



TWU Mechanic & Related Contract Mediation Update **5/09/11- 5/13/11**

The Mechanic and Related Negotiating Committee represents Aviation Maintenance Technicians, Overhaul Support Mechanics, Aircraft Cleaners, Parts Washers in Title I, also Plant Maintenance Mechanics, Plant Maintenance Man, Utility Man, Building Cleaners, Cabin Cleaners in Title II

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The TWU Maintenance and Related (M&R) Negotiating Committee reconvened in Tulsa, Oklahoma on May 9-13, 2011.

On Tuesday May 10, 2011, the M&R Negotiating Committee met with management and mediator Jack Kane. Management submitted counter proposals for:

- Article 1 - Scope
- Article 3 - Hours of Work
- Article 4 - Compensation
- Article 5 - Shift Differential
- Article 6 - Overtime
- Article 7 - Holidays
- Article 8 - Vacations
- Article 11 - Classifications and Qualifications
- Article 12 - Promotions and Jobs to be Posted
- Article 34 - Sick Leave
- Article 40 - Pension
- Article 41 - Benefits
- Article 42 - Job Security
- Article 47 - Duration of Agreement

There was also a discussion regarding transitioning Title II Cabin and Building Cleaners to the Utility Man classification. At the conclusion of the meeting, the TWU M&R Negotiating Committee notified management the TWU would use the remainder of the day to meet internally in order to draft questions that would require an explanation from management regarding their proposal.

On Wednesday May 11, 2011, the TWU M&R Negotiating Committee presented management with several questions. Although some of the questions provided readily available answers, other required extensive research in order to be answered. The mediator granted management's request for additional time to collect specific data and informed both committees negotiations would reconvene the next day.

The following day, management presented their answers to the TWU M&R Negotiating Committee. Additionally, both committees met to clarify the status of all "Letters of Memorandum" and "Letters of Agreement." Subsequently, the TWU M&R Committee prepared and presented management with a union counter proposal on Article 7 - Holidays.

Management's latest comprehensive proposal, along with each full-text Article, is available for review at: <http://aa.twu.org>. Suffice it to say, your TWU M&R committee did not consider management's proposals as moving towards a ratifiable TA. With the exception of Article 7, these proposals not only fall far short of our member's reasonable expectations, nearly all the changes are inferior to the Tentative Agreement that was rejected.

Throughout these negotiations, and into mediation, each time the union makes a proposal, management in return gives the union a regressive counter proposal. At the April session, management indicated they wanted to use the failed Tentative Agreement as the basis towards addressing the concerns of the members. However, instead of moving towards us, they introduced new concessions.

As an example, below are the chart rates for Title I & II Mechanics at top scale that show the difference between the rejected TA and management's latest proposal.

Rejected TA	5/5/08	5/5/09	5/5/10	5/5/11	5/5/12	5/2/13
% Increase	0%*	0%	3%	1.50%	1.50%	0%
Actual Rate	\$27.20	\$27.20	\$28.02	\$28.44	\$28.86	\$28.86**

Company's Latest Proposal	5/1/08	5/1/09	5/1/10	5/1/11	DOS	DOS+12	DOS+24	DOS+36	DOS 2015
% Increase	0%*	0%	0%	0%	3%	1.50%	1.50%	2%	0%
Actual Rate	\$27.20	\$27.20	\$27.20	\$27.20	\$28.02	\$28.44	\$28.86	\$29.44	\$29.44**

*2003 Contract was end loaded with a 1.5% increase on the amendable date.

** Prior to the concessions of 2003, the chart rate was \$30.61(see below). Our chart rate would be lower in 2015 than in 2003.

2001 Contract	3/1/2001	3/1/2002	3/1/2003
Rate	\$28.85	\$29.72	\$30.61

There is a clear disagreement over the term of the contract. We maintain the contract starts on May 1, 2008 and we have not been able to come to new terms. Management has taken

the position the longer they drag talks out, those years are free and don't count. Their proposal recognizes the start date of the contract as May 1, 2008, as displayed in their Article 4 proposal.

A summary of the Management proposal to the TWU M&R Committee is below:

• **ARTICLE 1 - SCOPE**

Modify the Eagle ASM letter - Modify the 6% to 12% and the current counting methodology, exclusions, report and measurement period will remain as is provided under the current letter of agreement

Upon modification or elimination of this letter in each of the other six (6) AA/TWU labor agreements, Article 42(a) of the Mechanic and Related agreement will be amended to provide a system job protection date of 6/6/2000 for Title I.

The Company proposes Section (I) Scope protection language as attached.

- Modify letter of agreement dated March 10, 2004 to allow greater flexibility of scheduling "A" and "I" checks at International stations
- Outsource Building Cleaner work at TULE

The Company agrees to reclassify all remaining Building Cleaners into the Utility Man classification. All Building Cleaners will be pay slotted into the Utility Man pay rate scale in accordance with Article 27(b). Outsource only true Building Cleaner functions.

- Reclassify Cabin Cleaners at DFW, LAX, & ORD to Utility Man classification.
 - The 20 remaining Cabin Cleaners will be pay slotted into the Utility Man pay rate scale in accordance with years of service.
 - Scope of work for both Cabin Cleaner and Utility Man may be impacted by outcome of Fleet Service Agreement.

In the interest of providing options for the Title II employees impacted by the above proposals, the Company will offer a voluntary separation package

- Contracting Out language change – allowing the Company after bringing new work in, the ability to send work back out to a vendor, and warranty work back to the manufacturer
- Modify Article 1(d) to match Fleet Service Article 1(c) for Title II.

ARTICLE 3 – HOURS OF WORK

- The Company kept their current table position – requiring 7 day coverage at the bases. See Company Proposal Article 3.3 dated 2/8/2011

ARTICLE 4 – COMPENSATION

- Lump sum of 7.0% on DOS for Title I & Title II Base employees
Formula: $FT: 2080 \times (\$27.20 + \$5.00) \$32.20 = \$66,976 \times .07 = \$4688$
- Structural increase of 3.0% eff.DOS.
- Structural increase of 1.5% eff.. DOS + 12 months

- Structural increase of 1.5% eff.. DOS + 24 months
- Structural increase of 2.0% eff. DOS + 36 months
- Increase Higher Capacity Premium from \$1.75/hr to \$2.75/hr eff. DOS.
- Increase Line Premium from \$0.55/hr to \$2.55/hr for those Title I classifications as listed in Article 4(c)(1) eff. DOS .
- Increase Line Premium from \$0.55/hr to \$1.95/hr for those Title II classifications as listed in Article 4(c)(1) eff. DOS .
- Increase Skill Premium for Machinists/Bench Avionics and Welders to be equivalent to an AMT two License Premium eff.DOS .
- Increase Midnight Skill Retention Premium in Article 4(c)(2) as follows eff.DOS:
 - For shifts that begin between 2000 and 0400 hours – increase from \$0.50/hr to \$1.50/hr.
- Create Weekend Shift Premium for Overhaul Bases as follows eff.DOS:
 - A Premium of \$0.50/hr will be paid for shifts beginning between 2100 Friday & 2100 Sunday.
- Restore License premium, as of DOS, to those AMTs currently working in OSM positions and not being paid license premium as a result of a reduction in force. Management and local TWU to work out terms on getting those employees into AMT positions.
- New Profit Sharing (Continental match)
 - 15% of pre-tax income excluding special, unusual and non-recurring items (1st dollar).
- Base Employee Gain Sharing plan: Mutually commit to develop a variable compensation plan and implemented within 180 days from DOS.

ARTICLE 5 – SHIFT DIFFERENTIAL (Full Text)

- Current book, with the exception of increasing test hop insurance from \$100K to \$200K.

ARTICLE 6 – OVERTIME

- The **Company will modify the overtime guidelines at each location** so as to align with the fundamental principle of Article 6(c): “as equitable as practicable” and in exchange the Company will agree to the unions March 10, 2011 proposal on Article 6.

ARTICLE 7 – HOLIDAYS

Increase the number of observed holidays from five (5) to ten (10) and change the rate of pay for holiday work from 1.5X to 2X.

- Modify holiday provision from “automatically off” unless required to “automatically required” except at base maintenance locations. (All Line Maintenance local guidelines or agreements for holiday work or off will be considered null and void.) The Company and the Local TWU agree to meet to establish new guidelines or agreements.

ARTICLE 8 – VACATIONS

- Provide two (2) “personal days” effective DOS (payable and accumulated in hours based on work schedules and status).

ARTICLE 11 – CLASSIFICATIONS AND QUALIFICATIONS

- Management has maintained their current table position. See Company proposal Article 11.6 dated 2/8/2011

ARTICLE 12 – PROMOTIONS AND JOBS TO BE POSTED

- Management has maintained their current table position. See Company proposal Article 12.6 dated 3/8/2011

ARTICLE 34 - SICK LEAVE

- Increase the SK leave accrual rate from five (5) days per year to eight (8) days (5.3 hours/month) per year effective January 1, 2012. SK leave will be paid at 100% for all days.

ARTICLE 40 – PENSION

- All current employees on payroll will maintain the current Defined Benefit plan.
- Craft a defined contribution plan for new hires in lieu of participation in the defined benefit plan.

Following one year of eligibility service, the employee will receive an automatic 2.5% Company contribution based on qualified pensionable earnings as defined under the defined benefit plan with no employee contribution required.

Following one year of eligibility service, the Company will match employee contributions on a dollar for dollar basis for all contributions above the employee 2.5% contribution up to a maximum of 3.0% such that Company contribution does not exceed 5.5%.

Terms of the Defined Contribution plan (DC) will be no less favorable than those offered to management.

ARTICLE 41 – BENEFITS

The Company proposed the following relative to the contractual benefit plans for active employees represented by TWU:

1. The Company proposes to convert the current three-tier employee contribution structure (employee only, employee + 1 dependent, and employee + 2 or more dependents) to a four tier structure.
2. The Company proposes a new contractual PPO plan with a \$300 deductible with an in-network / out-of network differential. The \$300 Deductible Plan will be non-grandfathered under PPACA rules. The plan will provide in-network preventive care coverage at 100% and will offer pharmacy coinsurance at the point of sale.
3. The Company also proposes a no employee contribution health plan option (the Core Plan), with plan design subject to change at Company discretion. The Core Plan will provide the option for members to contribute to a Health Savings Account (HSA).
4. The Company proposes elimination of the \$150 Deductible Major Medical Plan (\$150 Contract Plan) and the \$1,000 deductible plan.

5. TWU represented employees hired after [DOS] will default to the Core Plan and will be eligible to select from other voluntary medical options at the same contribution rates as other TWU represented employees.

Retiree Medical

The Company proposes the following changes to the retiree medical program:

- 1) Employee and Company prefunding contributions will cease as of the [DOS].
- 2) Retiree medical coverage for active TWU employees retiring after (DOS):
 - For under age 65 coverage, retirees will pay a premium for coverage in the Standard Retiree Medical Plan, paying the same per person monthly rate as active employees pay for coverage in the \$300 Deductible Plan for Employee Only coverage
 - For over age 65 coverage, retirees will be offered access to purchase a guaranteed issue Medicare supplement plan through a third party administrator
- 3) The employee portion of the retiree's prefunding account, plus investment earnings will be refunded to the employee.
- 4) Retiree medical coverage for New Hires – those hired after (DOS)
 - For under age 65 coverage, retirees will pay 100% of the cost of pre-65 retiree medical coverage
 - For over age 65 coverage, retirees will be offered access to purchase a guaranteed issue Medicare supplement plan through a third party administrator

ARTICLE 42 – JOB SECURITY (Full Text)

- Current book with the exception of the condition outlined in Article 1 above.

ARTICLE 47 – DURATION OF AGREEMENT (Full Text)

- Duration of Agreement is DOS plus 48 months.
- Either party may elect to open the agreement six (6) months prior to amendable date.

MISCELLANEOUS

- The Parties agree to discuss modifications to Base Closure at the Local level.

After nearly four years of negotiations, two and a half in mediation, and nine months since the failed Tentative Agreement, the M&R Committee has decided we need a different approach to negotiations. We need a level playing field. At the end of our session the TWU M&R Negotiating Committee made the following statement to the Mediator;

“The TWU members of Titles I and II at AMR/American Airlines, through their union leadership, respectfully request the mediator to release the parties from mediation and place them on the "clock".

Our members have bargained in good faith for over three years and have worked diligently in attempting to reach an agreement through direct Section 6 talks. Regrettably a final ratified agreement has not been achieved.

Given the great length of time that has passed without yielding agreement between the parties, we respectfully submit it is in the best interest of our members , the carrier, the passengers and the nation to go forward utilizing the next steps of dispute resolution under the RLA. Such successor steps are designed to hopefully lead to an accord.

We seek your consideration of this request. Thank you.”

The mediator responded directly to the M&R Negotiating Committee stating that he will not recommend a release at this time. He further noted that these discussions have not reached that point and that he believed that the parties were still able to reach an amicable agreement. He assigned the next mediation date of June 13-17 for the parties to meet the location is TBD.

Stay informed.

The M&R Negotiating Committee appreciates your patience and support as we work toward an agreement.