



## Report to TWU Members

# Wall Street Visit Yields Critical Information on AMR

On March 24 and 25, TWU Local 562 President **Bob Owens** and Local 501 President **Dave Virella**, along with International Representative **Don Videtich**, visited Wall Street aviation analysts. They were accompanied by TWU negotiations lawyer and advisor Mark Richard. The lengthy discussions during two full days of meetings in New York yielded important information about American Airlines (AA) and its parent company, AMR.

### The Industry And AA's Future: A Mixed Bag

The airline industry is plagued by the economic crisis and volatile fuel costs, especially given current geo-political instability in the Middle East. There was a sense among analysts that as the economy recovers, business travel will increase. This is good news which may offset the fuel price challenge.

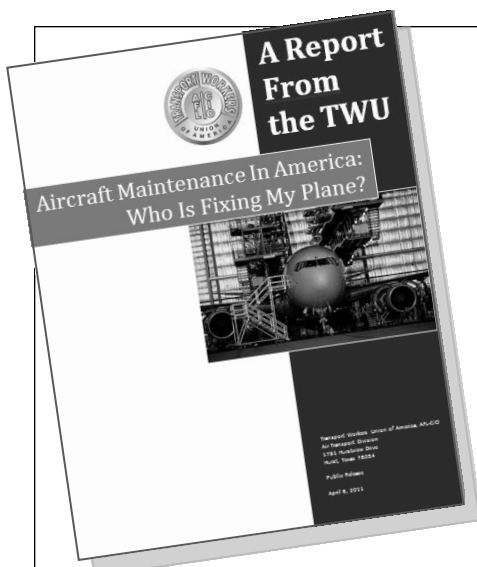
### AA Business Plan: Off-Beat

Analysts are concerned about American's future, given that the airline is losing money even though other large legacy carriers are now performing better and have started showing profits.

Some questioned the lack of a strategic plan; others said bankruptcy was a possibility. It was suggested that bankruptcy might be desirable for some investors who want to see a lower cost structure. Others thought AA would slowly perform better. All of them, however, noted AA was not performing well compared to its peer companies.



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TWU's report on aircraft maintenance is available for download at TWU.org

## Who is Fixing My Plane? TWU Study Shows Outsourcing Risks; Security Gaps at Overseas Repair Shops

A new TWU study on aircraft maintenance documents that more than 40% of aircraft maintenance is now being outsourced by seven major U.S. air carriers.

The TWU report — featured on **Fox News**, the **Dallas Morning News**, the **Tulsa World**, **Investors Business Daily** and other news outlets — found that planes flying U.S. passengers are being repaired in facilities with little or no oversight by the Federal Aviation Administration (FAA.) At least one member of Al Qaeda, for example, was found working at a maintenance facility in Singapore in 2003.

Thanks to efforts of TWU members, American Airlines is one significant exception to the industry trend, keeping the vast majority of its repair work in-house in 2009.

"We're not playing on a level field," said TWU International Union President Jim Little. "Not when work at outsourced facilities overseas can avoid the certification of mechanics, background checks, and alcohol and drug testing that are a regular feature of TWU workplaces."

# What Wall St. Thinks of AMR

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Without offering hard predictions, multiple questions were raised. Would bankruptcy be a good or bad choice? Will the AMR Board of Directors shake up management? When will the labor contracts settle? Why is American losing money while other hub carriers seem headed towards profitability (at least temporarily)? What is American Airlines' strategic plan?

A key question was whether American missed the "dance" when it decided not to enter into a merger. There was no consensus, but the issue weighs heavily in the future analysis of our company by "The Street."

## **One World Alliance: American's Genie in the Bottle?**

It is quite clear, however, that a central aspect of the AA business plan is to use Oneworld as a core strategy going forward.

This reinforces our current TWU strategy of building the strongest possible **One World of Labor Council**. On April 19th and 20th, 2011, an urgent meeting of One World unions from across the globe will convene at TWU headquarters in Washington, D.C. We are more certain than ever that TWU is heading in the right direction with this global campaign.

## **American Airlines Labor Negotiations**

Aviation analysts are keenly aware of the status of our labor negotiations. They are knowledgeable about our strategies, key issues, concessions, and our collaborative job-saving efforts.

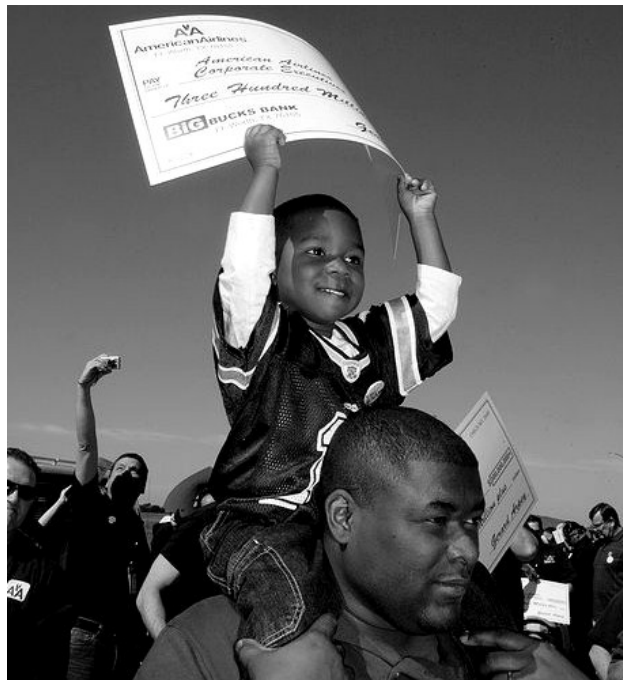
Their views are investor-oriented, and many investors seek the lowest possible labor costs. Others, however, acknowledge that good labor relations and high morale are important contributors to productivity.

Much discussion took place over "wage convergence." AMR management has argued that the company's unit labor unit costs (especially pilots) are higher than its competitors. Convergence theory suggests that at some point in the future the other carriers' labor costs will increase, so American may be forced to give raises or will be able to provide such increases without jeopardizing competitiveness.

## **When Will We Get Contracts:**

### **Anytime Before The Ice Age Starts Again?**

Some analysts suggest that American's strategy is to keep slowing negotiations down in order to accumulate even more savings from our concessions. Others thought it would be best for AA to settle the contracts in the near



*What TWU thinks: Union members and their families protest executive compensation at American Airlines*

future so investors would have the certainty of knowing the cost structure of the airline going forward.

## **TWU's Image on Wall Street:**

### **Impressed We Saved Thousands Of Union Jobs**

The analysts knew about the number of jobs saved by TWU members through in-sourcing and other collaborative business efforts. They acknowledged that more union jobs were saved at American than at any other legacy carrier.

Many believed it was a smart strategic move to have kept and preserved those thousands of jobs. There was consensus that we have maintained more maintenance work in-house than any other legacy airline.

Analysts spoke well of joint cost and job-savings efforts, especially during these adversarial times. But it was also understood that relations are strained and that morale is dangerously low. The failed tentative agreements are seen as proof of the incredible frustration on the tarmac and shop floor.

## **What We Learned**

Aviation analysts are concerned about AA's financial future. The real question raised is, what will be American's strategic plan going forward? Wall Street has mixed feelings on the future of our contract negotiations, but all were supportive of the parties reaching a deal.

Finally, there was an understanding that a unified labor union and smart business strategies are important to our success. We assured them we are "One Union and One Voice." We already know how smart we are!

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