



December 7, 2020

*Submitted Via Federal eRulemaking Portal*

Andrew Davis  
Chief of the Director of Interpretations and Standards  
Office of Labor Management Standards  
U.S. Department of Labor  
200 Constitution Avenue  
Room N-5609  
Washington, DC 20210

Re: RIN 1245-AA09

Dear Mr. Davis:

The Air Line Pilots Association, International (ALPA) is the largest airline pilot union in the world and represents over 59,000 pilots at 35 U.S. and Canadian airlines. We write in response to the Department of Labor's Proposed Rulemaking that augments reporting on the existing LM-2 form and introduces a new form (the LM-2 Long Form) that would be required for labor organizations with annual receipts in excess of \$8 million, such as ALPA.

ALPA strongly supports the goals of increased transparency and accountability for labor organizations to their members. Indeed, ALPA's internal policies – in accordance with the LMRDA – allow any member to review all available documentation concerning any financial transaction at any time by request. In addition, the organization complies with all existing LM-2 requirements, which total over 1,000 pages of disclosures each year and detail transactions at levels not required even for public corporations. For example, within ALPA's 2019 LM-2, covering expenditures for a budget of more than \$200 million, are a voluminous amount of transactions detailed to a dizzying specificity, such as a November payment of bank fees of \$6,586 (on page 145 of 168 for Schedule 18) or payment of foundation dues of \$6,453 (on page 15 of 47 for Schedule 16), and information on the compensation of each ALPA employee (Schedule 12). A fraction of such information is required on the Securities and Exchange Commission filings of major American corporations. *See, e.g.,* <https://www.sec.gov/Archives/edgar/data/1652044/000165204420000008/goog10-k2019.htm> (97-page annual report for Alphabet Inc.).

ALPA believes that many of the changes contemplated in the proposed rulemaking are burdensome and invasive and would create serious problems for ALPA and other unions. For example, if the proposed OLMS changes were adopted, the disclosures would greatly hinder ALPA's ability to obtain competitive rates, because key transaction details – e.g., prices – would be publicly available to future vendors and customers. In other cases, these disclosures would undermine the privacy rights of our members. Moreover, it has cost ALPA (and other unions) significant time and expense to adopt systems designed to comply with the current LM-2 regime, and the new proposals add many more layers of complexity and burden, including providing additional details for receipts, investments, assets, and goods and services purchases and sales. At a minimum, ALPA and presumably other unions would require several years and much expense to implement changes to systems and processes to comply with the contemplated reporting requirements.

The following is a more detailed description of the problematic issues with the proposed rulemaking.

#### Investments and Assets – Purchases and Sales

The proposed changes would cause several difficulties. First, the proposed rulemaking would require itemized reporting of all individual purchase and sales transactions for investments and fixed assets. ALPA has significant holdings that are actively traded, and the volume of information will be overwhelming and unenlightening to most, if not all, users of the report. Moreover, if the intent is to reveal transactions that are not sold or purchased at market prices, then all transactions conducted through a recognized national exchange should be exempted, as by definition the market value is set in those exchanges, which ensure that all transactions are done at fair value and at arms-length.

Second, many unions, including ALPA, conduct their investments using third party brokers and custodians from which the union would need to request such information. Those third-party entities would need to be compensated for and instructed to generate the information, leading to an unnecessary expenditure of member dues dollars. In addition, ALPA and those entities would need to create a data exchange mechanism to allow for the resulting large amount of data to be transmitted. This change would require extensive time and money to implement.

Third, the proposal requires the reporting of certain additional information in the case of an automobile or other asset that is purchased or sold. A core objection is that revealing the sales/purchase prices, especially for assets, would hinder ALPA's ability

to obtain competitive rates, because the transaction details – e.g., prices – would be available to future vendors and customers. Such a change will put ALPA and other unions at a disadvantage in the marketplace and further work to the detriment of the members' interest in avoiding unnecessary expenditure of dues.

#### Itemization of Receipts

The LM-2 Long Form proposal includes extensive requirements to itemize receipts. ALPA is very concerned about the competitive disadvantage deriving from these additional disclosures. For example, detailing rents paid by tenants in buildings owned by a labor organization would reduce the competitive nature of rental agreements, as tenants looking to renew or enter into a lease will merely have to look at the union's Form LM-2 LF to see exactly what the other tenants are paying. Again, members' dues dollars will be wasted as a result. More importantly, for certain labor organizations such as ALPA that have individual members who pay dues in excess of \$5,000 per year, disclosing personal information about these members (including their home address and individual amounts paid) raises serious privacy concerns. The Department should consider raising this threshold as applied to dues payments or exclude disclosure of such dues payments altogether. Members know exactly how much they pay in dues, so the need for and value of these invasive disclosures compared to their burdensomeness is highly questionable.

#### Employee Benefits

The proposed rulemaking includes a requirement to report benefits on an individual basis. However, revealing the price of benefits by individual raises serious privacy concerns. Moreover, such benefits are already included in the LM-2 as disbursements made to the benefit providers and will be very difficult to break out to avoid double-counts or under-counts. Most importantly, such a breakout will require an additional level of coding in ALPA's accounting system, which the system is not set up to do, and which would have to be undertaken at the cost of additional time and expense. In addition, identifying costs based on various benefit levels offered (i.e., family vs. single health coverage) where rates are negotiated as a comprehensive group plan would be a misleading assignment of indirect disbursement to an employee.

#### Indirect Disbursements for Travel Costs

The proposal eliminates the requirement to report these disbursements by function, rather than reporting by officer(s) or employee(s). We do not support this change as the existing Schedules 11 and 12 often confuse the users of the report because

they imply that the officers or employees are “paid” the amounts listed as disbursements for official business. Such disbursements are not compensation but reimbursements of business expenses to the officer or employee. The proposed changes would further this misunderstanding. Finally, the proposed changes would again require significant changes to ALPA’s and other union’s accounting systems.

#### Separate Reporting for Political and Lobbying Activities and for Representation and Organizing Activities

The proposal splits both the existing Political and Lobbying schedule into two schedules ((1) political activities and (2) lobbying activities), and it splits the existing Representational schedule into two additional schedules ((1) contract negotiation and administration and (2) organizing). However, the delineation between these areas is sometimes not clear, and determining the schedule in which certain expenditures belong would be a challenge. Moreover, dividing the categories in our accounting system will be very burdensome, as it will require thousands of additional project codes within ALPA’s accounting system, which will add to the three thousand such codes already required for current LM-2 reporting.

In the case of political and lobbying activities, much additional reporting is already available to members. ALPA is required to report to the House and Senate detailing its lobbying activities, and ALPA’s PAC (which makes all political donations as required by law) files comprehensive public reports with other agencies (e.g., FEC) regarding its activities. Therefore, requiring additional separate disclosures in this area will be unnecessary, confusing, duplicative, and burdensome.

#### Foreign Transactions

For the LM-2 Long Form, the Department proposes an additional schedule to disclose all foreign transactions with any single entity or individual exceeding \$5,000 annually. Since ALPA is an international union spanning the United States and Canada, the number of such transactions is voluminous. Moreover, the proposal to list foreign transactions in multiple schedules (schedules 24-31, as well as the new schedule 32) would be misleading (by overstating the total) and confusing to union members. In addition, detailing and separating all Canadian transactions versus those in the United States would be very burdensome and not provide additional transparency to ALPA’s members.

### Losses and Shortages

The proposal would expand the current question of whether the labor organization knows of any losses and shortages to include whether the organization has actually experienced a loss. However, it is unreasonable to require ALPA Officers to attest that ALPA has not suffered a shortage or loss due to malfeasance, when ALPA may have no idea that such malfeasance has occurred until much later. Such a requirement could set up an unfair “gotcha” situation. The current requirement to attest that ALPA does not know of such malfeasance is appropriate and should remain.

### Thresholds for LM-2 and Long Form Filings and Accounts Receivable

The proposed rulemaking incrementally increases the existing filing threshold for LM-2 filers from \$250,000 to \$300,000. However, this is not a meaningful increase from a threshold that was set nearly 20 years ago. Instead the LM-2 filing threshold should increase to at least \$500,000, and, in the future, the threshold should also be indexed for inflation (e.g., CPI-U) to ensure that it remains current. Similarly, the Department’s filing threshold for a new LM-2 Long Form should be reconsidered from the proposed \$8,000,000 level to at least \$20,000,000 and then indexed for inflation. Simply put, the extensive reporting requirements for organizations below these limits would consume a good portion of available resources and would not be a valuable use of resources or provide a useful source of information for their members.

Another threshold that should increase is that for Accounts Receivable amounts due the Association. Due to the privacy concerns for members in arrears to the union, the threshold should be increased to at least \$20,000, or dues payments in arrears should be excluded from this reporting requirement entirely.

### Confidentiality Exemption

The Department proposes changes to the confidentiality exception to limit its applicability with the goal of increasing transparency. However, the current confidentiality exemption adequately provides unions with a procedure to avoid disclosing specific sensitive information of the union, and the Department does not provide specific evidence that the current procedures are widely abused. ALPA proposes no change to this item and the exemption should be retained.

### Reporting EIN’s for Vendors

The proposed rulemaking requests comment on whether the LM-2 should require the reporting of the EIN of a vendor receiving more than \$5,000 during the year.

First, the IRS does not require that organizations obtain the EIN for all vendors, only select vendors, so the requirement would increase data collection. In addition, in some cases, the EIN is a SSN (Social Security Number) for a vendor. Publication of these numbers raises significant privacy, identity theft and other data security concerns.

#### Time Reporting for Officers and Employees

The proposal removes the existing requirement that officers and employees record how they spent their time over five different functional areas. ALPA urges the Department to reconsider this proposal.

When ALPA implemented the current reporting requirement, the process was very expensive and time consuming, but resulted in a well-documented and consistent time reporting system. Removing this information could certainly save labor organizations time and effort, which we generally support. However, ALPA believes that members deserve transparency in how officers and employees spend their time. Employee costs are a major component of ALPA's budget. Removing the allocation of those dollars to the functional categories reduces the ability for members to understand how those dollars were spent and seems misleading. In particular, for certain activities (e.g., representation), the majority of the cost is related to employees. Our experience is that interested members find this information valuable and helpful in identifying whether their priorities are receiving the proper level of time and effort. Removing this information is a step away from transparency.

#### Implementation Time

The timeline included in the proposal provides for a 30-day implementation period with an effective period beginning with the first fiscal year starting thereafter. Given the extensive changes and the enormous number of internal policy, procedure and accounting system changes (including extensive recoding of computer systems) that will be necessary for compliance, ALPA finds that a two-year implementation period is necessary prior to any effective date for these new rules.

#### Conclusion

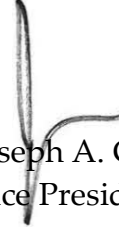
ALPA agrees that the reporting and disclosure requirements of the LMRDA should be periodically evaluated to determine the best method for presenting information in a meaningful way and recognizes the Department's commitment for undertaking such a review. However, in the key areas addressed above, we disagree with the conclusions of the review and submit that the proposed changes to the current rigorous LM-2 reporting requirements will create undue burdens and expend

December 7, 2020

Page 7

significant dues dollars without providing corresponding benefits to union members.  
Thank you for considering our comments.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Genovese, Jr.", written over the typed name below.

Joseph A. Genovese, Jr.  
Vice President-Finance/Treasurer