

PUP Status

The Joint Business Education and Communications team, made up of representatives from labor and independent work groups at American Airlines, brings you this edition of On the Fly.

Following the company's executive compensation announcement earlier this year, the three unions filed presidential grievances citing violations to contractual provisions of the annual incentive plan (AIP) negotiated in 2003. The arbitration process was expedited and took place in March. The AMR Board changed the plan to reflect cash payouts consistent with the AIP, an action that eliminated possible violation of negotiated restructuring contracts, thereby rendering the grievances moot.

One of the roles of JBEC is to provide factual information with a joint perspective. In the meantime, it is no secret that this controversy strained relationships between management and labor. However, that acknowledgment does not move us any further towards resolving the challenges that still exist in returning the company to sustained profitability, a move all agree is necessary.

This issue of *On the Fly* focuses on immediate and future concerns that will affect all employees of American Airlines. 

Sweat Equity: Lower Capacity Means Higher Fares and Full Planes*

AMR announced losses in the first quarter of \$92 million on April 19, significantly less than the first quarter of 2005. Increasing revenue, both by flying full planes, increasing fares, and closing revenue gaps with competitors is the primary goal for the heavy summer traffic season. Load factors have increased for 16 consecutive months, with an April load factor of 81.7 percent – an increase of 4.3 points compared to the same period last year. Domestic traffic grew by 3.3 percent on 2.3 percent less capacity.

Overall, airline capacity is constrained on all airlines. (Yep, this isn't just AA, it's the competition as well.) Fare increases are taking hold. Delta even upped its maximum fare to \$649, after stubbornly holding onto its lower maximum fare guarantee. To offset high fuel costs, which continue to trend and spike higher with news from Iran and other locales, AA has also increased fuel surcharges \$20 per round trip on trans-Atlantic and trans-Pacific flights.

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BIZ ED FOR THE
EMPLOYEES OF
AMERICAN AIRLINES



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Quick Bytes on Joint Work:


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- *Biz Ed 2 Coming Soon*



On The Fly is a two-way communication.

If you have a question about business issues, email us at ask.onthefly@gmail.com. We'll base editorial in future issues on questions.

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Many employees ask, with the planes so full, why doesn't the company just add flights and recall more workers? In the balance of increasing loads and revenue, the answer is that short term rewards in full summer planes can't take up the slack during slow seasons. 

**With information from Scott Nason, Vice President, Revenue Management, industry, company, union and media reports.*

Airline Provision Still Alive and Kicking in the Pension Reform Bill*

The foremost concern to employees at American is to ensure that the airline provision from the Senate bill remains in the final bill. The pension reform bills that passed the U. S. House and Senate are currently pending in conference committee. The responsibility of the conferees is to resolve differences in the two bills and produce a single bill to return to the House and Senate for final passage.

Though some of these hurdles are out of our control, the unions continue to work with American and other carriers who support the Airline Provision.


AMR contributed \$120 million to its pension plans in April. Tom Horton, Executive Vice President – Finance & Planning and CFO, recently said the company plans to contribute a total of \$250 million this year to its plans, which have a combined \$7.8 billion in assets.

The plans are under-funded by about \$2.3 billion. Without legislative relief, the company will be required to fund most of that amount in 2007. 

**With information from Washington representatives and financial reports.*

The Wright Feud Heats Up—Stop and Think Coalition Emerges

Wright is right, and yet Southwest's Airlines messages of "freedom" and "low fares" have resonated with the public, particularly in Dallas. Pulling out all the stops on March 21, with support from American Airlines, the Stop and Think campaign was launched as a grassroots effort to provide a voice for North Texas area citizens that are concerned about various issues—noise, traffic, schools, property values, economic impact and others—that would be impacted by changes in the Wright Amendment.

Since then, citizen volunteers have voiced their concerns as the Dallas and Fort Worth City Councils meet to come up with a local solution after being challenged to do so by Texas Senators Kay Bailey Hutchison and John Cornyn. Why all the hoopla? Because splitting DFW operations could seriously affect flight patterns and income at DFW. Stop and Think gives a platform to citizens, placing the controversy on community and economic issues and not just on a fight between two big airlines. If you'd like to sign on, go to www.stop-and-think.org. 



Tell your legislators to keep the Airline Provision in the Pension Reform Bill.




Doing the DO-SI-DO in STL as the Test Spins to Other Cities

You may have had to learn a few new dance steps as “simplification” began testing last year in St. Louis. Simplification is the phrase used for processes further developed by management and labor as part of the Performance Leadership Initiative (PLI), and is continually redefining AA's schedules and operations to be more efficient and to save money.

In April 2006, this test expanded to six spoke stations, including Austin, Atlanta, Dallas-Love Field, Kansas City, Philadelphia and Phoenix, along with four gates at both Dallas-Ft. Worth and Chicago O’Hare.

Simplification Phase I began in April 2005 when AA reduced the number of aircraft types flowing through a hub or spoke city. Crew members were scheduled to stay with the same aircraft during the day’s sequence, which helped during off schedule operations. Boeing 737 flying moved from San Francisco and Chicago to the Miami hub and MD80 flying moved from Miami to Chicago.

There are still many challenges to address for all employee groups, but the overall results have been good, resulting in quicker turn times, shorter ground times, fewer gate changes, less gate waiting, more planes cleaned, fewer misconnects, fewer mishandled bags and more efficient maintenance operations. Are you dizzy yet? 




Joint Leadership Team Locations




Current JLTs: Locations with JLTs in place are growing, providing more opportunities for groups to jointly identify and address business issues critical to the operational success.

More JLTs Pop Up and Take Root

As a spin-off of the national Joint Leadership Team (JLT), local JLTs are popping up across the company. These local teams collaborate to solve base-specific problems by employees who know the operation first-hand. JLTs have taken root in Austin, Boston, DFW, Kansas City, JFK, Miami, Ft Lauderdale and maintenance bases in AFW, Kansas City and Tulsa for some time. New JLTs have been formed in Atlanta, Washington, Newark, Las Vegas, Los Angeles, LaGuardia, Orlando, San Francisco, San Jose, and St Louis. 



Now That's Using Your Noodle!

The San Jose JLT reports an estimated cost savings of \$80,000 a year as its team continues to find better and more efficient ways to operate. As of April 13, the luggage expediting function was brought in-house, and is now being handled by Crew Chiefs and Fleet Service personnel, coordinating efforts with operations agents. Several work groups noodled on this project to bring it to fruition. Joint noodling knows its way to San Jose! 

SJC SAVES A COOL \$80k!



Q: When financial results are published each quarter, there is a statement for what AMR (more specifically what AA) made or lost. This quarter AA lost millions. What is included in that total? Is it just passenger seats or is it more than that? We make money off the AAdvantage program, cargo, various investments, contract aircraft maintenance, etc. So, the bottom line is this, what all is included each quarter for our financial statement?

Tom Cross
C/C Tulsa Line

A: Quarterly financial statements show all monetary results for AMR operations. It really is the bottom line. They report and detail income from every source and costs for every expense. The U. S. Securities and Exchange Commission carefully regulates financial results.

There are many performance measures for the airline industry specifically, such as Revenue per Available Seat Mile (RASM) and Cost per Available Seat Mile (CASM). Biz Ed will release its second module on Reading Financial Reports.

Biz Ed 2 Coming Soon. Biz Ed 2 focuses on understanding business finance by examining the financial health of American Airlines. Take the opportunity to make decisions that impact airline operations and test your knowledge of how to move from a "destructive" to a "constructive" cycle. See first-hand how decisions affect the bottom line. *Watch for Biz Ed 2.*

On The Fly is published by the Joint Business Education & Communications (JBEC) team and can be accessed at www.alliedpilots.org www.twuatd.org

or jetnet.aa.com.

Your comments or questions are welcome and you can opt in or out by emailing us at ask.onthefly@gmail.com.

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