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RENO AIR: BUMPY RIDE

Reno Air celebrates its fourth anniversary this month, showing fiscal health for the first time in 1995, after three straight years of financial losses.

The regional carrier, which began by offering service to Seattle and Los Angeles from Reno/Tahoe in 1992, left the gate with losses of \$2.1 million its first year. Losses escalated yearly to a high of \$13.9 million in 1994. At the same time, Reno Air expanded service from three cities to 17 and grew from one aircraft in service to 30. Reno's profit of \$1.9 million in 1995 pleased stockholders and may also yield new opportunities for pilots.



E OVER?

■ FRANCES A. KENNELEY

Although many upstart airlines have a rocky runway at takeoff, none has been bumpier than Reno Air's. The intensely competitive West Coast market, dominated by Southwest Airlines and United Airlines, is noted for its frequent fare wars and changing conditions. Reno Air's entry into this market was based on an analysis that its home base of Reno/Tahoe was underserved, particularly for leisure travelers.

After just a month in business, service was expanded to include Portland, Ore. and San Diego. Later that year, Ontario, Calif. and San Francisco were added to the destination list. The airline had boasted one MD-80 aircraft and 150 employees.

By 1993, flights to Minneapolis/St. Paul and Kansas City were started, then dropped due to low response. Reno Air also developed San Jose as a second hub, a move that pitted the fledgling against Southwest and mirrored routes dropped by American Airlines due to unprofitability. At the end of 1993, Reno Air had flown 1.8 million passengers, realizing a 57.5 percent load factor, and serviced 11 cities with 17 planes and more than 1,153 employees. Financial losses totaled \$7.3 million.

Regardless, Reno grew in 1994, flying 3.4 million revenue passengers and increasing the load factor to 60.6 percent. Employment reached nearly 1,500, and the company had 20 aircraft flying more than 130 daily flights. Additional service to Chicago, Colorado Springs, Laughlin, Las Vegas, Orange County, Phoenix and Tucson were highlights of 1994.

An agreement with American Airlines to purchase fuel stabilized some costs for Reno Air, but drew criticism (and still does) from American's pilot union, the Allied Pilots Association. Specifically, this agreement was one of several with American that outlined fuel purchases, favorable subleases at some American gates (like San Jose) and placement of Reno Air in the AAdvantage frequent flier program. Regardless of these agreements, Reno chalked up its biggest loss in 1994: \$13.9 million.

Last year was a turning point for this upstart airline. In addition to its first signs of profitability — \$1.9 million at year's end — a *Consumer Reports* magazine survey of readers ranked Reno Air fifth best in the U.S. *Conde Nast Traveler* readers also offered kudos to the carrier, placing it on their top ten list. Load factors were up to 62.9 percent with 3.9 million passengers flown. The number of employees grew to 1,600 and the aircraft fleet to 24. This year's January and February traffic looked promising with load factors of 60.1

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percent and 68.2 percent, respectively.

The airline began offering a ticketless travel program called EZ Trip as well as giving passengers the option of booking flights through Ticketmaster. The company hopes this will help trim per-ticket costs and keep Reno Air at the cutting edge of the low-fare, full-service image it has created. Early in the year, Denver was added to its routes, and Fairbanks, Anchorage and Colorado Springs got enhanced service.

An exciting moment at Reno this spring was delivery of its first two MD-90 aircraft. Known as the quietest twin-engine flying, the MD-90 immediately went into service on routes to Orange County, where noise abatement procedures are among the strictest in the U.S. A total of 26 aircraft are leased by the airline — 24 MD-80s and the two MD-90s — all with an average age of five years.

The expansion at Reno Air has not been limited to routes and equipment; personnel increases have expanded from 150 in 1992 to 1,600 in 1996. In fact, 48 new pilots have been hired in the past eight months.

"We started last fall with a fairly aggressive expansion program," said Randy Johnson, Reno Air's chief pilot. "We've been hiring a class a month since November of 1995, which continued through June." Class size usually equals 16.

Reno Air's minimum requirements for pilot candidates are 5000 total hours, with

3000 in multiengine and 1000 in turbine. As well, the airline prefers potential pilots to be captain-qualified in sophisticated aircraft like the Brasilia on up, according to Johnson.

Johnson is quick to point out the differences between the minimum requirements at Reno and the average qualifications of a new hire.

"We lean toward higher-time pilots, so the pilot we're hiring has 6000 to 7000 hours," Johnson conceded.

Getting called for an interview is the first step in Reno Air's hiring process. Recommendations from a line pilot already employed with the company can favorably weight an application. And once called for an interview, the candidate has better odds in landing a job than at the major airlines because Reno tends to call in four candidates for every available slot. United Airlines or American Airlines usually have an 8-1 hiring ratio, according to Johnson.

"We place a great deal of emphasis on screening of resumes," said Johnson, who has 26 years' aviation experience, including time at Midway Airlines and a stint in corporate aviation. "We do not call in large numbers of people. We are fairly sure of who we want to talk to before we bring them in."

Interviewees begin their day at the Human Resources department, filling out an application and taking a 50-question general aviation test. Next is an interview with



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that department's representative. After completing the first two phases, a second interview is held, usually the same day. Conducted panel-style with two line pilots and two management pilots, it's a more intense dialogue focusing on pilot skills, aviation knowledge and career goals.

At day's end, the Reno Air team gets together to decide which candidates are ready for the next step — the simulator check. These evaluations are the main component of Day Two and are frequently held in Long Beach, Calif., at an Alaska Airlines facility.

"The very next day, we'll make phone calls to people who have successfully completed both phases and offer them a class date. Everyone will get a letter, some to confirm the offer, others will get a nice thank you," Johnson said. "We don't believe in keeping people on pins and needles."

Jenny Beatty, a first officer at Reno Air, thought the interview process was "refreshing" when she went through in April 1995 because pilots did the interviewing.

"They asked questions that were relevant to the job," said Beatty. "They were friendly, easygoing and put me at ease."

Those who are hired are given a class date, usually within three weeks. Reno Air does not keep people in a pool for future hiring needs. Ground school is five weeks long and conducted at Reno Air headquarters, by Reno Air

employees.

Forty hours of simulator training are next on the agenda, again conducted under the auspices of Reno Air instructors and check pilots. Because Reno doesn't have its own simulator, much of the training is done at Delta Air Lines' simulators in Atlanta. Last is a trip back to Reno where pilots do actual check rides in an aircraft. The airline plans to discontinue that practice at year's end, switching to total qualification by simulator.

The next phase is 25 hours in the right seat, which leads to line qualification. The first month on the job, pilots are scheduled heavily.

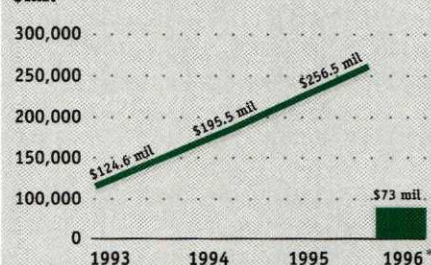
"The first month, they schedule a full line of flying — new pilots do not fly reserve. The intent is first of all to let the trainee consolidate what he's learned in training," Johnson explained. The second reason is to fulfill an FAA regulation requiring new first officers be paired with experienced captains, Johnson said.

"I think the overall program is outstanding and thorough," said Joe Dye, an aviation veteran and captain with Reno Air. "At the time I went through, it was very well managed."

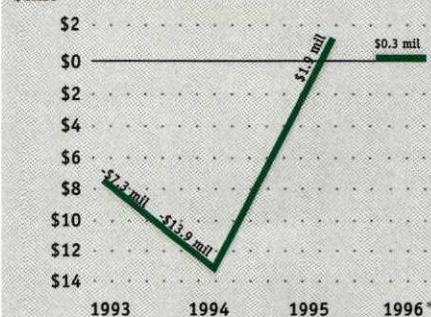
Dye has spent three years with the airline and started as a line pilot in the fourth class hired by Reno in July 1992. He came to Reno Air via Midway Airlines and a 20-year stretch with the Air Force, which included flying logistics and supply in Vietnam. He has

RENO Air Finally Turns Profit

Sales
\$mil



Net Income
\$mil



*1996 First Quarter results only.

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base manager in San Jose.

Dye enjoys his job and is especially comfortable with the family atmosphere at Reno Air.

"In a way I liken it to a military squadron as opposed to the whole military," Dye quipped. "People have the ability to get to know other folks. It's very comfortable."

Another plus for Dye is the equipment — it's a lot of fun flying relatively new aircraft, like the MD-80s that Reno has. He believes the young age of the fleet sets Reno apart from most airlines and is one of the best parts of flying for the company.

Dye commutes to San Jose from his home in Albuquerque, typically flying for four to six days followed by four to six days off. All pilots are guaranteed 12 days off per month and average 80 hours flying. A large percentage of Reno Air pilots are commuters, so the company builds a number of trips to accommodate its employees. Currently, pilots are based in Reno, San Jose, Seattle and Chicago.

A typical flying day for Joe Dye starts in San Jose with a trip to Los Angeles, back to San Jose, down to San Diego, back to San Jose and then Portland. Most legs average one and a half hours with total flight time for the day at six-plus hours.

For Dye, it's hard to define what he likes

best about flying for Reno Air. "It's a combination of the people, the airplanes and the routes," he said.

Beatty just completed her first year at Reno Air as a first officer and still can't believe how friendly everyone was, even during training.

"You are treated as a valuable person and not just another number in the system," said Beatty. "Everybody I met across the board was really friendly and genuinely sincere."

When Reno hired Beatty in April last year, she packed her truck and moved to Reno. Most pilots wait until things get settled, but Beatty was ready to make the commitment. She and four other "newbies"

"The people here are just really committed to the company in a way I haven't seen in other places."

Jenny Beatty
First Officer



seaplanes and gliders, as well as an aircraft dispatcher certificate and certified flight instructor

shared an apartment during ground school and used the arrangement to study together, too.

"Certainly if you have to explain how a system works to someone else, you'll know it better yourself," she explained.

Beatty's training experience last year matches that of Dye three years ago — positive all the way.

"It was real intense, a lot of material to cover, and in some ways, it builds on everything you've learned before," Beatty recalled. "It's important to be able to build on what you already know instead of facing it like it's all new material."

Although new to Reno Air, Beatty is no aviation novice, bringing 5800 hours to the airline, with 3500 hours in turbo-prop time. She has additional ratings in

certificate. She flew many patterns before landing at Reno Air, including flying bank checks in New Mexico, cargo in Arizona and doing some instruction and flight photography along the way. She was a first officer with Express Airlines I, which operates as Northwest Airlines' commuter line, flying the Saab 340. Her most recent experience prior to her employment with Reno Air was as captain with Arizona Airways, flying the Beechcraft 1900.

Flying freight was the best training possible as a pilot, according to Beatty.

"When you fly freight, you're under time pressures and schedule pressures and you're by yourself, so it's a real good way to learn about flying and about yourself and what you can and can't handle," Beatty remembered.

She jump-seated on Reno Air one day and the captain asked her why she didn't try flying for the airline. So she submitted her resume and now is a first officer with a year under her belt. She's also had the opportunity to do some writing and research for Reno Air's training department. That's a bonus she feels she might not have at a larger airline.

"The people here are just really committed to the company in a way I haven't seen in other places," Beatty marveled.

Both Dye and Beatty are enthusiastic about their current situation. But at least one organization is critical of Reno's routes and labor policies. The Allied Pilots Association (APA), American Airlines' pilot union, feels that Reno Air's business is intrusive and questions

RENO Air

Minimum Pilot Qualifications & Compensation

Hours

Total Time: 5000
Multi: 3000
Turbine: 1000
Average New-Hire Total Time: 6500

Ratings and Education

ATP, Class I, prefers Part 121/135 experience or jet time

Compensation

	Annual Salary	Aircraft	Position
1st Year	\$33,600	MD-80	FO
2nd Year	\$34,944	MD-80	FO
Max Captain	\$61,305	MD-80	CPT

(based on 78-hour average)

Work Rules

Guaranteed hours: Line = 70
Reserve = 70
Expense pay: domestic \$24.00/day
No duty rig, trip rigs; Non-union

Benefits

Medical, dental, life, vacation, passes, jump seat, retirement, 401(k) in process, 10% employee pre-tax profit sharing

Glossary: ATP = airline transport pilot certificate; Class I = Class I medical certificate.

Operating Performance

RENO Air

	1993	1994	1995
Passengers	1,866,067	3,369,446	3,954,578
RPM	930,850	1,622,630	2,090,014
Yield/RPM (cents)	12.6	11.2	11.6
Cost/ASM (cents)	8.1	7.8	7.6
Aircraft Period End	17	21	23
Cash (\$mil)	6.5	9.1	34.9
Working Capital (\$mil)	2.2	(10.4)	18.2

Note: RPM = Revenue Passenger Miles (000); ASM = Available Seat Miles (000).

the relationship between AMR and Reno Air.

"We don't resent their very existence, but simply the fact that we view the relationship between AMR and Reno as damaging to our flying opportunities," said Gregg Overman, communications director for APA.

"We're understandably not excited about seeing the company deriving revenue without American at the controls," continued Overman, referring to the once-abandoned routes in Reno and San Jose.

"We have made it possible for Reno to stay in business and I think that there's some understandable resentment of that," Overman stated. "It's not a really very satisfying

hopes that Reno continues to "acquire responsible managers and thinkers" and hopes that better wages and additional profit sharing are on the horizon.

Even chief pilot Randy Johnson admits that more needs to be done for employees.

"We haven't been in a position to do as much for employees as we'd like to do," said Johnson. "We are currently negotiating with upper management to up the pay scale to some degree." A new first officer currently earns \$35 per flight hour while a captain with four years' seniority (the highest level at Reno Air) earns \$53 per flight hour.

"Even though our pay is not as high,

feeling to look over at the next gate to see a similar pilot performing the same work for a higher wage." Overman calls attention to the fact that nearly 500 American pilots are still on furlough and have been for two years.

Regardless, Reno Air employees see areas for improving their company.

Dye in particular

there's a real commitment to making it successful, which bonds all of us," said Beatty.

"It's a really dynamic business," cautioned Dye. "It depends on so much. Certain economic downturns and certain calculated business decisions can spell disaster." He adds that it doesn't really matter where you are, business conditions always change your plans.

"I just love flying," Beatty said. "There's no better job in the world." Although the more experienced Dye is more conservative, he too feels that Reno Air has a good shot at success. "I am confident of three to five years of real good viability right now," he added.

Chief pilot Johnson foresees a wave of hiring for spring 1997 that will begin in September or October.

"Typically, if this airline is going to expand," Johnson said, "it's in anticipation of the summer season, which is the best for us."

As Reno Air puts the fourth candle on its birthday cake, it may be that this recently profitable Western upstart is on track to offer future opportunities and growth to many pilots. **CP**

Fran Kenneley is a freelance writer based in Boulder City, Nevada. She logs 30,000 miles each year following her husband, Tony, who captains the MetLife Snoopy II Airship.

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TYPE RATINGS: Are They Worth It?

Baseball is a game of statistics and probabilities. A player is considered to be a "good" player if he has a batting average of .300 or better. A pitcher is considered to be a "good" pitcher if he has a winning percentage of .500 or better. A team is considered to be a "good" team if it has a winning percentage of .500 or better. These statistics are used to evaluate the performance of players and teams. They are also used to make predictions about the future performance of players and teams. However, there are many factors that can affect a player's performance, such as injuries, weather, and the quality of the opposing team. Therefore, it is important to consider these factors when evaluating a player's performance. In addition, there are many different ways to calculate statistics, and different statistics can be used to evaluate different aspects of a player's performance. For example, a player's batting average can be calculated in many different ways, and different batting averages can be used to evaluate different aspects of a player's performance. Therefore, it is important to understand the limitations of statistics and to use them wisely.