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American Airlines' in-house repair policy is both boon and burden

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American Airlines Inc. prides itself as the only large carrier doing its own major aircraft maintenance, saying the strategy saves time and boosts quality for the work done on its 610 jets.

But there's an unforeseen cost to the Fort Worth-based company's approach: a seemingly never-ending series of negative headlines, government audits and fines over how the company fixes its planes.

Together they have combined to dent the carrier's safety reputation.

The latest body blow came Thursday when a government watchdog issued a report that faulted American for longstanding maintenance deficiencies.

"Like many things labor at American Airlines, once again they are damned if they outsource the maintenance jobs and damned if they maintain high-paying U.S. jobs as regulatory oversight makes this decision even more uneconomic," said industry consultant William Swelbar, who is a researcher at the Massachusetts Institute of Technology.

American's choice of doing its own work creates "yet another area where the company's competitors enjoy a cost advantage and headline avoidance," Swelbar said.

American says it's sticking with its maintenance strategy despite the additional scrutiny it receives from the Federal Aviation Administration.

The agency, which was admonished in Thursday's report for its lax oversight of American, is expected to propose a large fine against the carrier in coming weeks over trouble with repairs to the airline's MD-80 jets.

"American believes rigorous FAA oversight should be a critical part of any maintenance program, regardless of where the maintenance is performed and by whom," said spokesman Tim Wagner.

Nine large domestic competitors outsourced more than 70 percent of their heavy aircraft maintenance in 2007, according to the U.S. Department of Transportation's inspector general.

Of that amount, 23 percent was done in foreign repair stations that congressional critics have said get little FAA supervision.

"We naturally see more scrutiny, given that our operations are in-house and more open for the FAA to inspect on a daily basis, than for those airlines that have sent their maintenance offshore where the FAA has a more difficult time overseeing that work," Wagner said.

American's financial struggles have forced it to make tough choices with its maintenance bases; its Kansas City base will close in September, eliminating 700 jobs.

In a rare show of alignment between labor and management, the Transport Workers Union launched a campaign in December to draw attention to American's maintenance practices and contrast them with competitors'.

The union, which represents ground workers and mechanics at the carrier, targeted congressmen and said foreign maintenance stations pose safety and even terrorism risks to domestic aircraft.

The FAA has said the stations are safe and inspected regularly; airlines using the stations say the overhaul work meets or exceeds their standards.

For American's pilot union, the inspector general's report did "affirm the safety concerns we have expressed over the past year." But Allied Pilots Association spokesman Scott Shankland said that management had addressed many of those issues.

"Since DOT inspection and increased FAA oversight began last year, we have noticed an improvement in the margin of safety at the airline," he said.

One of the problems American was cited for was operating planes with "deferred maintenance" issues that don't affect safety but must be fixed within certain time frames. Examples included burned-out light bulbs and broken seats.

American had self-reported that it wrongly used the regulations for deferred maintenance 13 times. The audit said the overall number of open maintenance deferrals had risen from 0.4 per aircraft in 2004 to just over 0.7 in 2008. The rate now has fallen back to the 2004 level, the audit said.

American said it feels the inspector general's audit doesn't reflect the work done by its managers to improve maintenance practices.

The airline also said it would double the number of analysts who examine safety issues across its maintenance program in 2010, as suggested by the audit.