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Perspectives on the Pilot Supply Problem

Geoff Murray Ph.D.

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PERSPECTIVES ON THE PILOT SUPPLY PROBLEM

AUGUST 15, 2017

Geoffrey C. Murray, Ph.D.
Aerospace Sector Leader
What’s Oliver Wyman? Why are we here?

• Oliver Wyman is a consulting firm—we help companies anticipate and solve complex challenges
  – Very strong focus on aviation and aerospace
  – Experience working with most major airlines, OEMs, suppliers and sponsors, including many here

• We believe the pilot shortage is real and represents a “perfect storm” in the battle for talent
  – Once aligned objectives and priorities among various aviation entities are now competing
  – Evolving regulatory environment
  – Decreasing emphasis on manned military aviation
  – Decreasing appeal of professional aviation

• We’ve recently completed two projects for major U.S. airlines addressing these challenges, so we represent a qualified opinion
The “pilot pipeline” is dramatically changing, shifting demographic of same quality

10 years ago quality pilot supply was abundant
- Typically an ATP rated pilot with ~15 years experience in his/her late 30s
- Successful in college as a thought leader with a self-developed passion for aviation
- Willing to endure long-road to a major on the heels of economic recessions

Today there is decreasing interest in aviation
- Military now only account for ~30% of major airline new hires
- Young professionals increasingly value work/life balance when considering career opportunities, favoring other industries
- Graduates of professional pilot-degree decreased ~23 percent from 2001 - 2012

Radically new recruitment and training programs are needed
- Increased focus on upstream student recruitment to aviation
- Aligned incentives among industry stakeholders
- Reduced training and professional discontinuities
- More attractive long-term student value proposition and quality of life offering

Source: ALPA, 2014 GAO report, 2016 Deloitte millennial survey
Quick adoption initiatives include focusing recruiting efforts upstream and aligning the incentives of different industry stakeholders.

### Upstream recruitment

#### Future Focus
- Secondary school
- High school

#### Traditional channels
- Undergraduate university
- Flight instruction
- Regional airline
- Major airline

#### Medical & Engineering talent sourcing approach

### Aligned incentives

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<thead>
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<th>Evolving Approach</th>
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More complex adoption initiatives require industry wide collaboration to improve the career value proposition for aspiring pilots.

Reduced continuities:
- Student pilot
- CFI
- Regional
- Major

Value proposition:
- Narrow focus on compensation

Comprehensive offering focused on attributes that appeal to younger generations:
- Fair compensation
- Leadership opportunities
- Improved quality of life
- Career advancement
An immediate opportunity already exists to create a compelling and differentiated value proposition

**Career advancement**
- Guarantee flow from regionals to majors
- Expand flow-through opportunities to begin in flight training

**Stable quality of life**
- Incorporate gateway out-basing and/or introduce smaller bases
- Augment seniority bidding, complement preferential bidding

**Leadership opportunities**
- Accelerated promotion to Captain
- Create new opportunities to serve the enterprise outside of flying

**Competitive compensation**
- Complement hourly rate, equipment and seat-based pay structure
- Incorporate models that complement flight-based pay

Source: ALPA, National Academic Press, Airline corporate websites and recruiting materials,
Key takeaways

• The pilot shortage is well-documented but remains only reasonably well understood

• Investment in three key initiatives can mitigate risk to mainline carriers and the industry as a whole
  – **Increased focus on upstream student** recruitment to aviation
  – **Reduced discontinuity** between phases of flight training
  – More attractive **long-term value proposition**

• An **industry-wide strategy of collective solutions (many which already exist)** among multiple parties is necessary
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