

Training and the pilot shortage

Geoff Murray

Oliver Wyman, geoff.murray@oliverwyman.com

Follow this and additional works at: <https://commons.erau.edu/ntas>



Part of the [Business Administration, Management, and Operations Commons](#)

Murray, Geoff, "Training and the pilot shortage" (2023). *National Training Aircraft Symposium (NTAS)*. 7.
<https://commons.erau.edu/ntas/2022/presentation/7>

This is brought to you for free and open access by the Conferences at Scholarly Commons. It has been accepted for inclusion in National Training Aircraft Symposium (NTAS) by an authorized administrator of Scholarly Commons. For more information, please contact commons@erau.edu.



INSIGHTS & SOLUTIONS TO THE PILOT SHORTAGE

NTAS Conference
October 26, 2022

Geoffrey C. Murray, Ph.D.

A business of Marsh McLennan

KEY MESSAGES

01

Airlines are beginning to feel the impacts of the pilot shortage, especially regionals

02

Short term schedule reductions are allowing carriers to maintain operation

03

At the same time, carriers are increasing pay rates to historic levels to build and maintain pilot pipeline

04

Even with these changes, we still expect as shortage to persist throughout the next decade

AIRLINES, PARTICULARLY IN NORTH AMERICA, HAVE STRUGGLED WITH A PILOT SHORTAGE AND ARE LOOKING AT A VARIETY OF WAYS TO ADDRESS IT

“The pilot shortage haunting airlines for decades is finally here”

Dallas Morning News, March 2022

“Airline pilots seek big raises, broader changes”

New York Times, July 2022

“A shortage of pilots looms as the next challenge for airlines”

Bloomberg, April 2022

“Swelling pilot pay could force US regionals to contract”

Flight Global, September 2022

“Pilot shortage to blame for summer travel headaches”

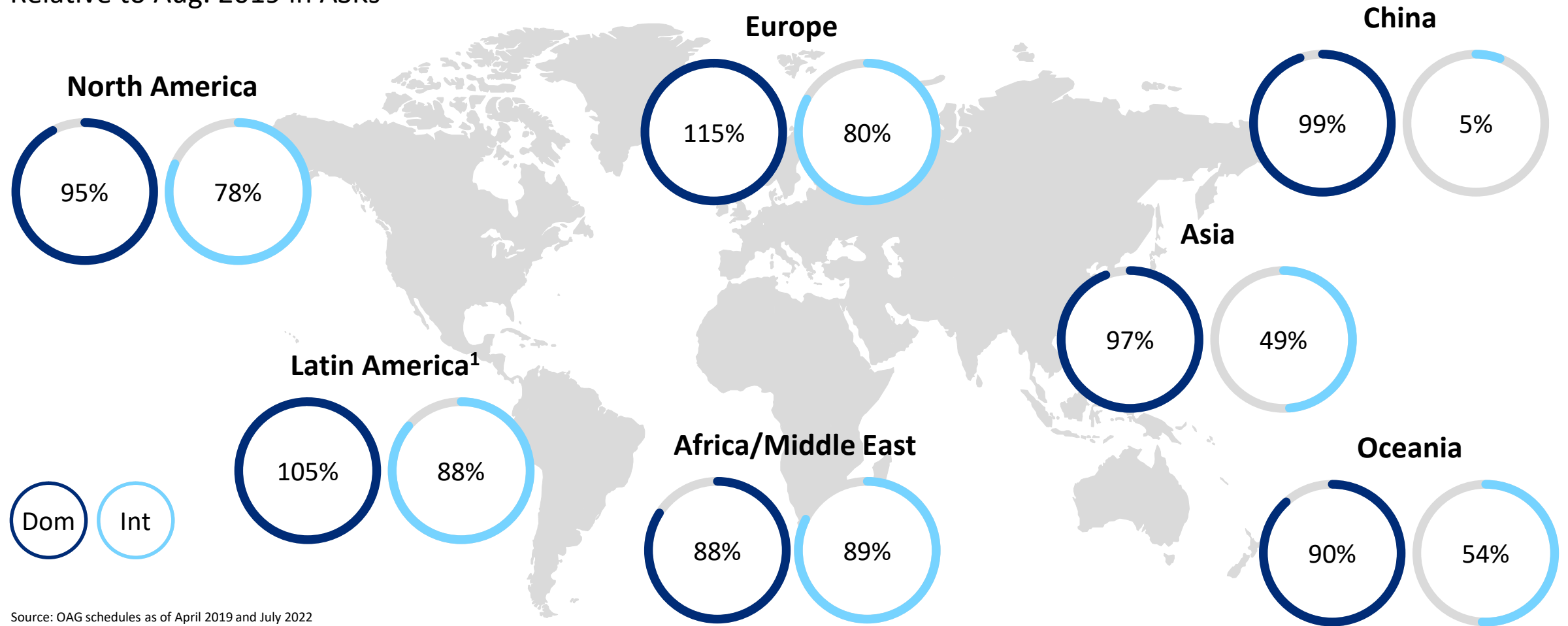
USA Today, June 2022

“Why hasn’t the US solved the pilot shortage”

Newsy, October 2022

AT THE SAME TIME, GLOBAL DEMAND HAS REBOUNDED, WITH THE U.S. OPERATING AT OR NEAR 2019 LEVELS IN BOTH THE DOMESTIC AND INTERNATIONAL MARKETS

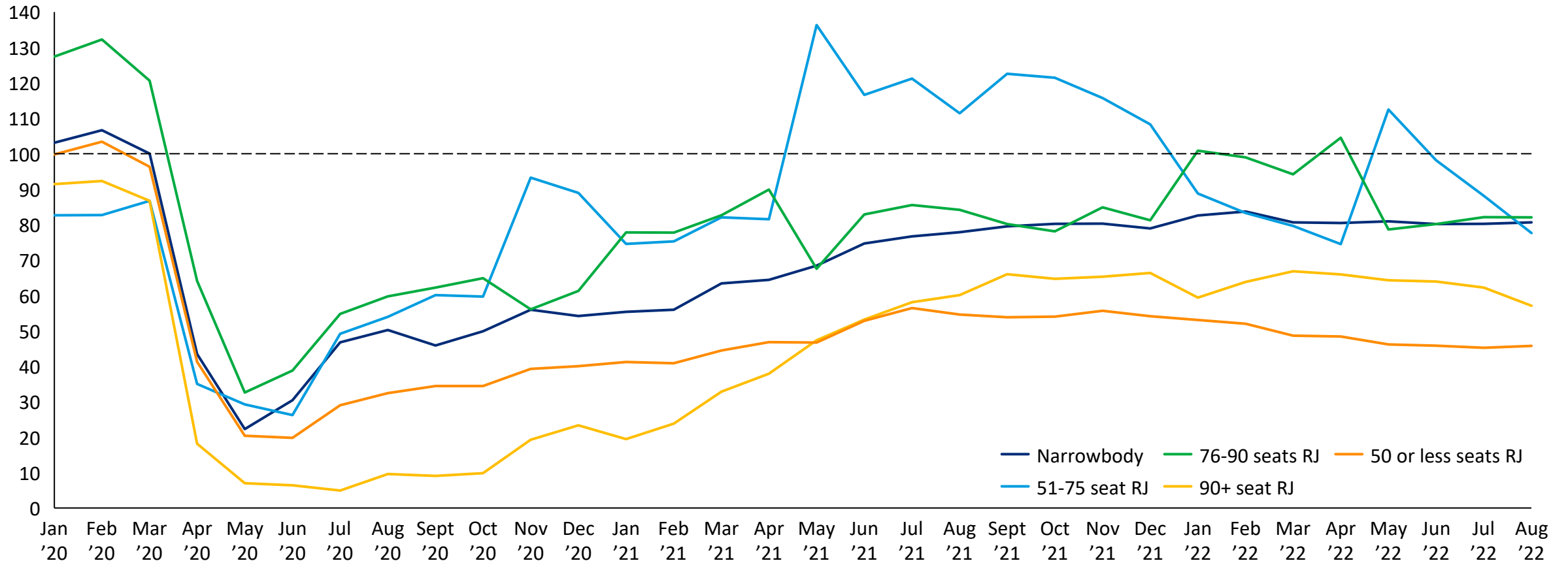
Current snapshot: Airline capacity by region Aug. 2022
Relative to Aug. 2019 in ASKs



Source: OAG schedules as of April 2019 and July 2022
1. Latin America includes Mexico, the Caribbean, and South America
© Oliver Wyman

HOWEVER, REGIONAL FLYING HAS NOT RETURNED TO PRE-COVID LEVELS AS STRAINS ON THE PILOT SUPPLY HAS LIMITED SCHEDULES AND DRIVEN DOWN BLOCK HOURS

United States Regional and Narrowbody Jet Block Hours
Indexed to same month in 2019

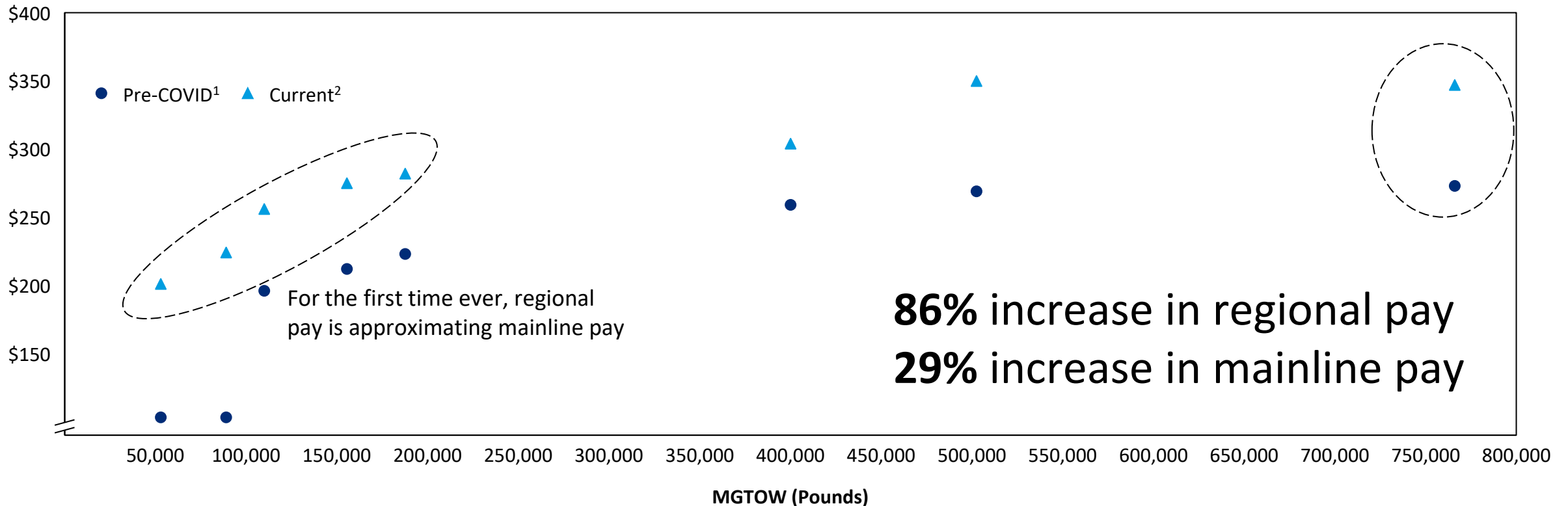


Source: Planestats Scheduled Data
Notes: Oliver Wyman analysis

PAY INCREASES HAVE TAKEN PLACE FOR PILOTS OF ALL AIRCRAFT TYPES, WITH THE MOST SIGNIFICANT INCREASES GOING TO REGIONAL PILOTS

Change in *Top-of-Scale* Captain Pay by MGTOW (Pre-COVID versus Current)

Hourly Pay (\$)



1. Historical pay rates refer to those in effect prior to 2020, with most circa 2015

2. Current pay rates refer to those in currently effect (or will be in effect based on union approval in 2022) for 2022 and beyond

Note A: Different regional aircraft (those with MGTOW under 100,000 pounds) in the sample are pooled together, and the benchmark MGTOW used is that for the E175 at 89,000 pounds for simplicity

Note B: Some extrapolation of available data was used to estimate the 12-year captain pay in which the explicit 12-year captain pay was not directly available; the assumption used is that the pay escalation from tenure year-to-year is the same

Note C: Regional airlines included in the sample are Republic, SkyWest, Envoy, Horizon and Mesa; legacy airlines included in the sample are American, Delta, Hawaiian, and United

Source: Airline Pilot Central, SWAPA Contract Comparison 2015, Simple Flying, Business Insider, AZ Family, Oliver Wyman Analysis

BACK TO THE FUTURE: THE ORIGINAL “RJ”

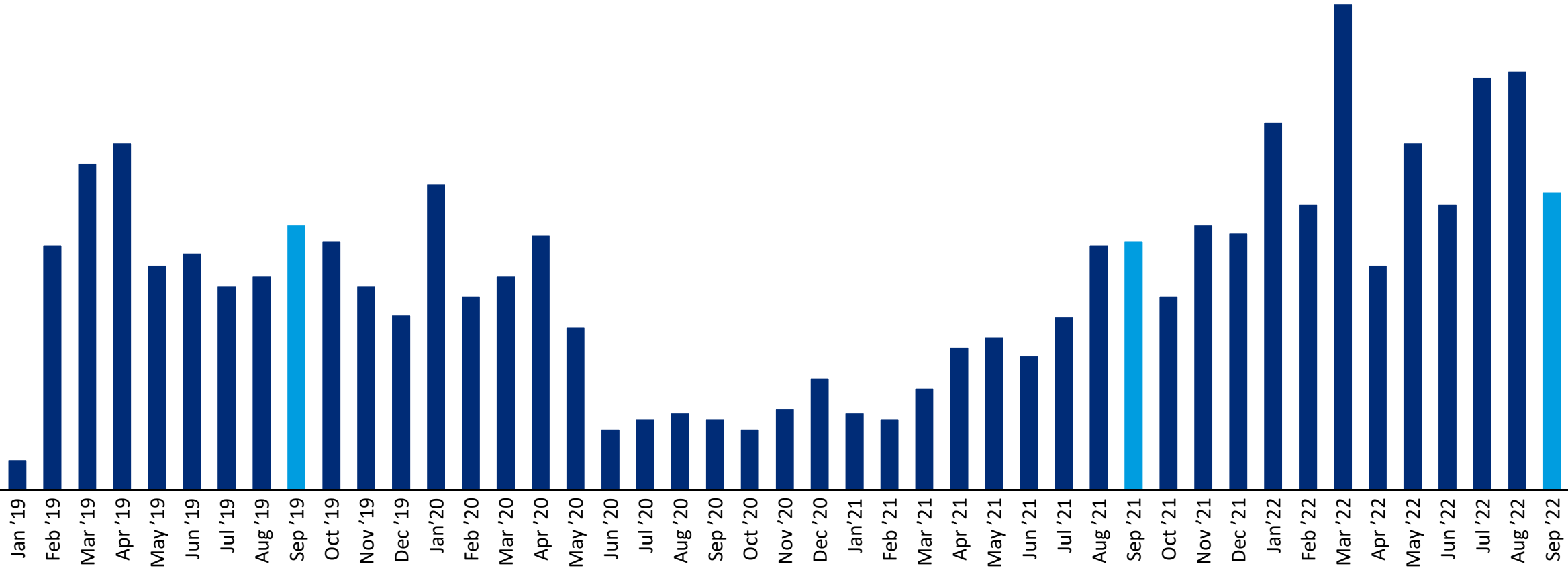


American Airlines **BAC-111** 

63 - 74 Seats

NEW CONTRACTS APPEAR TO BE HAVING AN IMPACT AS NEW MONTHLY ATP ISSUANCES CONTINUE TO GROW

FAA ATP Issuances
2019 - 2022

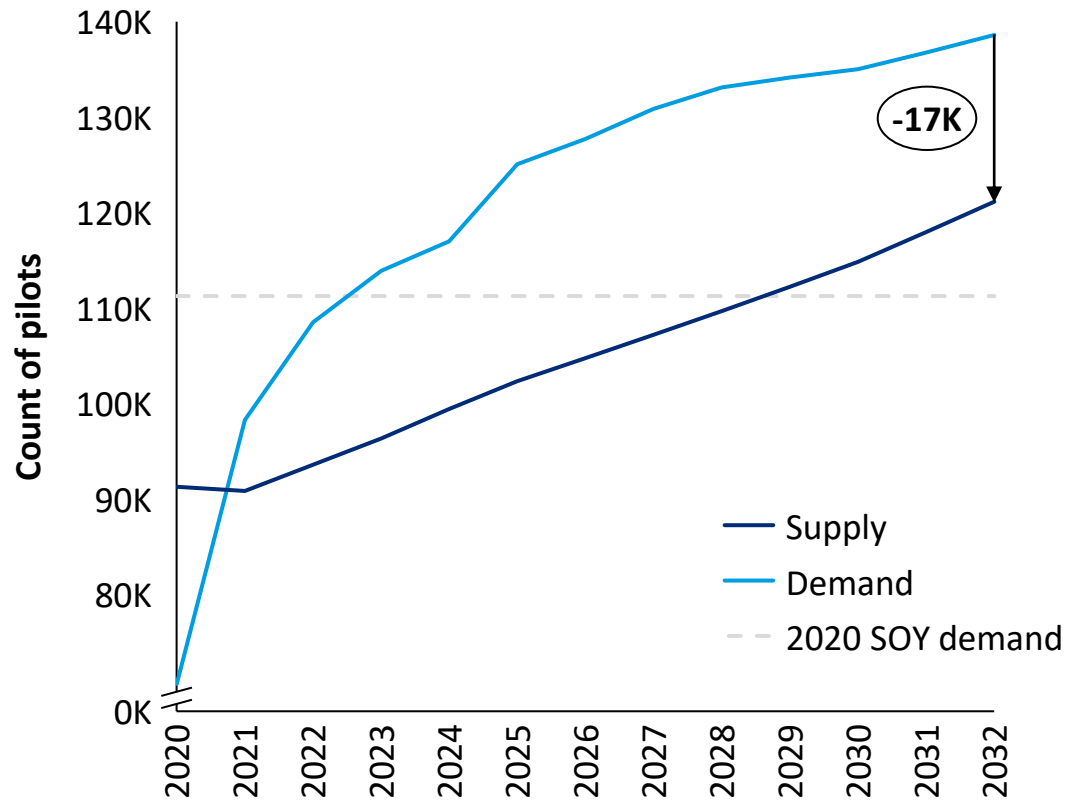


Source: FAA, Jefferies
© Oliver Wyman

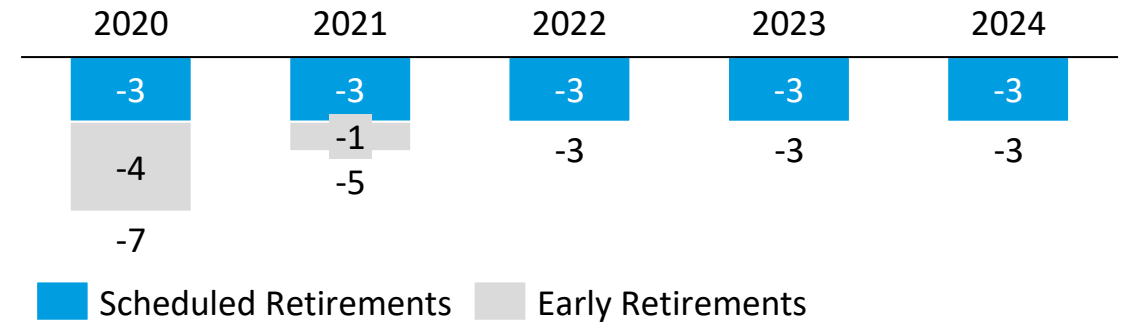
NORTH AMERICAN PILOT SHORTAGE: ALREADY HERE

The return of airline demand combined with substantial pilot supply shocks means the pilot shortage has already emerged in North America and is expected to grow throughout the decade

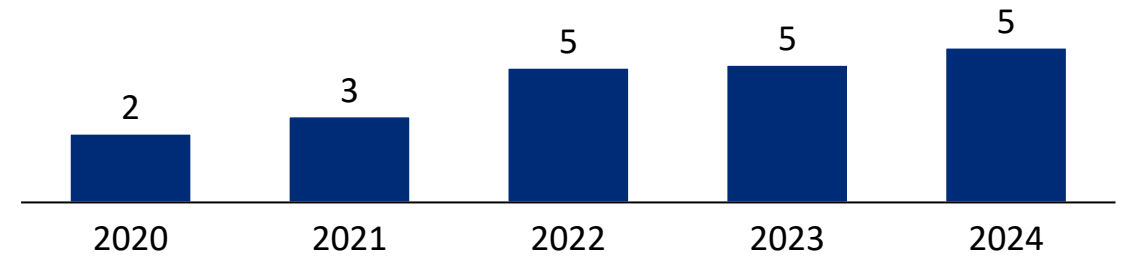
Pilot demand versus supply: North America
2020-2032, end of year



North American pilot exits
2020-2024, end of year (thousands)

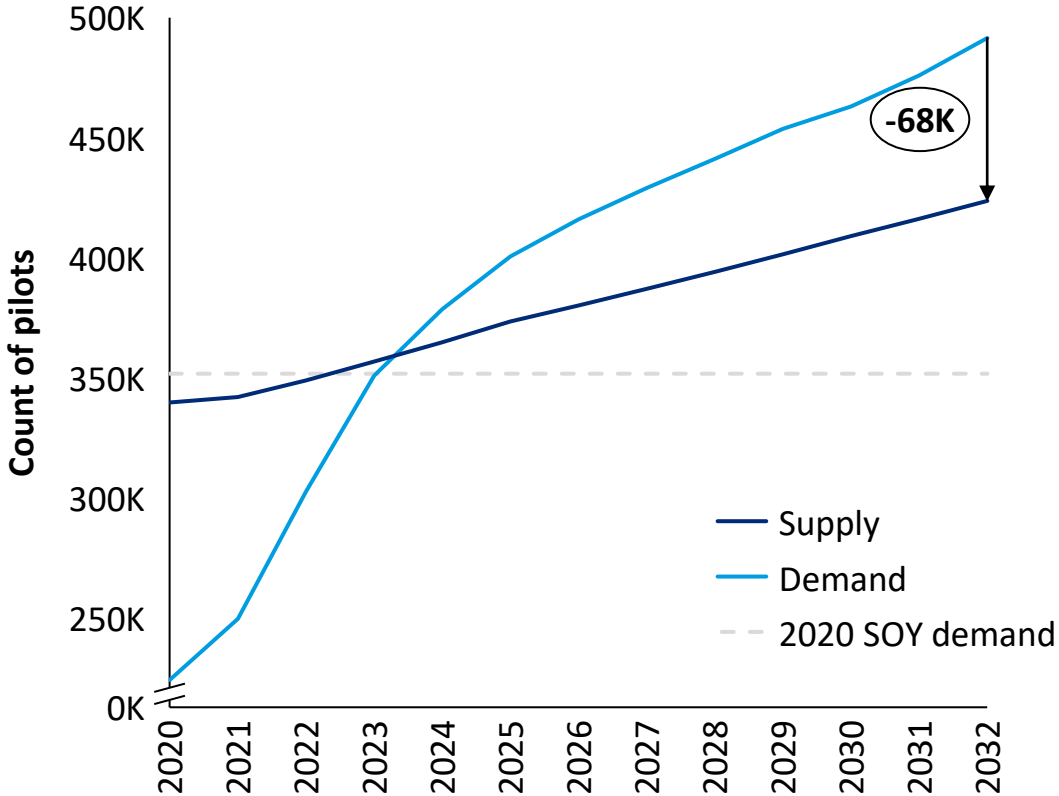


North American supply of new pilots
2020-2024, end of year (thousands)

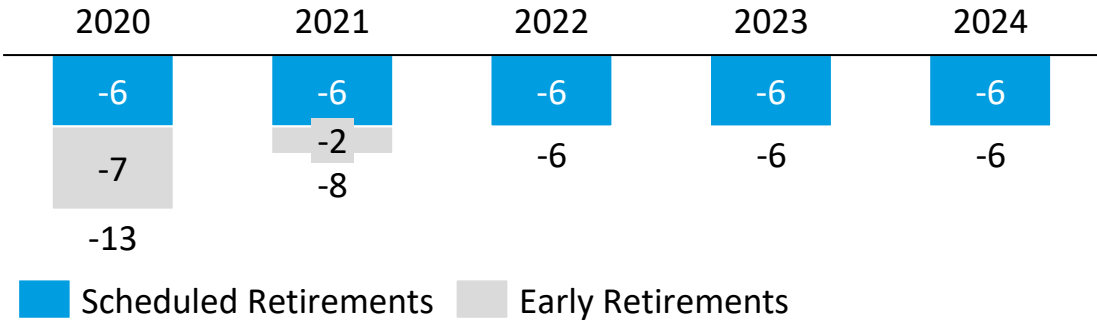


GLOBAL PILOT SHORTAGE: WON'T EMERGE UNTIL MID-2024

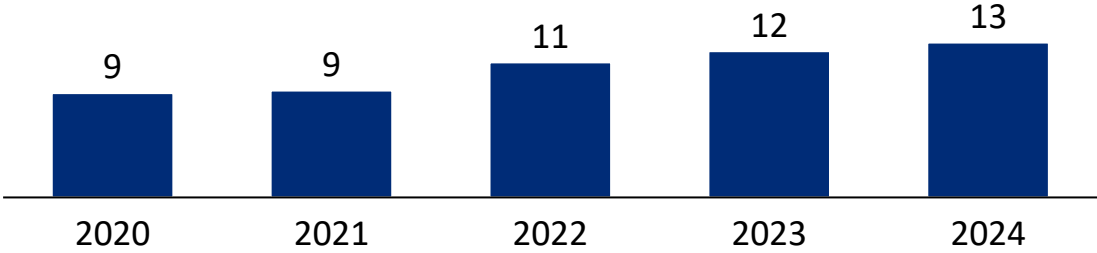
Pilot demand versus supply: Global
2020-2032, end of year



Global pilot exits
2020-2024, end of year (thousands)



Global supply of new pilots
2020-2024, end of year (thousands)

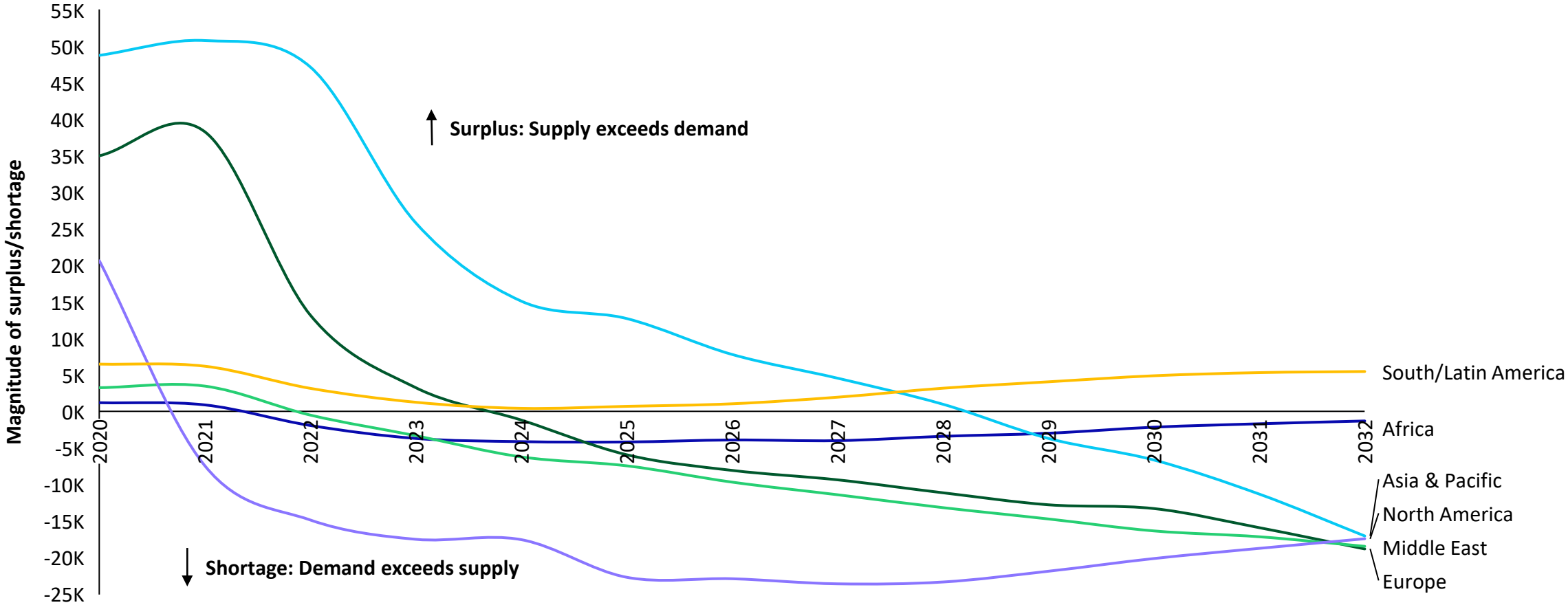


GLOBAL PILOT SHORTAGE

While most regions will face a pilot shortage, North America is expected to experience the most acute shortage over the next ten years

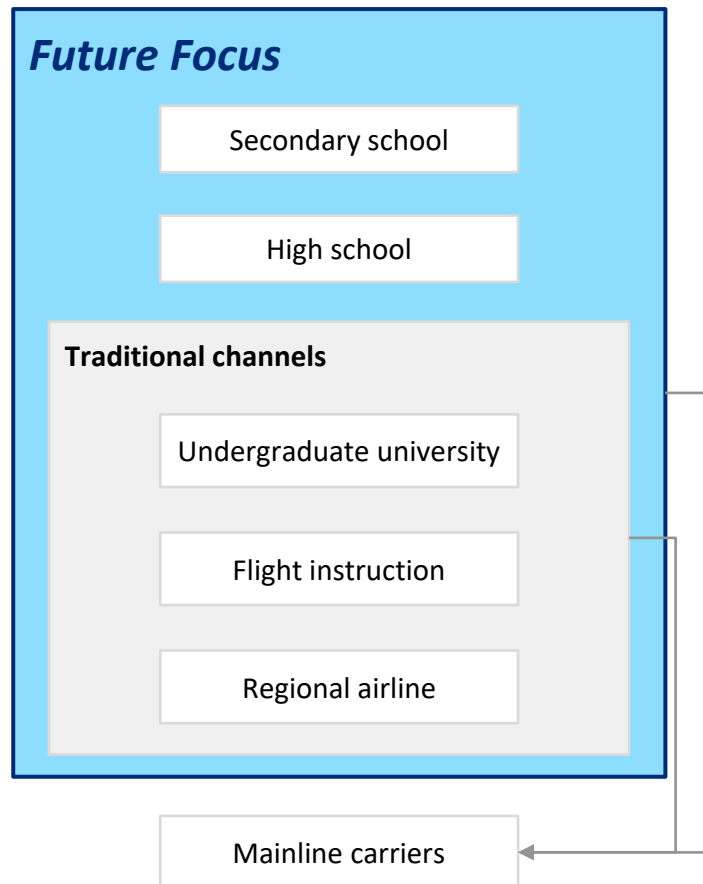
Pilot demand vs. supply, forecast

2020-2032, end of year



BROADENING THE MANPOWER PIPELINE

UPSTREAM RECRUITMENT

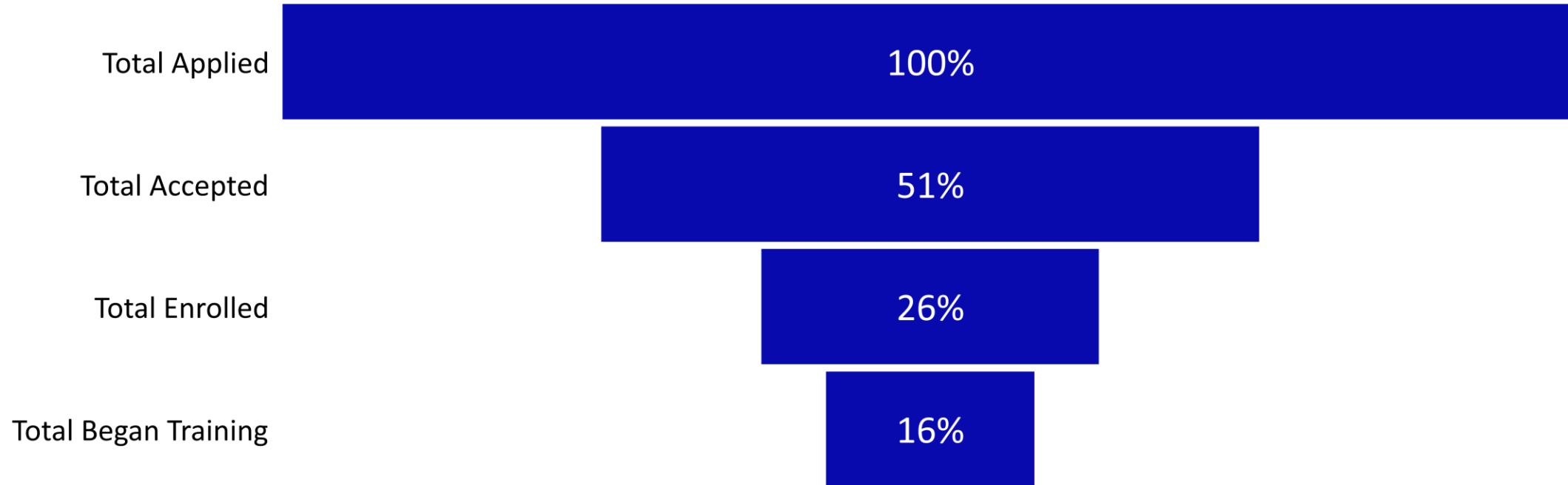


ALIGNED INCENTIVES

Entities	Traditional Approach	Evolving Approach
Mainline airlines	Passive, maintain adequate pilot supply with minimal recruiting costs	Introduce primary flight training and move further upstream to high schools and colleges
Regional airlines	Passive, focus on low overall pilot labour costs	Focus on primary flight training partnerships or outright ownership
Flight schools	Passive, rely on deep pool of flight instructors to facilitate lower-cost training	Protect supply of instructors, provide vehicles for smaller cash outlay
OEMs	Maintain contracted deliveries and facilitate training	Increased collaboration to develop data driven training mechanisms
Labour unions	Maximize pilot pay and benefits, seniority rules	Offer better quality of life initiatives for junior pilots
Regulators	Manage risk with increased training requirements and minimums	Refined ratings structure to balance risk and industry demand

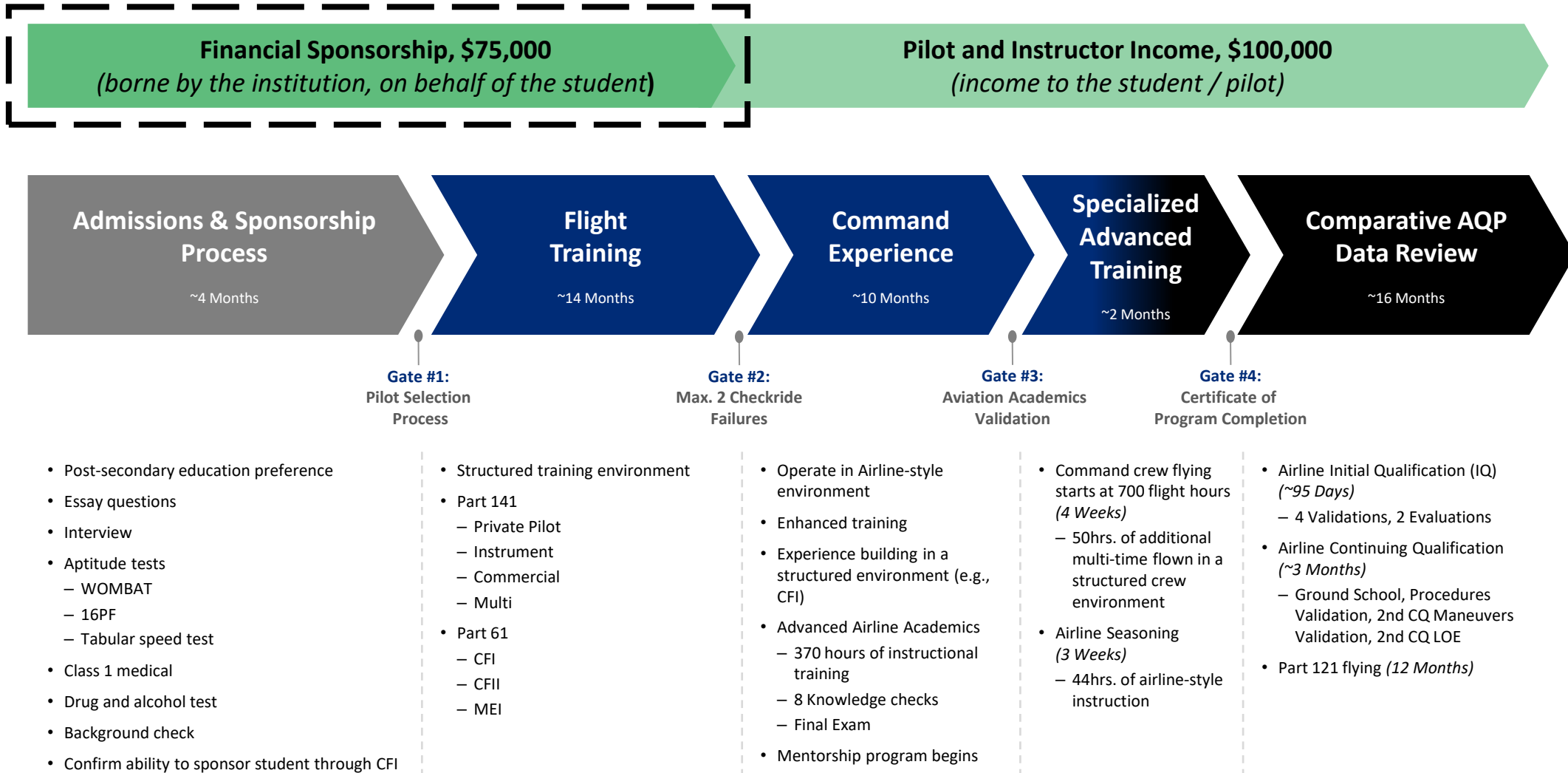
INTEREST IS STILL THERE, BUT COST AND FINANCING ARE CONSIDERATIONS

LIFT Admissions Funnel



Based on similar programs, less than 60% of accepted applicants qualify for financing, and *the majority of those who do ultimately enroll*

SPONSORSHIP: ONE SOLUTION AMONGST MANY



KEY TAKEAWAYS



US airlines, especially regionals, are feeling the impacts of the pilot shortage

To combat the pilot shortage, airlines are dropping flying and increasing pay rates to attract more pilots

However, the pilot shortage is still expected to persist throughout the decade and will continue to reshape the industry

QUALIFICATIONS, ASSUMPTIONS, AND LIMITING CONDITIONS

This report is for the exclusive use of the Oliver Wyman client named herein. This report is not intended for general circulation or publication, nor is it to be reproduced, quoted, or distributed for any purpose without the prior written permission of Oliver Wyman. There are no third-party beneficiaries with respect to this report, and Oliver Wyman does not accept any liability to any third party.

Information furnished by others, upon which all or portions of this report are based, is believed to be reliable but has not been independently verified, unless otherwise expressly indicated. Public information and industry and statistical data are from sources we deem to be reliable; however, we make no representation as to the accuracy or completeness of such information. The findings contained in this report may contain predictions based on current data and historical trends. Any such predictions are subject to inherent risks and uncertainties. Oliver Wyman accepts no responsibility for actual results or future events.

The opinions expressed in this report are valid only for the purpose stated herein and as of the date of this report. No obligation is assumed to revise this report to reflect changes, events, or conditions, which occur subsequent to the date hereof.

All decisions in connection with the implementation or use of advice or recommendations contained in this report are the sole responsibility of the client. This report does not represent investment advice nor does it provide an opinion regarding the fairness of any transaction to any and all parties. In addition, this report does not represent legal, medical, accounting, safety, or other specialized advice. For any such advice, Oliver Wyman recommends seeking and obtaining advice from a qualified professional.



A business of Marsh McLennan