round will likely be much, much more harsh, as the new government will be installed to "deal with unions." The anti-union hysteria will not distinguish between public sector and private sector.

It is time to fight for our profession. We have outlined how things are playing out, and aside from very minor details, our predictions are coming true. Our fear is that 2020 will come and pilots will not have woken up until they are all organized in the unemployment office.

It would be much better to organize now, while we still can. Silva has leaked the war plans with cockiness on a breathtaking scale. The next war has begun and the first shot is scheduled to be fired on June 22, 2012. Are we going to fight back with all that "dry powder" we have accumulated, or are we going to have to be overrun, yet again?

General Patton said that he didn't want to hear about how his troops were "holding their position." He wanted to hear how his troops were gaining position on the enemy, while using the guts of the enemy to grease his tank treads. Who has Patton: management, who is using ALPA to usher in the outsourcing of mainline pilot jobs, or our pilot associations, with their squeaky-clean hands and massive stores of dry powder?

For more information, please visit www.OPERATIONORANGE.org

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