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In re:

AMR CORPORATION, *et al.*,

Debtors.

Chapter 11

Case No. 11-15463 (SHL)

(Jointly Administered)

**OBJECTION OF THE TRANSPORT WORKERS UNION OF AMERICA,
AFL-CIO TO THE MOTION OF DEBTORS FOR ENTRY OF ORDER
PURSUANT TO 11 U.S.C. § 1113 AUTHORIZING DEBTORS TO
REJECT COLLECTIVE BARGAINING AGREEMENTS**

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The Transport Workers Union of America, AFL-CIO (the “**TWU**”) submits this brief in opposition to the Motion (the “**Motion**”) of American Airlines, Inc. (“**American**” or the “**Company**”), one of the above-captioned debtors (collectively, the “**Debtors**”), to reject its collective bargaining agreements pursuant to 11 U.S.C. § 1113(c).

PRELIMINARY STATEMENT

American’s Motion to reject its seven collective bargaining agreements with the TWU (“**TWU CBAs**”) should be denied because the Company failed to satisfy the strict procedural and substantive requirements of section 1113(c) of title 11 of the United States Code (the “**Bankruptcy Code**”).

The imposition of draconian modifications to the TWU CBAs that will result in the loss of nearly 9,000 TWU jobs and a sub-standard collective bargaining agreement is so excessive as to be unconscionable. The modifications clearly are not “necessary modifications. . . that are necessary to permit the reorganization” of American as required by section 1113(b)(1) (A).

American seeks \$1.25 billion in average annual cost savings over a six year period from all labor groups. Of the purported cost savings, \$390 million will be imposed on the TWU workforce through a combination of measures that would decimate the workforce and, for those fortunate enough to remain employed, significantly reduce healthcare and other benefits and drive overall compensation levels to the lowest in the industry. American seeks these excessive concessions without need as it failed to first fully explore all of its restructuring options, including consolidation or merger. The Debtors’ proposed financial targets are premised on a faulty stand-alone business plan model that ignores the consolidation that has taken place in the industry over the past decade. Indeed, the Debtors and their financial advisors acknowledge that they must consider consolidation, yet they premise their excessive labor modifications on a dead

on arrival stand-alone business model.¹ It is inconceivable that American would seek to impose destructive, draconian “cost-savings” on its employee groups without first exploring all of its available options. Instead, American seeks to reduce labor costs below the level needed to merge or consolidate, which has the result of giving the benefit of any synergies or upside created by any consolidation or merger to its non-labor stakeholders. Thus, beyond being unnecessary, the proposals do not treat the TWU and other labor groups fairly or equitably.

Furthermore, the Debtors’ contention that it is necessary to obtain \$1.25 billion in labor cost savings to establish a profitable, competitive, and sustainable business is not supported by the evidence. In fact, the Debtors’ own investment banker acknowledges that it did not analyze alternative targets before opining that the Debtors’ labor cost savings targets supplied by the Debtors were necessary to achieve the earning targets selected by American’s management. Instead, the investment banker simply relied on the Debtors’ business model revenue, earnings and other targets and concluded that massive labor costs savings were necessary to achieve them.

The Company’s assertions that the proposed modifications to the TWU CBAs are necessary to achieve a competitive cost structure are also not supported by the record and are, in fact, objectively false. Although the Debtors’ labor cost expert from F&H Solutions cherry-picks a few provisions from certain of the TWU CBAs and argues that they are not industry norm, neither he nor any other witness offered by American has presented evidence establishing that, on a whole, the existing TWU CBAs are above industry averages. The Debtors’ expert conveniently ignores the fact that pay rates of the largest TWU-represented workgroup (consisting of approximately 11,500 mechanics and related employees) are the lowest among

¹The Committee has stated that it supports the Motion but it has not endorsed the business plan upon which the section 1113 proposals were made and made clear in the section 1113 scheduling order and on the record during the section 1113 hearing that nothing in the section 1113 hearing record will have a preclusive effect on other aspects of this case.

American's competitors. Since pay rates drive 75% of total compensation, this is a serious omission. Moreover, the Debtors failed to present any evidence that the proposed modifications leave those TWU workers who remain employed with industry competitive wages, benefits and work rules when viewed in their entirety. To the contrary, the proposed changes would leave TWU-represented workers at American, not with competitive contracts, but with contracts at the lowest end among its peers. Therefore, the proposed modifications are not necessary, as suggested by the Debtors, to achieve a competitive cost structure.

Assuming, *arguendo*, that \$390 million in cost savings from the TWU are somehow necessary, the modifications proposed by American are not necessary to achieve that goal. Viable alternatives exist that could achieve sustainable cost savings in the range sought by the Company without terminating nearly 9,000 members of the TWU workforce. The Company, however, rejected these proposals. In addition, the Company has significantly understated the value of certain of its alleged cost savings measures. This effectively means that the Company is seeking concessions with a value far greater than \$390 million. Therefore, assuming the Company's target of \$390 million is somehow necessary, the modifications it proposes exceed that amount and, therefore, are not necessary.

Rejection of the TWU CBAs is also prohibited because the concessions sought from the TWU are not fair and equitable as required by section 1113(b)(1) of the Bankruptcy Code.

In addition, (i) the TWU has good cause to reject American's proposals and (ii) the balance of the equities clearly does not favor rejection of the TWU CBAs. Accordingly, the Debtors have failed to meet their burden of satisfying section 1113(c)(2) and (3) of the Bankruptcy Code and, therefore, the Motion must be denied.

STATEMENT OF THE FACTS²

The TWU and the Employees It Represents

The TWU represents approximately 23,500 employees at American, or nearly 40% of the workforce. The TWU is the largest bargaining unit at American. TWU-represented employees work in seven crafts or classes: (i) Maintenance & Related Employees (“**M&R**”); (ii) Fleet Service Employees and Ground Service Employees (“**Fleet**”); (iii) Stock Clerk and Crew Chief Stock Clerk Employees (“**Stock Clerks**”); (iv) Maintenance Control Technicians (“**MCT**”); (v) Ground School Flight Engineer Simulator and Pilot Simulator Instructors (“**Instructors**”); (vi) Flight Dispatchers and Dispatcher’s Assistants (“**Dispatch**”); and (vii) Flight Simulator Technicians, Associate Simulator Technicians and Technical Coordinators (“**Sim Techs**”). There are approximately 11,500 M&R employees, 10,200 Fleet employees, 1305 Stock Clerks, 175 Dispatchers, 170 Instructors, 87 MCTs, and 76 Sim Techs. The terms and conditions of employment for each employee craft or class are governed by separate collective bargaining agreements between American and the TWU. *See* AA Exhibits 1103-1111.

The TWU has a long history of representing workers at American going back as far as the 1940’s. Over the past 60 plus years of representing members at American, the TWU made great strides in balancing the goal of good quality jobs while understanding the Company’s need to be profitable. The TWU is well aware that a labor agreement must be a living document that evolves over time and that during negotiations the constantly changing business environment

² Unless otherwise stated, the facts contained in this Statement of the Facts are drawn from the *Declaration of Donald M. Videtich In Opposition to the Motion of the Debtors for Entry of an Order Pursuant to 11 U.S.C. § 1113 Authorizing the Debtors to Reject the Collective Bargaining Agreements with the Transport Workers Union of America, AFL-CIO* (hereinafter the “**Videtich Decl. at ¶____**”); the *Declaration of Timothy J. Gillespie in Opposition to the Motion of the Debtors for Entry of an Order Pursuant to 11 U.S.C. § 1113 Authorizing the Debtors to Reject the Collective Bargaining Agreements with the Transport Workers Union of America, AFL-CIO* (hereinafter the “**Gillespie Decl. at ¶____**”); and the *Declaration of Thomas R. Roth In Opposition to the Motion of to Reject Collective Bargaining Agreements Covering Employees Represented by the Transport Workers Union of America, AFL-CIO Pursuant to 11 U.S.C. Section 1113(c)* (hereinafter the “**Roth Decl. at ¶____**”).

should be taken into consideration. While no agreement is perfect, the TWU membership reached agreements that helped build American into the largest airline in the world.

The men and women represented by the TWU are and will continue to be on the front lines for American every day. In the past, the TWU has been mindful of American's financial situation and made decisions and created opportunities based on the belief that a healthy, financially viable company is the best solution for everyone, including its members and their families in the long run. However, after decades of hard work attempting to build an environment of mutual respect and understanding, the Debtors' bankruptcy filing seeks to undo all that has been built by honest, hard working employees.

In contrast to the financial creditors in these chapter 11 cases, for whom American is just another investment in their portfolio, American is the life-blood of the TWU-represented employees. The hardships that the Company is seeking to impose on TWU-represented employees through the section 1113 process will cause severe and irreparable harm to the well-being of the employees and their families and dependents, who depend on American not just for their wages, but also for health insurance, retirement, community and security. The vast majority of the TWU-represented employees dedicated twenty years of service (or more) to American. In recognition of their long and dedicated service, American proposes to terminate 9,000 of these employees in pursuit of an absurd business plan that is not viable on its face. Labor unrest is the only thing assured by American's business plan.

The TWU members are not wealthy. They are not the highest paid in the industry in their respective crafts. The average take home pay for a TWU-represented employee, adjusted for inflation, is below what it was over ten years ago. While the TWU membership is dedicated and loyal, nothing in the Bankruptcy Code or any other federal statute mandates the use of a debtor's

workforce as a bargaining chip. If, as it appears, it is inevitable that the Debtors will eventually merge with another airline, the TWU should not be required to make vast concessions now for the benefit of other stakeholders who will benefit in the future from the concessions.

The TWU-represented employees understand the concept of sacrifice and proved that by accepting \$620 million in concessions in 2003. But the men and women represented by the TWU know the difference between fairly sharing sacrifices and being “filleted” to provide a better opportunity for other constituents. They do not deserve to be the proverbial ox that is gored.

The TWU continues to focus on making the right business decisions that support a healthier airline *and* its members’ interests. However, the TWU will not let its members and their families unduly bear an unfair burden or sit on the curb while American marches in pursuit of a business plan that is neither viable on its face nor equitable in the disproportionate sacrifice it seeks from labor.

History of Pre-Bankruptcy Events and Negotiations

In 2001, the TWU was in negotiations and sent out certain tentative agreements for ratification by its members when the tragic events of 9/11 occurred. TWU members ratified the agreements but knew that difficult economic times were ahead. American, along with every other airline, experienced a sharp decline in passengers. The industry was in uncharted territory and the TWU worked hard to find solutions to cut costs. In October 2001, as the demand for flying decreased, aircraft were parked, and lower utilization of aircraft drove less need for maintenance, American began the lay off of maintenance and engineering staff in record numbers. To mitigate job loss and better position American for quick resumption of higher service levels, the TWU increased its efforts to work more productively.

During this time, distrust of management grew among both organized and unorganized labor groups because, while labor and support staff were being laid off in record numbers, direct and indirect management did not share in similar headcount reductions.

By mid-2002, passenger traffic started to improve. Some TWU-represented employee recalls were initiated in certain locations and aircraft were reactivated. Revenue, however, did not return to pre-9/11 levels and airlines trying to recover losses and win traffic back lowered airfares to unprofitable levels. By the end of 2002 it was clear that, after burning through cash reserves, mortgaging assets to unprecedented levels, and failing to adapt their business models fast enough, drastic structural changes were on the horizon for the airline industry.

In early 2003, at the request of American's management, and in response to the deteriorating financial condition of the Company, each of the seven TWU workgroups entered into new collective bargaining agreements (collectively, the "**2003 CBAs**") as part of the Company's out-of-court restructuring. The 2003 CBAs resulted in approximately \$620 million in aggregate annual labor concessions from TWU-represented employees and an immediate layoff of approximately 1,300 M&R employees alone. Since 2003, the M&R work force alone has been reduced dramatically from approximately 16,000 to 11,500 employees.

The M&R group contributed approximately \$315 million in concessions as part of the 2003 restructuring, including a staggering 17.5% reduction in base wage rates and another approximately 10% in various vacation, sick leave and other benefit concessions. Similarly, the Fleet service employees, who combined with M&R employees, represent nearly 95% percent of TWU-represented employees at American, contributed approximately \$300 million in concessions, including a 16% reduction in base wage rates and similar cuts in benefits. These drastic changes, contrary to the assertions of the Company, have placed M&R and other TWU-

represented employees at the bottom end of the overall compensation scale compared to similar employees at American's competitors.

After the TWU ratified the 2003 CBAs and made extraordinary sacrifices to save the Company, it was revealed that at the same time that the Company was asking TWU for drastic concessions to avoid bankruptcy, senior management established a Supplemental Executive Retirement Plan for then chief executive officer, Donald Carty, and forty-four other executives to protect their retirement funds in the event of a bankruptcy filing.

Moreover, contrary to representations made during the negotiations leading up to the 2003 CBAs, the TWU learned that senior management did not reduce their wages and other benefits to the same degree as the TWU and other unions. For example, while the TWU agreed to wage reductions of up to 17.5%, management compensation was reduced only 6-8%, and while TWU-represented employees agreed to reduce holidays from 10 days to 5 days, management's holidays remained at 10 days. Thus, while the TWU recognized - as it does now and always has - the need for fair, equitable and shared sacrifice and honest negotiations, the Company's senior management did not.

Notwithstanding the distrust and tension created by the actions of the Company's management, the TWU understood the need to improve efficiency and productivity. By way of example, the TWU participated in collaborative labor/management efforts as part of the Company's Performance Leadership Initiative ("PLI") that was established in 2005. As part of the PLI, a Maintenance Task Team ("MTT") of approximately 25 frontline TWU and management employees was formed. Working with the Boston Consulting Group, the MTT determined, among other things, that approximately \$170 million in annual maintenance related cost savings could be achieved if the Company improved training and implemented other

improved business procedures. No layoffs were needed to achieve these savings. The Company, however, chose not to implement the key drivers of these cost savings.

Notwithstanding management's decision to reject significant cost savings proposals (while at the same time accepting hundreds of millions of dollars in bonuses as described below), M&R employees recognized the need to improve efficiencies and implemented numerous cost savings initiatives that have resulted in more than \$1 billion in added value since 2004. Among these initiatives is the implementation of a new method for performing "C" checks (a type of overhaul maintenance function) on MD80 aircraft at the Company's Tulsa Maintenance Base. This improvement reduced the number of aircraft maintenance technicians ("AMTs") necessary to perform the overhaul from approximately 770 to approximately 350. This and other efforts at the Tulsa Maintenance Base resulted in added value totaling \$500 million.

In addition, starting in 2007, the M&R group at Alliance Fort Worth Overhaul Base ("AFW") set and reached a goal of \$300 million in added value through procedures designed to improve the deployment of workers and parts. These groundbreaking procedures at AFW allowed the Company to add an entire line of new aircraft modification work without adding any new maintenance or other staff. At the Kansas City Maintenance Base ("MCIE"), employees contributed another \$150 million in value creation. These are just a few of the many initiatives that TWU-represented employees have taken to dramatically improve the efficiency of American's maintenance operations since 2003.

In or about August 2007, the TWU exercised early open provisions of the 2003 CBAs (each of which was amendable as of April 15, 2008) and the parties engaged in bargaining sessions pursuant to section 6 of the Railway Labor Act on various dates between November 2007 and 2009. These negotiations were conducted in a difficult negotiating environment,

especially after American paid approximately \$200 million in Performance Share Unit Plan payouts to hundreds of executives in 2006 and subsequent years, while TWU employees were still living under the terms of the deeply concessionary 2003 CBAs. During the Section 6 negotiations American offered proposals to the TWU that would increase the non-competitive wage rates and related improvements in exchange for certain modifications to work rules and retirement benefits.

When negotiations did not lead to agreements, the TWU sought mediation with respect to the M&R, Stock Clerks and MCT groups and the TWU and American jointly sought mediation through the National Mediation Board pursuant to section 5 of the Railway Labor Act, 45 U.S.C. §§ 151 *et seq.* (“**RLA**”), with respect to the Fleet, Dispatch, Instructors and Sim Techs groups. Various mediation sessions took place with respect to each group between October 2008 and July 2011. Those negotiations resulted in a new collective bargaining agreement with (i) the MCT group which became effective May 5, 2010 and (ii) the Instructors which became effective October 1, 2011.

In 2010 and 2011, the TWU also reached tentative agreements (“**TAs**”), which were subject to ratification by the membership of each TWU group, with respect to M&R, Stock Clerks, Fleet (on two occasions), Dispatchers and Sim Techs. None of those TAs became effective.

The negotiations leading up to the TAs concerned mainly pay increases, improvements to vacation, holiday and sick leave and concessions related to retirement benefits (moving from a defined benefit pension plan to a 401(k) plan for new hires), retiree medical benefits, and certain work rules).

Post-Petition Negotiations

On November 29, 2011 (the “**Petition Date**”), the Company filed for bankruptcy and the TWU was told that the Company was going to make proposals for modifications to the CBAs in the future.

The nature and extent of the Company’s proposals were not disclosed until February 1, 2012, when American presented its new business plan (which it labels Plan For Success) and term sheets containing proposed modifications to the TWU CBAs (the “**February Term Sheets**”). Copies of the February Term Sheets are marked as AA Exhibits 1126-1129 and 1202-1204.

During the initial informational session at which the February Terms Sheets were provided, American informed TWU representatives that it was seeking average annual savings over the six year life of its business plan of \$1.25 billion from all labor groups combined. The Company explained that its proposals to all labor groups sought 20% reductions of each group’s respective labor costs.

Using this allocation methodology, the Company seeks average annual cost savings of \$390 million from the TWU work groups over the next six years. In particular, the Company seeks cost savings of approximately \$212 million from M&R, \$150 million from Fleet, \$20 million from Stock Clerks, \$3.4 million from MCT, \$3.2 million from Dispatch, \$2.1 million from Instructors and \$750,000 from Sim Techs. *See* AA Exhibits 1140-1143, 1205 -1207 and 1212-1214. The Company informed the TWU that it would not move off the \$390 million “ask” - and it has not done so to date.

The labor cost savings that the Debtors seek are premised on its existing stand-alone “Cornerstone” business strategy, which has long proven unworkable. In particular, to arrive at the aggregate target cost savings number for labor, the Debtors’ management first identified

anticipated revenue improvements and non-labor cost savings and then targeted a projected level of profitability and a projected EBITDAR margin of [REDACTED]. In order to achieve these metrics, American simply plugged in a labor cost savings that would yield the desired result. It then allocated the cost savings measures by asking each labor group to reduce its percentage of the Company's overall labor costs by 20%, which in the case of the TWU groups as a whole, approximates \$390 million.

American seeks these excessive concessions based on a stand-alone business strategy model that ignores the consolidation that has taken place in the industry over the past decade. Indeed, the Debtors and their own investment banker acknowledge that the Debtors have a fiduciary duty to consider consolidation, yet they premise their excessive labor modification proposals on an outdated stand-alone business model without first exploring all its available options, including a merger or consolidation that would require far less labor concessions.

In response to cross examination by the TWU, the Debtors' investment banker testified as follows:

10 In addition to reviewing the debtor's stand-alone plan
11 is it your expectation that the debtor will be reviewing
12 consolidation, merger, M&A or other options prior to a plan
13 of reorganization?

14 A I think that would be likely because the debtor's
15 obligation is to maximize value for stakeholders, and my
16 sense is, is that the stakeholders would want to insure that
17 they are getting the highest possible value, so they would
18 want the debtor to look at all alternatives to a stand-alone
19 plan before supporting a plan of reorganization based around
20 the stand-alone plan.

21 Q So that would be yes?

22 A That would be yes.

Transcript of hearing April 25 174:10 to 174:22.³

³ Citations to the transcript of the hearing on the Motion commencing on April 23, 2102 will hereinafter adhere to the following format: Tr. Apr. ___ Page:Line to Page: Line.

And then again at page 176:

3 Q I believe you testified that a -- as a debtor you have
4 a fiduciary duty to all of the company's stakeholders,
5 correct?
6 A Yes.

Tr. Apr. 25 176:3 to 176:6.

In response to cross examination by the TWU of the Debtors' industry expert, he testified
as follows:

5 Q Now, Your Honor -- I'm sorry. Mr. Kasper, Exhibit 30,
6 that shows that both United and Delta have larger networks
7 than American; is that right?

8 A Correct.

9 Q And it compares the size of the networks presently to
10 the size of the networks in 2002, correct?

11 A That's correct.

12 Q And if you look at 2002, American was the biggest one
13 with 263 shares, correct?

14 A Yes.

15 Q And you see that -- that Delta, Northwest, United and
16 -- and Continental, on a stand-alone basis, were all behind
17 American, right?

18 A That's correct.

19 Q But due to mergers, you have United, Continental and
20 Delta now ahead of American, right?

21 A That is correct.

22 Q And I -- I believe that -- that you would agree, would
23 you not, that the Delta and United mergers created bigger
24 networks than exist presently at American, correct?

25 A I would -- I would agree with that.

1 Q And you would agree that those mergers were beneficial
2 to their -- those airlines?

3 A I think so far they've worked out reasonably well for
4 the carriers.

14 Q And it's your understanding, is it not, that American
15 will be competing with United and Delta in the future,
16 correct?

17 A With any luck in a successful reorganization.

18 Q And in the -- in the context of that competition, will

19 -- will it be important for American to increase its
20 network?

21 A I believe it will. Yes.

22 Q And I think you've said on -- on direct that a network
23 carrier likes a larger footprint because it enables the
24 carrier to attract highly valued business customers?

25 A That is correct.

Tr. Apr. 23 235:5 to 236:25.

The TWU membership should not be compelled to bear the cost of American's experiments or to accept life altering proposals based on a faulty business plan strategy that in all likelihood will not exist in the very near future and was designed for purposes of extracting unnecessary labor concessions that will benefit all other stakeholders at the expense of the TWU and other organized labor groups.

In contrast to the proposals discussed prior to the Debtors' bankruptcy, the proposals contained in the February Term Sheets would have a devastating impact on TWU-represented employees and their families. In fact, the proposals the Company made would eliminate (i) approximately 4,370 jobs, or nearly 40% of the entire M&R workforce; and (ii) approximately 4,200 Fleet jobs, or nearly 40%, of the Fleet workforce. The proposals made to the Stock Clerks would result in the termination of 270, or approximately 20%, of its 1,305 members.

The Company's proposal to allow it to outsource up to 40% of aircraft related maintenance man-hours of work currently performed "in-house," in addition to what is already outsourced, is the most radical proposal that would trigger most of the layoffs of M&R employees. Significantly, while the Company assumes that outsourcing maintenance will result in significant cost savings, it has not provided any data or analysis to support this assumption.

American's own experience with outsourcing aircraft maintenance functions illustrates that outsourcing is not necessarily more efficient or less costly. American previously outsourced

maintenance on 757 aircraft to TIMCO, a large maintenance and repair organization (“MRO”). The time it took to perform the maintenance functions (or “turn times”) proved to be longer than when performed in-house by TWU M&R personnel. This is extremely significant because the longer the “turn time” the longer the aircraft is out of service and not generating revenue. It does not appear that the Company took these factors into consideration when formulating its proposal.

MROs also do not have effective troubleshooting capability which, like slower “turn times,” results in longer downtime for the aircraft. The TWU has sent TWU Technical Crew Chiefs with test pilots who observed American on-site managers themselves attempting to troubleshoot American’s airplanes that were sent out for maintenance. Data has shown that the reliability of the aircraft leaving TIMCO is poor.

Other airlines are also learning that lower labor costs at MROs do not necessarily translate to overall lower maintenance costs. For example, Continental is working collaboratively with its mechanics and has one of the lowest maintenance costs in the industry while performing all 737 and most 757 heavy airframe work in-house.

Terminating approximately 9,000 jobs and causing major upheaval in the lives of the employees and their families in the hope of achieving uncertain cost savings is an untenable proposal, especially when credible alternatives exist. The Company could not, and cannot, in good faith expect that the TWU would ever accept such a draconian and unfair proposal.

Another example of the Company’s harsh proposals is the modification of the TWU health insurance coverage and the implementation of a plan common to all employees. The TWU already contributes 19% towards member healthcare coverage. The Company’s proposal contemplates a diminished medical plan design as well as an increased employee contribution level of 21% of the cost of coverage. Under the proposal set forth in its term sheets, the

Company will offer a 3-option program with family annual deductibles ranging from \$900 to \$4000 and co-insurance of either 20/80 or 20/70 for in-network services. For the plan with the best coverage, the monthly employee contribution for family subscribers is \$460; the lesser plan is \$232. For part-time workers, monthly employee contribution for family subscribers would nearly double at \$805 per month for the best plan, \$406 for the lower plan and \$473 for the standard plan. This one-size fits-all approach creates a disproportionate burden on lower paid workers, such as many of those represented by the TWU. The unaffordable cost of healthcare coverage may prevent many employees from participating in the correct health plan for their family's needs or force them to pay an unduly burdensome price in order to maintain coverage. Given the high cost of healthcare, this proposal is intolerable.

Subsequent to the delivery of the February Term Sheets and through March 22, 2012, the date on which American delivered its second round of term sheets to the TWU, each of the seven TWU work groups delivered a series of proposals to American. As reflected in the TWU Proposals, TWU made counterproposals to the February Term Sheets that included acquiescence to several of American's proposals, including certain provisions that would result in some employee reductions and cost savings in the range requested by American. For example, the first counterproposal made on behalf of the M&R group dated February 24, 2012, accepted the Company's proposal to (i) outsource some maintenance work, (ii) outsource Title II High Voltage work at the Tulsa maintenance base, and (iii) outsource other maintenance functions. *See Videvitch Decl, Exhibit A (M&R Proposal dated February 24, 2012).*

In addition to delivering its written proposals, the TWU informed the Company's negotiators that, among other things, the TWU recognized, as it had in the past, the need to make concessions but that proposals designed to eliminate the enormous amount of jobs envisioned by

the Company was not and would not be acceptable in light of the fact that other viable options were available to achieve cost savings without causing upheaval to thousands of families. Moreover, the Company's proposals to reduce vacation, sick leave and other benefits as described in the February Term Sheets are additional examples of excessive and overreaching cost cutting measures. M&R employees are already at the bottom of the industry in pay rates, holidays and sick leave. The Company's attempt to reduce these benefits to even lower levels, while keeping its wages at the bottom of the industry, is outrageous and unfair and the TWU made that clear to the Company during negotiations conducted after receipt of the February Term Sheets.

On March 22, 2012, the Company delivered new term sheets to the TWU (the "**March Term Sheets**"). The March Term Sheets contain the proposals that are attached to and described in the Motion. *See* AA Exhibits 1136-1139 and 1209 -1211.

Notwithstanding the meaningful TWU counterproposals and the serious concerns and objections raised by the TWU, the March Term Sheets did not alter American's fundamental proposals that would lead to mass layoffs and reduce compensation levels to the lowest level among its competitors. Moreover, the Company stuck to its take-it or leave-it approach and did not make any concessions whatsoever with respect to the \$390 million aggregate cost savings that it was seeking to extract from the TWU.

In essence, on March 22, 2012, only days before filing its Motion, and after nearly two months of discussions and negotiations, the Company presented the TWU with essentially the same proposals it made on February 1, 2012. This is not a fairly shared sacrifice but a disproportionate labor sacrifice for the benefit of other constituents. The proposals contained in the March Term Sheets and described in the Motion are (i) not reflective of good faith

negotiations, (ii) not necessary, (iii) not fair and equitable and (iv) the TWU has good reasons not to accept them.

ARGUMENT

I. THE DEBTORS FAIL TO SATISFY THE REQUIREMENTS FOR REJECTION UNDER 11 U.S.C. § 1113

The Debtors have not met their burden of proving compliance with the statutory requirements of section 1113 of the Bankruptcy Code. Section 1113 of the Bankruptcy Code provides, in pertinent part, as follows:

(b)(1) Subsequent to filing a petition and prior to filing an application seeking rejection of a collective bargaining agreement, the debtor in possession or trustee (hereinafter in this section “trustee” shall include a debtor in possession), shall --

(A) make a proposal to the authorized representative of the employees covered by such agreement, based on the most complete and reliable information available at the time of such proposal, which provides for those necessary modifications in the employees benefits and protections that are necessary to permit the reorganization of the debtor and assured that all creditors, the debtor and all of the affected parties are treated fairly and equitably; and

(B) provide, subject to subsection (d)(3), the representative of the employees with such relevant information as is necessary to evaluate the proposal.

(2) During the period beginning on the date of the making of a proposal provided for in paragraph (1) and ending on the date of the hearing provided for in subsection (d)(1), the trustee shall meet, at reasonable times, with the authorized representative to confer in good faith in attempting to reach mutually satisfactory modifications of such agreement.

(c) The court shall approve an application for rejection of a collective bargaining agreement only if the court finds that --

(1) the trustee has, prior to the hearing, made a proposal that fulfills the requirements of subsection (b)(1);

(2) the authorized representative of the employees has refused to accept such proposal without good cause; and

(3) the balance of the equities clearly favors rejection of such agreement.

Section 1113 “encourages the collective bargaining process as a means of solving a debtor’s financial problems insofar as they affect its union employees.” *In re Century Brass Prods., Inc.*, 795 F.2d 265, 272 (2d Cir. 1986). “Knowing that it cannot turn down an employer’s proposal without good cause gives the union an incentive to compromise on modifications of the collective bargaining agreement, so as to prevent its complete rejection. Because the employer has the burden of proving its proposals are necessary, the union is protected from an employer whose proposals may be offered in bad faith.” *In re Maxwell Newspapers, Inc.*, 981 F.2d 85, 90 (2d Cir. 1992) (citations omitted).

Courts in this Circuit have parsed the statutory language into seven elements. *See In re Carey Transp., Inc.*, 50 B.R. 203, 207-213 (Bankr. S.D.N.Y. 1985), *aff’d*, *Truck Driver’s Local 807 v. Carey Transp.*, 816 F.2d 82, 90-91 (2d Cir. 1987). These seven elements are:

(1) The debtor must make a proposal to modify the collective bargaining agreement or obtain concessions from the union, which is based on the most complete and reliable information available at the time the proposal is made. The debtor’s failure to supply complete and reliable information is fatal to a motion to modify or terminate a collective bargaining agreement. *See In re Liberty Cab & Limousine Co.*, 194 B.R. 770 (Bankr. E.D. Pa. 1996).

(2) The proposal must be necessary to the debtor’s reorganization;

(3) The proposal must treat all creditors, the debtors and all other affected parties fairly and equitably;

(4) The debtor must meet at reasonable times with the union;

(5) The debtor must negotiate in good faith with the union in an attempt to reach mutually satisfactory modifications of the collective bargaining agreement. This factor requires actual

negotiating; a “take it or leave it” bargaining session is not sufficient. *See In re S.A. Mech., Inc.*, 51 B.R. 130, 132 (Bankr. D. Ariz. 1985);

(6) The union has refused to accept the debtor’s proposal without good cause. “Where the union makes compromise proposals during the negotiating process that meet its needs while preserving the debtor’s savings, its rejection of the debtor’s proposal would be with good cause.” *In re Maxwell Newspapers*, 981 F.2d 85, 90-91 (2d Cir. 1992);

(7) The balance of the equities clearly favors rejection of the collective bargaining agreement.

The Debtors bear the burden of persuasion by a preponderance of the evidence on the first six elements and must prove the seventh element, that balancing the equities *clearly* favors the requested relief, by a standard greater than a preponderance of the evidence. *See In re Walway*, 69 B.R. 972, 974 n.18 (Bankr. E.D. Mich. 1987) (holding that the word “clearly” in the final factor indicates a higher standard of proof is required). The Debtors bear the burden of proof and must satisfy all seven of these elements for relief pursuant to Bankruptcy Code section 1113. *See United Food and Commercial Workers Union, Local 211 v. Family Snacks, Inc. (In re Family Snacks, Inc.)*, 257 B.R. 884, 892 (8th Cir. BAP 2001). If the Debtors fail to meet the burden on even one element, the Motion must be denied.

The nature and extent of the modifications proposed by the Debtors exceed those that are necessary to permit the Debtors to successfully reorganize. Furthermore, the Debtors have failed to negotiate in good faith. In addition, the TWU has good cause to refuse to accept the Debtors’ proposals, and the balance of the equities clearly does not support the proposed modifications. Simply put, the Debtors fail to meet their burden of proof under section 1113. Therefore, the Motion must be denied.

A. The 1113 Proposals Are Not Necessary Modifications That Are Necessary To Permit A Successful Reorganization

Section 1113 requires that a debtor propose only those modifications that are “necessary” to permit its reorganization. The necessity inquiry is fact-sensitive and “the impetus of small or subtle changes in the circumstances may alter [the Court’s] perspective and conclusions. Every fact and circumstance is relative to some unspecified and undefinable benchmark in the context of what is necessary . . .” *In re Delta Air Lines*, 342 B.R. 685, 691 (Bankr. S.D.N.Y. 2006). As recognized for over twenty-five years,

“There can be no pat formula. Any analysis must be undertaken on a case by case basis with due consideration given to the nature of the business and industry patterns. In this way provisions dealing with wages and benefits that have a disproportionate impact on the debtor’s business can be selectively addressed without the need for wholesale revision of every provision developed in prior bargaining. In other words, the § 1113 process is designed to encourage selective, *necessary* contract modification rather than a total elimination of all provisions in the collective bargaining agreement. Complete *de novo* negotiations would be wasteful and counterproductive.”

Carey, 50 B.R. 203, 209 (Bankr. S.D.N.Y.), *aff’d*, 816 F.2d 82 (1985) (emphasis in original).

Necessity is a relative concept that is denominated in degrees and must be determined in reference to a particular outcome. A provision may be necessary in the sense that it is absolutely required for a company to survive and successfully restructure. The Second Circuit has found that definition to be too restrictive. On the other hand, a debtor may not use a claim of necessity “as a medicine to rid themselves of corporate indigestion.” *In re Century Brass Prods., Inc.*, 795 F.2d 265, 272 (2d Cir. 1986). The less actually necessary a proposal is, the more a debtors’ insistence on it calls the debtor’s good faith into question. *In re Maxwell*, 981 F.2d at 90-91 (“Because the employer has the burden of proving its proposals are necessary, the union is protected from an employer whose proposals may be offered in bad faith.” (citation omitted)). If

it is more likely than not that a debtor can successfully reorganize without the requested modifications to the collective bargaining agreements, then the debtor has not met its burden for rejection of those agreements.

Moreover, it is not sufficient for the Debtors to show that, as a general matter, some changes are necessary. The Debtors must show by a preponderance of the evidence that the entire proposal, taken as a whole, is necessary. *In re Royal Composing Room, Inc.*, 848 F.2d 345, 348 (2d Cir.1988). Where, as here, a proposal, taken as a whole, exceeds the Debtors' stated needs by millions and the Debtors' stated needs are themselves overstated by millions, the Court should find that the proposal, as a whole, is unnecessary.

1. The Debtors' Business Plan Is Flawed On Its Face.

The Debtors' business plan is a follow-on plan to the failed Cornerstone Strategy. There is little new in the current Plan for Success that was not contemplated, directly or indirectly, in the previous plan. In other words, the gravamen of the Plan for Success is reducing expenses and enhancing revenue to present credit metrics that may attract new capital so the Debtors can invest in their fleet. *See* Goulet Decl. at ¶ 46. The two features present in the Plan for Success that were not present in the Cornerstone Strategy are the unprecedented level of new aircraft ordered by the Debtors, but not justified by the Debtors' route structure or financial capability, and the unprecedented labor cost reductions made available under section 1113. Neither of these features is justifiable, and the labor cost savings are so enormous in relation to the Debtors' need, as to be unnecessary for the Debtors' reorganization. These facts alone could lead the Court to conclude that the Plan for Success is a flawed plan for American's future. But there is an even more fundamental defect, which gives rise to the inescapable conclusion that the Plan for Success is incurably flawed: it is predicated upon a stand-alone American emerging from these chapter 11 cases.

It is axiomatic that the Debtors have missed out on the multiple waves of consolidation that have swept through the airline industry over the last decade. The fact that American must merge with another airline with a complementary route structure and fleet to compete effectively with its peer group is equally axiomatic. As a result of the consolidations, American lost its place as the world's largest airline, falling to third. At the same time, during 2006 and 2007, two years of minimal profitability, American failed to invest in its fleet, choosing instead to pay hundreds of millions of dollars in bonuses to its executives. American, however, chooses to ignore the competitive advantages of consolidation and, concomitantly, the competitive challenges that American's merged peers pose for American's ability to compete in the future. The Debtors' investment banking expert, agrees that American has a fiduciary duty to consider alternatives to the so-called stand-alone plan and that has not happened. *See* Tr. Apr. 25 111:11 to 113:9.

The importance of American's fulfilling its fiduciary duties and considering all available alternatives cannot be overstated. The Plan for Success, inconceivably the only plan considered by American's management in the context of section 1113 negotiations, calls for draconian modifications to the TWU CBAs, which likely would not be required under a different plan. As it is, the modifications proposed by American are unnecessary. The level of labor cost savings required in a consolidation scenario would emanate from a multitude of factors, including revenue enhancements and operating synergies the merged carrier could be expected to achieve. Yet this Court will never be told the extent of those modifications because the Debtors have utterly failed to consider any alternatives to the stand-alone plan. That is not a Plan for Success; it is a recipe for financial ruin. The fact is that American cannot survive as a stand alone airline.

No one, other than Tom Horton, thinks that it can and no one, perhaps other than Tom Horton, believes that it will.

Despite its dead on arrival business plan, American asks this Court to authorize the rejection of the TWU CBAs- an act that will directly result in the loss of almost 9,000 jobs, significant reductions in pay for the few surviving employees, and the total loss of any security the TWU-represented employees have sacrificed for in the past. American should be required to present a viable business plan before being allowed to take such drastic measures.

2. The Debtors Do Not Need \$1.25 Billion In Labor Savings

The Debtors' contention that it requires \$390 million of cost savings from the TWU is based on the Debtors' underlying premise that it is necessary to obtain \$1.5 billion in annual employee cost savings (which includes \$1.25 billion from American and the balance from American Eagle) to establish a profitable and sustainable business. This underlying premise, however, is not supported by the evidence.

To arrive at the aggregate target cost savings from labor, the Company did not focus on whether their proposals to each labor group was market-based. Rather, the Debtors' management simply backed into the number by first making assumptions regarding the profitability metrics it wanted to reach. *See* Goulet Decl. ¶ 54 and fn. 21 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] *Id.*

There is no evidence, however, that the Debtors considered modestly lower financial metrics to ascertain whether achieving lower metrics would result in a sustainable business while at the same time reducing the cost savings ask from labor. Moreover, while the Debtors' financial advisor and investment banker opines in conclusory fashion that the metrics selected by the Company's management would result in a sustainable business enterprise and that the cost savings requested by the Company are necessary to reach them, he acknowledges that he was not involved in selecting the amount of the labor cost reductions and was not asked to consider, and did not consider, whether any lower cost savings number would result in a sustainable business. *See* Tr. Apr. 25 89:21 – 90:16, 94:1- 95:3.

Given the failure of the Debtors and their financial advisor and investment banker to consider whether more modest labor cost savings could result in a profitable and sustainable business, the Court should not find that the Debtors' proposed modifications which seek \$390 million in cost savings, are necessary modifications that are necessary to permit the reorganization of the Debtors. The Debtors should not be permitted to assert that such drastic concessions are necessary unless less oppressive alternatives have been fully reviewed and analyzed.

3. The Debtors Undervalue Their Proposals To Extract Even More Concessions From The TWU-Represented Employees

The Debtors' proposal is not necessary because the Debtors either undervalue or *ascribe no value* to substantial portions of their proposals. As discussed more fully below, applying the Debtors' own outsourcing valuation methodology, the Debtors vastly underestimate the value that they will obtain from outsourcing. Second, and equally as egregious, the Company demands contract changes which, if implemented, would fundamentally alter employee protections, but attribute *no dollar value* to these changes. In other words, the Debtors insist on sweeping

contractual changes, such as increasing the amount of part-time employees, that they assert have no value. As an initial matter it is difficult to see how changes with a zero value could be necessary to the Debtors' reorganization. But, even if arguably necessary, the Debtors must properly value the modifications insisted upon.

As a result of the Debtors' improper valuations, the 1113 Proposal which is alleged to achieve the \$390 million ask, would, if implemented, extract substantially more value from the TWU. This result is unnecessary by any measure.

The Debtors Undervalue The Savings From Outsourcing

More than 50 percent of the labor cost savings demanded of the TWU come directly from proposed modifications that will result in the outsourcing of thousands of jobs. AA Exs. 1212, 1213, 1140. The Debtors' valuation of the cost savings from outsourcing is generated pursuant to flawed metrics being applied to an arithmetic formula. The Debtors measure cost savings from outsourcing by subtracting the labor rates of outside vendors from the cost of the work performed in-house. The Debtors, however, acknowledge that they have not obtained actual bids from vendors for much of the work they seek to outsource. Instead, the Debtors use estimates to calculate the amount of their supposed savings. As discussed more fully below, the assumed rates the Debtors' utilize are not accurate and reliable. By applying improper vendor rates, the Debtors significantly undervalue the cost savings they contend will result from outsourcing, thereby overstating the amount of concessions that are purportedly "necessary."

Value of Cost Savings From Outsourcing

The Debtors measure the value derived from outsourcing pursuant to a simple arithmetic formula:

$$\begin{aligned} & \text{The cost of the TWU-represented employee ("C-TWU")} \\ & \text{MINUS The cost of the replacement vendor ("C-RV")} \\ & = \text{Debtor Saving (per employee) ("Debtor Savings")} \end{aligned}$$

Thus, for example, if the C-TWU rate is \$7/hr and the C-RV rate is \$5/hr, the Debtor Savings is \$2/hr. If, by contrast, the C-TWU rate is \$9/hr and the C-RV rate is \$5/hr, the Debtor Savings is \$4/hr. Similarly, if the C-TWU rate is \$9/hr and the C-RV rate is \$3/hr, the Debtor savings is \$6/hr. In other words, Debtor Savings, which is the difference between the TWU rate and the vendor rate, will be greatest when the TWU number is high and the vendor rate is low (indeed, this is the argument that the Debtors use to justify outsourcing). In determining the value of outsourcing, however, the Debtors artificially manufacture a Debtor Savings rate that is too low, *i.e.*, the C-TWU number is artificially low and/or the C-RV rate is artificially high. The result is that the Debtors, based on their own valuation methodology, derive more benefit from outsourcing than they give the TWU credit for.

The Debtors Underestimate The C-TWU

The Company prices the difference between the cost of performing a function in-house and outsourcing by comparing the vendor's hourly rate with the rate of compensation for an American employee. For example, in calculating the price savings for outsourcing Fleet service employees, the Debtors compare the assumed vendor rate against the cost of a *junior* level American employee who earns less than an average employee. The proper approach is to use the cost of an *average* American employee.

Under the TWU agreements, employees are subject to a wage progression. A new hire starts at the bottom wage rate and progresses over several years to the top of the scale. Under the existing Fleet agreement for example, an employee starts at \$8.64 hourly wage rate and progresses to \$21.16 per hour after nine years of service. The average rate for the 2,000 most junior employees is \$18.67. Adding benefit and other costs to the base rate brings the American in-house rate to approximately \$33.58 per hour. The Debtors compare this base rate total cost to the assumed vendor rate of [REDACTED] per hour. [REDACTED]

[REDACTED]. Under the Company's approach, this [REDACTED] difference is the hourly saving from outsourcing for the Fleet employee.

Yet, it is beyond doubt that a junior employee, if retained, would over the 6 year period of the contract term gradually move up the progression ladder and become the average employee. In fact, based on the current demographics of Fleet employees, the average hourly rate for an eliminated employee is significantly higher than the rate the Debtors' assume for a terminated employee. Thus, a major structural change which enables the Company to avoid the cost of performing the work in-house, avoids the cost of the average employee, not the near-term new hire. The hourly cost differential resulting from the Debtors' use of the cost of the junior employee, as opposed to the average employee, is more than \$16 million per year for which the TWU is not being given credit against the Company's \$150 million demand from Fleet employees.

The Debtors Overestimate The Cost Of The Replacement Vendor (C-RV)

In addition to under-estimating the cost of the existing TWU-represented employee, the Debtors' over-estimate the cost of vendor rates and thereby fail to give the TWU significant credit against the \$390 million target. For instance, with respect to Fleet work that American

wants to outsource, the Debtors use an estimated hourly vendor cost of approximately [REDACTED]. However, the Company's own analysis of outsourcing experience indicates that vendor rates are actually much lower, closer to [REDACTED] per hour. The difference is significant. The appropriate estimate reduces the cost savings required under the Company's request by \$16.4 million per year for the TWU's Fleet group alone.

The Debtors also over-estimate the vendor cost for M&R outsourcing. For valuation purposes the all-in hourly rate used by American for aircraft maintenance performed by a vendor is estimated at [REDACTED].⁴ [REDACTED]. This might be a reasonable basis for estimating the "heavy maintenance" ("C" and "D" checks) involving the B757 fleet. However, under the Company's proposal, at least 250 mechanic jobs are directly eliminated by outsourcing the B777 and B767 fleets. These are wide-body aircraft deployed in international service. The comparator airlines with similar aircraft, to the extent they outsource, outsource to vendors in China or Singapore at substantially lower costs. Although management recognizes this possibility, the higher assumption – which results in undervaluing TWU concessions – was used. Again, by using too high a cost estimate for outsourced maintenance labor, the Company devalues the cost savings resulting in the demand for additional concessions that are not necessary to meet its \$390 million cost savings target from the TWU. Put another way, assuming *arguendo* that the \$390 million is an appropriate cost savings target (which it is not), the modifications requested by the Debtors are not necessary because, based on their own valuation methodology, the Debtors will obtain more than \$390 in cost savings.

4 [REDACTED]

The Debtors Undervalue the Savings From Other Proposals

There are many forms of contract concessions, such as wage and benefit reductions, which can be implemented immediately, and once implemented produce a level stream of savings throughout the 6-year duration of the plan. Other changes, notably outsourcing, are assumed to be implemented gradually, presumably because the Company requires time to negotiate vendor contracts. Under the Debtors' model, the so-called "phase-in" of savings creates a discount to the steady-state savings which inevitably will be realized by the Company. And, under the Company's approach, these saving are not credited to the TWU target of \$390 million.

There are several types of "terminal value" for which the Debtors have neglected to give the TWU credit. For example, the Debtors discount the value of outsourcing by over \$21 million per year presumably due to delays in implementing the outsourcing program, but do not account for the fact that the Debtors will continue to benefit from outsourcing Fleet work past the proposed six year CBA period. The delay in credit for the "phase-in" of outsourcing, over the 6-year business plan, represents a discount of over \$21 million per year. In short, a major structural change resulting in the elimination of more than 1,000 jobs is underpriced by over 19 percent because the Debtors have refused to recognize the terminal value which will be realized in all years following the 6-year business plan.

Similarly, the Debtors' demand to extend the wage progression period for Plant Maintenance Mechanics (a subset of M&R) (the "PMMs") from 5 years to 9 years for new hires. *See* AA Exhibit 1209. The effect of this change is that it would take a new hire almost 10 years to achieve the maximum pay rate. The Debtors ascribe *zero* value to this change. The Debtors reason that during the 6-year term of the CBA, there are unlikely to be any "new hire" PMMs. Under the business plan, headcounts for the TWU M&R group are assumed to decline over the

6-year period (due to terminations and outsourcing, etc). Additionally, with all the outsourcing, hundreds of incumbent PMMs will have recall rights. If the Company needs a new PMM it will be required under the CBA to rehire a laid-off PMM, who is likely to have already achieved the maximum rate. Thus, the Company assumes that there will be no new PMMs hired during this 6-year period that will be subject to its progression demand over the contract term and thus no value is assigned. The Debtors have acknowledged in negotiations that this change in the wage structure will reduce average pay in the classification and drive significant savings in the future. On the one hand, the Debtors insist on the change; but on the other hand, insist the change has no value. If the change has no value, how can it possibly be necessary to the reorganization? The position is untenable and out of line with market norms.

The Debtors Ascribe Zero Value to Wide Scale Changes

Numerous Company proposals are designed to expand management prerogatives but, according to American, have no economic value that is appropriately credited to the TWU concession target. These items represent a grab-bag of contractual provisions which the Company argues are necessary, but it fails to attribute any economic value towards the cost savings target. As with the items described above, the Debtors take the untenable position that a change has no value but is necessary within the meaning of section 1113.

i. The “40 Percent Rule – Principal among the examples is the Company’s position on the level of outsourcing under the M&R CBA. American proposes to expand its right to outsource additional jobs “*up to 40 percent of aircraft maintenance work currently done in house.*”⁵ (emphasis added). In valuing the cost savings, the Debtors have valued the level of outsourcing that they believe they will actually need now (a number less than 40%). They have

⁵ AA Ex. 1209

not valued the potential cost savings that would be achieved if they reached the 40% target in the future. In essence, the Debtors demand that they retain the option to terminate up to 40% of all M&R employees but they have not given the TWU any credit for that option.

ii. **Part-Time Caps** – The Company proposes to eliminate all restrictions on the right to employ and utilize part-time employees. The Company’s optimal staffing models for the relevant classifications, suggest a fixed number of additional part-time workers. The Debtors, however, demand the option to employ and utilize part-time workers at will in the future, to preserve their flexibility. Yet, the Debtors propose to preserve the option of increasing the use of part-time employees over time while at the same time ascribe it a zero value toward the aggregate savings target.

iii. **Control over the Qualifications Administrative Manual** – Another example of Company overkill is the proposal to eliminate any restrictions on its right to change the Qualifications Administrative Manual. Wage negotiations involve an equation between the pay level and the associated duties, responsibilities and qualifications of the classification. Under the current collective-bargaining agreements, the Debtors and TWU negotiate these terms together. The Debtors insist that they control one side of this equation (*i.e.* the duties required for a specific pay level) but that the employees are locked into compensation levels. In plain terms, American seeks the right to increase an employee’s duties without permitting a corresponding increase in the rate of pay. This change dissolves the wage-effort bargain that is fundamental to wage negotiations. The Debtors’ assertion that this proposal has minimal economic value is unsound. If such a change has no economic value, the Company’s insistence on its inclusion is unwarranted.

4. The Debtors' Claim That The TWU CBAs Are Above-Market Is Not Supported By The Facts Of These Cases

The Debtors' pleadings are rife with *innuendo* that the TWU CBAs are not competitive. *See e.g.*, MOL Part IV pg. 9, Part V pg. 5. But, as the Debtors acknowledge, "labor costs are a function of wages, work rules and benefits." MOL Part 1 pg. 69. On average, wages comprise three quarters of total compensation and the substantial majority of TWU-represented employees earn either the lowest or the near lowest wage rates (as compared to the comparator group). The TWU measures the relative compensation of its members using a model that is designed to measure total compensation per hour worked. The analysis is comprehensive and captures differences in cash compensation (base wages, license and skill premiums, longevity), supplemental benefits (pension, active health insurance, retiree health insurance, life insurance, short term disability benefits, long term disability insurance benefits, uniform/clothing allowances), and pay for time not worked (paid breaks, vacations, holidays, sick leave and on-the-job-injury benefits).

That measure is compared against the results of comparator airlines, Southwest, Continental, United, Delta and US Airways. Measured by capacity (domestic and international), these airlines, together with American, are the 6 largest carriers representing 77 percent of the entire industry. Traditionally, American, Continental, United, Delta and US Airways are considered the "legacy" or "network" carriers. Southwest is included because it is the 3rd largest airline (largest in the domestic market) measured by available seat miles ("ASMs"), and the largest airline measured by passengers enplaned. Additionally, Southwest is the major competitor of American measured by revenue share on city pairs served.

Wage Rates

Contrary to the Debtors’ suggestion, the TWU CBAs, when considered in their entirety, are eminently competitive - in the Debtors’ favor. As described below, wage rates for the three largest TWU craft classifications have been at or near the bottom of the market for years. Wage rates, which is the key driver of total compensation, have remained at the bottom of the scale even though United, Delta and US Airways have all gone through the chapter 11 process since 2003.

For the AMT at American, 73 percent of total compensation is driven by the base hourly wage rate. The fact that American pays its top-of-scale mechanic more than \$4.85 per hour **less** than the industry average (\$27.20 versus \$32.05) explains the TWU’s already unenviable position. Beyond the base rate – adding license, longevity, shift differentials and line premium – the wage gap persists. The all-in AMT/Line rate at top-of-scale at American is \$32.75; compared to \$37.06 for the other airlines – a \$4.31 per hour difference.

Table⁶ 11– Comparative Wage Rates – 2012				
TOS Hourly Rate Including License, Line, and Longevity				
Airline	Aviation Maintenance Tech		Fleet Service Clerk	Stock Clerk
	Base	Line		
American	\$32.20	\$32.75	\$21.46	\$21.46
United	36.42	36.92	21.22	21.17
Continental	36.42	36.92	22.29	21.17
Delta	33.98	34.73	21.16	21.46
Southwest	43.89	43.89	25.97	27.30
US Airways	32.83	32.83	20.57	21.26
Average	\$36.71	\$37.06	\$22.24	\$22.47
AA Rank	Last	Last	3	3
AA as % of Avg.	87.7%	88.4%	96.5%	95.5%

⁶ All tables referenced can be found in the Roth Declaration.

Pensions

To support its proposed reduction in TWU pensions, the Company has repeatedly declared that the competitive airlines have frozen or terminated their traditional defined benefit pension plans (“**DBP**”) and replaced them with defined contribution plans (“**DCP**”), principally through the 1113(c) process. *See* Wright Decl. at ¶ 11, *citing* Glass Decl. at ¶¶ 271-275. However, with respect to ground service employees, this at best, is only partially true. The demise of the DBP for fleet service and M&R employees of the competitive airlines is greatly exaggerated. Today Continental and US Airways continue to have DBP for their M&R employees; Continental, United, and US Airways continue to maintain DBP for Fleet. More importantly, all of the comparator airlines offer pension programs that provide retirement plans superior to that proposed by American. The Company’s demands with respect to pensions are unnecessary and leave TWU members with pension benefits far below its competitors.

Table 12 – Summary of Retirement Plans — Comparative Airlines 2012							
		AA Prop.	COA	UAL	SWA	USA	DAL
Mech.& Related	DBP:	None	1.19% x FAE x YOS	None	None	Yes; IAM - NPP	None
	DCP:	100% match up to 5.5%	matching plan based on YOS: to 50% match up to 6%	5%; no match required	100% match up to 7.3%	None	2% plus 100% match up to 5%
	Cost:	4.4% of straight time	8.8% of Gross	5.0% of gross	5.8% of gross	6.4% of gross	6.0% of gross
Fleet Service	DBP:	None	1.19% x FAE x YOS	Yes: IAM-NPP	None	Yes; IAM - NPP	None
	DCP:	100% match up to 5.5%	matching plan based on YOS: to 50% match up to 6%	None	100% match up to 7.3%	None	2% plus 100% match up to 5%
	Cost:	4.4% of straight time	8.8% of Gross	6.5% of gross	5.8% of gross	5.0% of gross	6.0% of gross
Note: Cost to employer estimated assuming 80% participation to DCP.							

Medical Care

A third major element of compensation is healthcare benefits. The Company’s analysis of other airlines (conducted in mid-2011) revealed that contributions for active employees represented by the TWU were already on par with industry standards. The reported composite employee contribution, as a percent of the total cost, was 19 percent — the same as Continental, and higher than United, Southwest, US Airways. Only Delta was higher at 21 percent. Here, again, the Company’s demand for an “equivalent” employee contribution of 21 to 27 percent is unnecessary and goes beyond the competitive norm. At US Airways for instance, the Fleet, M&R, and Stock Clerk groups agreed to a three-tiered Preferred Provider Organization (“**PPO**”) Plan. Suffice to say that the plan option calling for the lowest contribution (7 percent) is far

superior in coverage than either of American's proposed plans requiring 21 percent. Similarly, at United, the ground service employees agreed to a PPO that initially requires a 20 percent employee contribution for single or family coverage. Significantly, the employee contribution increase is subject to a 7 percent annual cap. Accordingly, the contribution today is significantly less than 20 percent. As with US Airways, the United plan design, with a fixed annual deductible of \$250 and out-of-pocket maximum of \$1,500, is superior to the best option (22% single/29% family) offered by American.

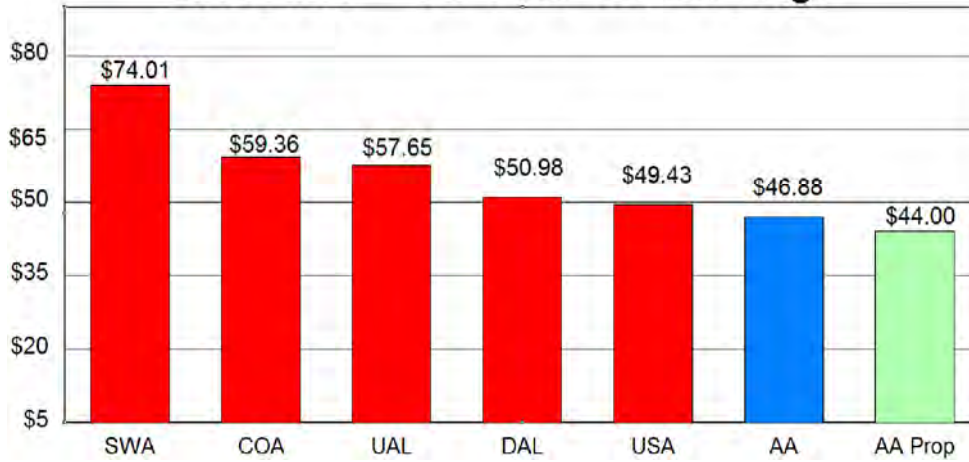
When Northwest sought consensual agreements from its ground service employees in its 2006 bankruptcy, it proposed that employees pay 15 percent of required contributions to a quality PPO. The employee contribution was subject to a maximum annual increase of 8 percent. The plan called for an annual deductible for single/family of \$350/\$700 for both in-network and out-of-network. The out-of-pocket employee maximums were \$2000 and \$4000 for single and family subscribers respectively. The cap on contributions caused the employee share to fall over the term. Apart from much lower contributions, the design features of the Northwest plan provided coverage far superior to that offered by American now.

Table 13 - Summary of Active Employee Health Insurance Plans - Comparative Airlines 2012						
Active Employees in Ground Service						
	AA Prop.	COA	UAL	SWA	USA	DAL
Annual Deductible: Ind./Family	\$300/ \$900	None	\$250/ \$500	\$200/ \$300	\$225/ \$450	\$500/ \$1,500
Co-Insurance:	80/20	100%	80/20	80/20	90/10	80/20
Out-of-Pocket Max: Ind./Family	\$2,750/ \$8,250	NA	\$1,500/ \$3,000	\$2,500/ \$2,500	\$1,500/ \$3,000	\$2,500/ \$5,000
Drug Co-Pay: Generic (min/max) Formulary (min/max) Non-Form (min/max)	\$10 (\$20/\$75) 30% (\$40/\$150) 50% (\$70/\$180)	\$5 \$25 \$50	20% credited to Deductible	\$0 20% credited to deductible	\$15 \$30 \$50	\$10 25% (\$30/\$75) 25% (\$50/\$125)
Employee Cont. Share:	22% Ind. 29% Fam.	20%	13%	0%	14%	
Notes: AA proposal for "Value" Plan which is most popular plan with TWU members (90%); features are for in-network where applicable for plans most comparable to AA "Value" Plan.						

Total Compensation

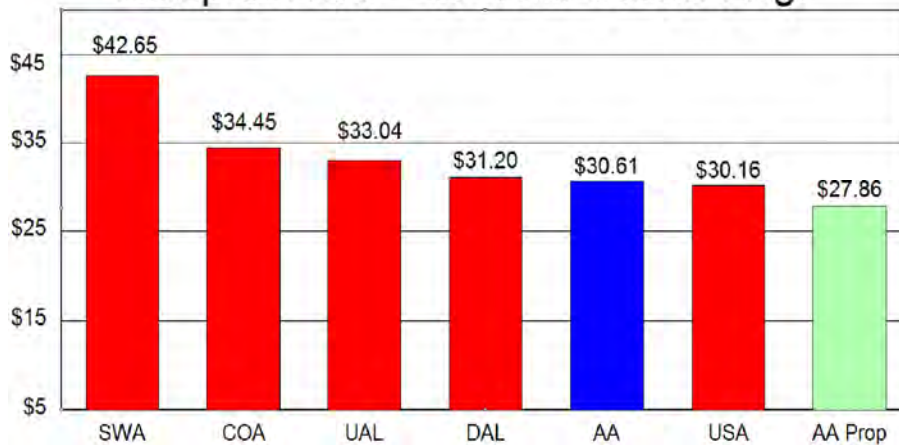
AMT is the largest classification in TWU's M&R group. This class represents 36 percent (approximately 8,400 employees) of all TWU members at American. Prior to any proposed concessions in compensation, AMTs at American were the lowest paid in the comparison group at \$46.88 per hour. After reducing shift differentials, pensions, health care, vacations and sick leave the AMT's compensation falls to \$44.00 per hour – 12 percent below US Airways, the next lowest in the group.

Total Compensation Per Work Hour Line AMT -- 30-Year Career Avg.



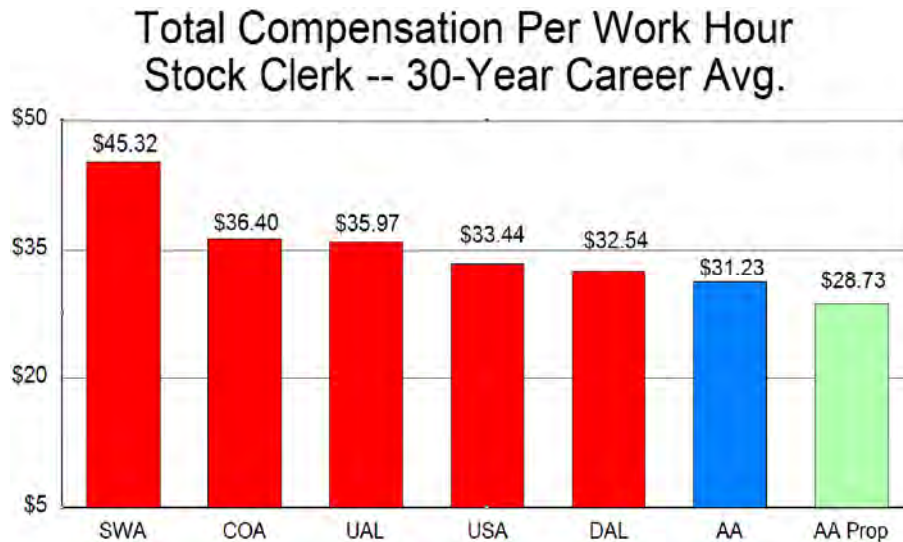
Fleet makes up 43 percent of the TWU membership and is the sole classification under the TWU Fleet Service contract. Today, Fleet is paid \$30.61 per hour, slightly above US Airways. For Fleet the base rate is 82 percent of total compensation. At \$21.16, the Fleet is already \$1.00 below the average. But after the additional cuts in compensation demanded by the Company, the Fleet rate will be \$27.86 – 8.5 percent below the next lowest rate.

Total Compensation Per Work Hour Ramp Service -- 30-Year Career Avg.



Stock Clerks, representing 6 percent of the TWU population at American, is the only classification under the TWU Stock Clerk agreement. Stock Clerk's compensation level is

currently the lowest among the comparative airlines. With the additional concessions, they will be paid \$28.73 per hour, 13.3 percent below the next lowest rate of \$32.54 at Delta.



Conclusions On Compensation Comparisons

With respect to the TWU group, the Company's demands for changes in scope alone eliminate any competitive labor cost disadvantage. The additional demands for reduced compensation are completely unnecessary to achieve the competitive labor cost objective contemplated by the section 1113(c) process. The cuts in compensation – including pensions, health insurance, vacations, sick leave and shift differentials – drive the key TWU classifications to the absolute bottom of the competitive airline market. This is plainly overkill and goes well beyond necessity by any measure.

Pay Levels Upon Exit From Bankruptcy

As discussed above, it is clear that overall compensation levels for TWU-represented employees is not above market and that the proposals demanded by American would push the levels to the low end of American's competitors. The Company, through its airline labor expert, argues that this result is consistent with prior airline bankruptcy experience. As set forth in the declaration of Thomas R. Roth In Opposition To The Motion To Reject The Collective

Bargaining Agreements Covering Employees Represented By The Transport Workers Union of America, AFL-CIO (the “**Roth Decl.**”), this assertion is not accurate. Moreover, even if it was, the test for whether modifications are necessary is not whether the proposals are necessary to drive compensation levels to the ground, but whether they are necessary to permit reorganization. Those proposed by American are clearly excessive and beyond what is necessary to permit reorganization.

5. The Debtors’ 1113 Proposal Is Not Necessary Because The TWU Proposed An Alternative That Meets The Debtors’ Cost-Savings Targets

The Debtors’ 1113 Proposal is not necessary for their reorganization because there is a different, viable, less oppressive alternative available to the Debtors. From the time it was presented the February Term Sheets through the day American filed the Motion, the TWU made several proposals to the Company that would achieve substantially all of the Debtors’ target labor cost-savings without the massive headcount reductions and certain other modifications included in the Debtors’ February Term Sheets. A detailed discussion of the TWU’s proposals and how they meet the Debtors’ cost-savings targets is set forth in the Roth Decl.

Across all TWU bargaining units, TWU negotiators focused on contract changes that would produce hard-dollar savings while preserving headcount to the greatest extent possible. The TWU position, collectively, would generate approximately ninety percent of the \$390 million target set by the Debtors even if the Debtors’ flawed valuations were utilized. If the proposals were properly valued, the TWU proposals would reach one-hundred percent of the Debtors’ objective. And, significantly, the TWU’s proposals would have preserved many more jobs. Roth Decl. at ¶¶ 45, 81 and Tables 16 and 17 therein.

Thus, the Debtors could achieve their target savings from the TWU-represented employees without resorting to the drastic measures (including almost 9,000 job cuts) requested by the Debtors' proposals.

B. The Debtors Failed to Make Their Proposals Based on the Most Complete and Reliable Information

One of the requirements that a debtor must satisfy before a court can authorize the rejection of a collective bargaining agreement is that the debtor provide the union with the most complete and reliable information available at the time the debtor makes its proposal. 11 U.S.C. 1113(b)(1). American has failed to satisfy this element because it has provided little, if any, information regarding its analysis and strategy with respect to future merger/consolidation opportunities.

The Debtors' and their investment bankers acknowledge that a consolidation transaction is something that American has explored and should explore. Indeed, American has a fiduciary duty to maximize value during this chapter 11 proceeding by exploring all alternatives. Yet, in the context of section 1113 proposals and negotiations, American has ignored, and not provided information regarding, any analysis of how a merger transaction may impact the need for the labor concessions it is requesting. Instead, it focuses exclusively on the stand-alone strategy and contends that information regarding consolidation transactions has no relevance to the necessity of the proposals that it has made to the TWU. This contention is wrong because in order for the TWU to fully assess the necessity of concessions that are premised on a stand-alone plan, the Debtors should be required to provide information concerning the amount and form of concessions that might be necessary in the event American merged with another airline. This is especially the case where, as here, American's industry competitors have experienced a wave of consolidations that have resulted in improved financial performance.

C. The 1113 Proposal Does Not Treat the TWU-Members Fairly And Equitably

Section 1113(b)(1)(A) mandates that the Debtors' proposals treat all creditors, the debtors, and all affected parties fairly and equitably. The Debtors may not seek to place a disproportionate share of the financial burden of avoiding liquidation upon labor unions. *See In re Nat'l Forge Co.*, 279 B.R. 493, 501 (Bankr. W.D.Pa. 2002). The burden must be spread fairly and equitably among all affected parties. *See Wheeling-Pittsburgh Steel*, 791 F.2d at 1091. The focus of the inquiry is whether the proposed sacrifices will be borne disproportionately by members of the bargaining unit or will be spread among all affected parties. *See id.* Moreover, the concessions sought from various parties "must be examined from a realistic standpoint." *See id.* at 1093.

Despite the clear requirement of the statute and the admonitions of the courts, the Debtors' proposal foists substantially all of their cost savings on their labor unions. Preliminarily, there is a dearth of evidence in the record that financial creditors of the Debtors (*i.e.*, bondholders) will share any part of the sacrifice of these chapter 11 cases. In fact, those creditors (unsecured all) will likely receive all of the stock of the reorganized company under a plan of reorganization. Other creditors (*i.e.*, trade creditors and lessors) may be providing minimal concessions to aid the Debtors' reorganization, but may reap enormous dividends in the form of the appreciation of equity that they may receive under a plan and a going-forward business partner for those concessions. And, the Debtors' management and support staff savings may turn out to be illusory.

The Debtors allege that the 1113 Proposal is fair and equitable because, among other reasons, American's non-union employees will shoulder their fair share of the burden. While the precise nature of the cost-savings that these groups will contribute has not been determined, it is clear that "American simply cannot reduce significantly Management and Support Staff's

compensation below their already uncompetitive levels and hope to attract and retain the talent necessary to allow it to successfully emerge from restructuring.” MOL, Part I p. 54. The Debtors state further that:

On January 24, 2012, American’s CEO, Tom Horton, announced a review and restructuring of American’s management workforce that is intended to reduce the total direct cost attributable to management and support staff by at least 15% through reductions in headcount. The reductions began at the top—at the Senior Officer level. They included four Executive and Senior Vice Presidents and the consolidation of their responsibilities with those of other executives. These reductions will continue progressively down through the Management and Support Staff ranks and are anticipated to account for the remaining \$107 million in Management and Support Staff labor cost reductions. To the extent, however, that these headcount reductions fall short of that number, additional labor cost reductions will be achieved through other means in order to ensure that Management and Support Staff contribute fairly and equitably to the overall direct labor cost reductions.

Id. They go on to say that “. . . the remaining \$55 million in cost reductions [needed to achieve their targets] will be realized through a combination of other changes” that will be determined as American finalizes its internal evaluation process. *See* Wright Decl. at ¶ 67. In other words, the Debtors have not yet identified the cuts, but will get there eventually, and the Court, TWU and all other parties in interest are supposed to just trust them. TWU does not trust the Debtors on this score, having learned painful lessons in the past, and neither should the Court. In 2003, after obtaining staggering concessions from labor, including the TWU, including record numbers of layoffs, direct and indirect management staff suffered very few job losses. Management simply was protected, despite assurances by the Debtors that everyone would share the sacrifice.

Simply put, the Debtors are looking to TWU and the other unions to bear the brunt of the so-called “shared sacrifices.” That is not fair and equitable to the TWU-represented workforce.

D. The TWU Has Good Cause to Refuse to Accept The Debtors' Proposal

Bankruptcy Code section 1113(c)(2) provides that the court may authorize the Debtors to reject a collective bargaining agreement *only if* the TWU has refused to accept the Debtors' proposal without good cause. The Debtors bear the burden of proving that the TWU rejected the proposed modifications without good cause. *See, e.g., In re Family Snacks*, 257 B.R. 884, 892 (8th Cir. B.A.P. 2001). The Debtors concede that they must prove this element by a preponderance of the evidence. When a labor union "seeks to negotiate compromises that meet its needs while preserving the debtor's required savings, it would be unlikely that its rejection of the proposal could be found to be lacking good cause." *Royal Composing Room*, 848 F.2d at 349; *see also In re Maxwell*, 981 F.2d at 90. In other words, if the TWU proposed an alternative to the Debtors' proposal that would achieve the same level of savings but in a form that was more palatable and less oppressive for the TWU-represented workforce, and the Debtors refused that proposal, that workforce would have good cause for rejecting the Debtors' proposal.

This is what happened here. As detailed in section I.A.5 supra, the TWU delivered several proposals to the Debtors and engaged in discussions with the Debtors in an effort to reach mutually acceptable collective bargaining agreements. The proposals put forward by the TWU would achieve substantially all of the Debtors' target labor cost-savings without the draconian headcount reductions and other modifications included in both the February Term Sheets and the March Term Sheets. A detailed discussion of the TWU's proposals and how they meet the Debtors' cost-savings targets is set forth in the Roth Declaration submitted herewith. The Debtors refused these proposals, insisting on their more egregious, drastic proposals. Thus, the TWU-represented work force faced a Hobson's choice: accept the oppressive proposals put forward by the Debtors or bear the brunt of the instant Motion to reject the TWU CBAs. In the face of such a choice, when a better, less

severe alternative was available to the Debtors, the TWU-represented workforce cannot be said to have refused the Debtors' 1113 Proposal without good cause.

Moreover, the TWU is justified in refusing to accept the Debtors' proposals because the Debtors engaged in bad faith negotiations with the TWU. For example, the Debtors have steadfastly refused to reduce their \$390 million demand of the TWU (which is based on a fallacious business plan). As another example, the Debtors' proposal assumes outside vendor rates that it knows are significantly higher than rates the Debtors currently pay to outsource similar work and that are higher than rates generally obtained in the market. The import of this is that the Debtors failed to provide the TWU with sufficient credit toward its savings target.

In refusing to accept the TWU's proposals, which would provide the Debtors with their target cost savings; by refusing to budge off the \$390 million target, and by failing to properly credit the TWU for the actual value of the Debtors' outsourcing proposals, it is clear that the Debtors' true objective was never to engage in good faith negotiations with the TWU, but to fabricate a record of compliance with section 1113 as a subterfuge to convince this Court to grant the Motion. *See In re Royal Composing Room, Inc.*, 848 F.2d 345, 348 (2d Cir. 1988) ("If the debtor proposes an element objectionable to the union, the union . . . can argue that the part of the proposal it cannot accept was included by the employer in bad faith, in an attempt to stalemate negotiations and allow it to obtain outright rejection rather than a negotiated compromise. If the union can make such a showing, the debtor would not be entitled to reject the labor contract under *Carey Transportation*, 816 F.2d at 90").

The Debtors behavior makes sense only as a tactic to ensure that negotiations fail. The rejection of the Debtors' proposals by the TWU-represented workforce was therefore in good

faith. Therefore, the Debtors have failed to carry this element of section 1113 and the Motion must therefore be denied.

E. The Balance Of The Equities Does Not Clearly Favor Rejection Of The TWU CBAs

The Debtors have not demonstrated that the balance of the equities favors rejection of the TWU CBAs -- let alone “clearly” favors rejection. The Debtors argue that the equities clearly favor rejection “because the specter of liquidation is much worse for all constituencies.” MOL Part I pg. 95. American goes on to state that “if American disappears, all of its employees would receive less than if the airline emerged as a going concern.” *Id.* These arguments assume, without any evidentiary support, that American will liquidate if the Motion is denied. That is simply not the case.

If the TWU CBAs are not rejected, American will not be forced to liquidate. Rather, it will be forced to make new reasonable proposals, unlike those embodied in the Company’s February Term Sheets and March Term Sheets. Given that the Debtors entered chapter 11 with in excess of \$4 billion in cash and their liquidity position remains stable, there is no reasonable likelihood of a liquidation pending negotiations that would occur after the Court denies the Motion.

Moreover, as part of the balancing analysis, the Court should take the Debtors’ negotiating conduct into account. Although the Debtors go to great lengths to document the fact that they were willing to meet, discuss and respond to inquiries, it is the quality and content, not the quantity, of discussions that is most important. As outlined above, from the time it issues the February Term Sheets on February 1, 2012, until it delivered the March Term Sheets on March 22, 2012, American did not move off its take-it-or-leave-it approach and insisted on \$390 million in cost savings from the TWU. In fact, American actually insisted on more than \$390 million in concessions because it undervalued or offered no credit for many of its proposals.

Furthermore, American knew, and was told by TWU negotiations that proposals that would result in the loss of 9,000 jobs were extremely oppressive, and would never be accepted. Nevertheless, just like it refused to lower its overall ask, American did not alter its position on outsourcing issues. The TWU, on the other hand, many significant proposals designed to improve the financial condition of the Company while mitigating, to some degree, the hardships that the Debtors' proposals would impose on TWU members and their families.

In short, the balance of the equities does not clearly favor rejection of the TWU CBAs. Meaningful and viable alternatives are available that can both position American to become a profitable business without imposing unduly burdensome hardships on TWU represented employees and their families.

II. ASSUMING REJECTION OF THE TWU COLLECTIVE BARGAINING AGREEMENTS, THE COURT LACKS THE POWER TO IMPOSE TERMS AND CONDITIONS OF EMPLOYMENT ON TWU-REPRESENTED EMPLOYEES.

The proposed order filed with the Motion would grant the Debtors extraordinary relief that is not requested in the Motion itself, permitted under section 1113 of the Bankruptcy Code, or within the power of this Court to grant. In particular, the Motion requests only that the Court authorize the Debtors to reject their CBAs with the Unions:

Pursuant to section 1113(c) of the Bankruptcy Code, the Debtors are seeking entry of an order authorizing them to reject the CBAs between the Debtors and the Allied Pilots Association, the Association of Professional Flight Attendants, and the Transport Workers Union of America, AFL-CIO (collectively, the "Unions").

Motion at ¶ 6.

Nevertheless, the proposed order submitted with the Motion would grant the Debtors the unfettered and unilateral right to impose on the TWU-represented employees the terms of the 1113 proposal:

ORDERED that the Debtors are authorized to implement and perform under the terms of the proposals under section 1113 of the Bankruptcy Code, as more fully described in the Motion, and to take any and all actions that may be reasonably necessary or appropriate to effectuate the same and perform all obligations contemplated under such proposals; and it is further

Proposed Order at p. 2.

The relief granted in the proposed order therefore is significantly broader than that requested by the Motion. In fact, imposing terms of the 1113 Proposal on the TWU-represented employees is not discussed anywhere in the Motion. Accordingly, the Debtors are not entitled to this relief, should the Court grant the Motion at all (which it should not).

Assuming, *arguendo*, the Court determines that the Debtors have properly requested authority to impose the terms of the 1113 Proposal if the Motion is granted, such relief is outside the scope of section 1113 and cannot be granted by the Court. Section 1113(a) limits the relief the Debtors may request to assumption or rejection of a CBA. *See* 11 U.S.C. § 1113(a) (“The debtor in possession ... may assume or reject a collective bargaining agreement only in accordance with the provisions of this section”). Moreover, section 1113(c) grants the Court the power only to “approve an application for rejection of a collective bargaining agreement” if the Court finds that the statutory requirements have been satisfied. *See* 11 U.S.C. § 1113(c); *but see*, 11 U.S.C. § 1113(d)(2) (authorizing debtors to “terminate or alter” any provision of a CBA pending the court’s ruling only in cases where the court fails to rule within the statutory time period). The power of the Court under section 1113 is clear and unambiguous: it can authorize the Debtors only to assume or reject a collective bargaining agreement. The Court cannot impose the terms of employment following the rejection of a CBA.

Furthermore, the question of whether and which terms of employment the Court should impose is a non-core matter that the Court does not have the power to resolve on a final basis.

In *Stern v. Marshall*, 131 S.Ct. 2594 (2011), the Supreme Court ruled that Bankruptcy Courts, which derive their authority not from Article III of the U.S. Constitution but from Article I, lack the constitutional authority to adjudicate claims that properly can be decided only by an Article III court. *Stern v. Marshall*, 131 S.Ct. at 2597. Thus, while the Bankruptcy Court may have the statutory authority pursuant to 28 U.S.C. § 157 to determine “core” matters on a final basis, such authority may not be constitutional. *Id.* In *Stern*, the Supreme Court held that the Bankruptcy Court lacked the constitutional authority to enter a final judgment on a counterclaim that was asserted in connection with a claim filed against the bankruptcy estate, because the Bankruptcy Court’s determining that question “[withdrew] from judicial cognizance [a] matter which, from its nature, is subject of a suit in the common law, or in equity, or admiralty.” *Id.* (citing *Murray’s Lessee v. Hoboken Land & Improvement Co.*, 59 U.S. 272 (1856)).

The *Stern* Court distinguished between matters involving “public rights” (matters involving a federal regulatory scheme) and “private rights” (matters arising out of state common law between two parties that do not depend on the will of Congress). *Id.* at 2611-2614. With respect to the latter, the Court held that “if a statutory right is not closely intertwined with a federal regulatory program Congress has power to enact, and if that right neither belongs to nor exists against the Federal Government, then it must be adjudicated by an Article III court.” *Id.* at 2614. In other words, Article I courts may enter final judgments only in matters involving questions that are closely related to a statute constitutionally enacted and involving the federal government. Otherwise, a final judgment can be entered only by an Article III court.

The issue of what terms of employment prevail following the rejection of a collective bargaining agreement is neither “closely intertwined” with a federal statutory scheme, nor does it involve, directly or indirectly, the federal government. Rejection of a collective bargaining

agreement simply results in “terminating the parties’ agreed-to working conditions... .” *In re Northwest Airlines Corp.*, 483 F.3d 160, 174 (2d Cir. 2007). Where, as here, the parties’ relationship is governed by a federal statute, such as the RLA, rejection has no effect on the parties’ duty “to make every reasonable effort to ‘make’ [an agreement].” *Id.* Importantly, rejection of a collective bargaining agreement “absolves [the parties] of their status quo duties under the RLA,” *id.*, making the dispute resolution procedures of the RLA inapplicable once the collective bargaining agreement has been rejected. In any context, the RLA does not specify or impose terms and conditions of employment. Rather, the terms and conditions of employment under the RLA are subject to private negotiations among private parties leading to private agreements. In the context of a collective bargaining agreement that has been rejected pursuant to section 1113, the RLA both prevents the imposition of terms and conditions by proscribing an employer’s authority to unilaterally alter any term in a collective bargaining agreement and relieves the parties of the statute’s mediation procedures. The parties are thus left to their private remedies which are at the heart of Article III.

Accordingly, the sole remedy this Court may provide to the Debtors is authority to reject their collective bargaining agreements with the TWU. This point is moot, however, because, as discussed herein, the Debtors have not satisfied the requirements of section 1113 and are not entitled to reject those agreements.

III. POST STERN, THE RIGHT TO STRIKE CANNOT BE ENJOINED BY A BANKRUPTCY COURT

The TWU does not consent to the jurisdiction of the Court to enjoin or in any way limit its right to strike in the event of an adverse ruling on the Debtors’ Motion. Specifically, the TWU submits that the Supreme Court’s decision in *Stern* regarding the jurisdiction of a

bankruptcy court conflicts with the injunctive relief arguably permitted by the decision of the *In re Northwest Airlines Corp.*, 483 F.3d 160 (2d Cir. 2007) regarding the right to strike.

In *Stern*, the Supreme Court reviewed the jurisdiction of a bankruptcy court that calls into question whether a bankruptcy court has the jurisdiction to enjoin a strike. *Stern* observed that congress divided jurisdiction over bankruptcy cases into three categories: (i) those arising under title 11, (ii) those arising in a title 11 case, and (iii) those only related to a case under title 11. *Stern*, 131 S. Ct. at 2603-04. *Stern* further recognized that under 28 U.S.C. § 157(b)(1), the bankruptcy court's primary jurisdiction extends only to "all core proceedings arising under title 11 or arising in a case under title 11." *Stern*, 131 S. Ct. at 2603 (quoting 28 U.S.C. § 157(b)(1)). However, with regard to "noncore" proceedings only "related to" a case under title 11, the bankruptcy court may only submit proposed findings of fact and conclusions of law to a district court for final consideration after *de novo* review. *Stern*, 131 S. Ct. at 2604.

In *Stern*, the Supreme Court concludes by observing that: (1) Article III of the Constitution provides that the judicial power of the United States may be vested only in courts whose judges enjoy the protections set forth in that Article; (2) in enacting section 157, Congress exceeded the limitation contained in Article III in "one isolated respect"; and (3) the bankruptcy court in *Stern* lacked the constitutional authority to enter a final judgment on a state law counterclaim that was not resolved in the process of ruling on a creditor's proof of claim. *Stern*, 131 S. Ct. at 2620.

The Second Circuit held that where a debtor has been authorized by a bankruptcy court to abrogate its CBA, such abrogation absolves the debtor of its status quo duties under the RLA. *See In re Northwest Airlines Corp.*, 483 F.3d 160, 169-70 (2d Cir. 2007). The Second Circuit noted that Northwest did not breach the CBA when it rejected the agreement, but rather by

following the section 1113 process to its conclusion had “*abrogated*” the agreement, after which the CBA ceased to exist. In holding that rejection under section 1113 abrogates a CBA, the court noted that “[c]ontract rejection under § 1113, unlike contract rejection under § 365, permits more than non-performance; it allows one party, with the court’s approval, to establish new terms that were not mutually agreed upon, the antithesis of a status quo.” *Id.* at 171. The Court went on to state that “[i]f a rejected CBA were somehow to remain in force (to whatever extent), a carrier’s adherence to a new, bankruptcy-court-approved contract would surely violate Section 2 (Seventh) of the RLA, which prohibits carriers from ‘chang[ing] the rates of pay, rules, or working conditions of its employees, as a class as embodied in agreements except in the manner prescribed in such agreements or in section 156 of this title.’” *Id.* In accord with the Supreme Court holding in *Stern*, in *Northwest*, the Second Circuit affirmed the district court’s strike injunction holding that the union there had not sufficiently pursued the RLA’s dispute resolution processes and that a strike would violate the union’s duty under §2 (First) of the RLA to make every reasonable effort to reach a new agreement. *Id.* at 175.

Section 1113 provides the exclusive mechanism by which a debtor may obtain authority to reject its CBAs with its unionized employees. *Chicago Dist. Council of Carpenters Pension Fund v. Cotter*, 914 F. Supp. 237, 242 (N.D. Ill. 1996) (quoting *In re Alabama Symphony Assoc.*, 155 B.R. 556, 571 (Bankr. N.D. Ala. 1993)) (“Section 1113 has been interpreted to mean that no other provision of the Code may be used to allow a debtor to bypass the requirements of Section 1113. In other words, a collective bargaining agreement cannot be rejected under Section 365.”); *see also Tool & Die Makers Local Lodge Number 113 v. Buhrke Industs., Inc.*, 1996 WL 131698, *8 (N.D. Ill. 1996) (“Section 1113 modifies or alters the result obtained under § 365 to the extent of the provision in §1113”). Collective bargaining agreements remain in effect until

modified or rejected in accordance with the statute's requirements. *See* 11 U.S.C. § 1113(f) (“No provision of this title shall be construed to permit a trustee to unilaterally terminate or alter any provisions of a collective bargaining agreement prior to compliance with the provisions of this section.”); *In re Ionosphere Clubs, Inc.*, 922 F.2d 984, 990 (2d Cir. 1990); *In re Arrow Transp. Co. of Delaware*, 224 B.R. 457, 460 (Bankr. D. Or. 1998). Among other things, section 1113 requires that the modifications sought by the Debtors be necessary for a successful reorganization and that the Debtors attempt to negotiate modifications to their CBAs with the union in good faith before they can be allowed to reject those agreements. 11 U.S.C. § 1113.

Under the Railway Labor Act, 45 U.S.C. §§ 151 *et seq.*, a union is authorized to exercise self-help remedies -- including the right to strike -- arguably even after rejection of a collective bargaining agreement under section 1113 of the Bankruptcy Code. The RLA, which applies to airlines by virtue of 45 U.S.C. § 181, establishes a comprehensive set of procedures for resolving disputes between carriers and their unionized work force to “avoid any interruption to commerce or to the operation of any carrier engaged therein” and “provide for the prompt and orderly settlement” of disputes over rates of pay, working conditions or the interpretation and application of collective bargaining agreements. 45 U.S.C. § 151(a). As interpreted by the Supreme Court, the RLA distinguishes between “minor” and “major” disputes, and requires different dispute resolution mechanisms for each category of dispute. *Consolidated Rail Corp. v. Ry. Labor Execs. Ass’n*, 491 U.S. 299, 302-04 (1989); *Elgin, J. & E.R. Co. v. Burley*, 325 U.S. 711, 722-26 (1945). Minor disputes -- which involve disagreements over whether employer or employee action is permitted under the terms of an existing collective bargaining agreement -- are subject to mandatory binding arbitration before the National Railroad Adjustment Board or an adjustment board established by the employer and union. 45 U.S.C. § 153; *Conrail*, 491 U.S. at

303-04. Unions are not permitted to strike over minor disputes, and courts are free to enjoin such illegal strike activity. *Conrail*, 491 U.S. at 304; *Bhd. of R.R. Trainmen v. Chicago R. & Ind. R.R. Co.*, 353 U.S. 30, 42 (1957) (holding that NLGA does not deprive federal courts of jurisdiction to enjoin strikes over minor disputes because of specific provisions of RLA compelling unions to submit such disputes to binding arbitration). In other words, Congress chose compulsory arbitration as “the statutory substitute for strikes and other work action by which unions in other industries have often tried to enforce their interpretation of a collective bargaining agreement (in the absence of a no-strike clause), but which are thought unduly disruptive in the transportation industry.” *Chicago & North Western Transp. Co. v. Ry. Labor Execs. Ass’n*, 908 F.2d 144, 148 (7th Cir. 1990), *cert. denied*, 498 U.S. 1120 (1991).

The RLA treats “major” disputes very differently. A major dispute occurs where either the carrier or the union seeks to change the terms of an existing collective bargaining agreement. Rejecting compulsory arbitration for major disputes, Congress instead imposed upon carriers and their labor unions a lengthy series of mediation-type procedures set forth in section 6 of the RLA to facilitate consensual resolution of the dispute. 45 U.S.C. §§ 156, 157, 160; *Bhd. of Ry. and S.S. Clerks v. Florida E. Coast Ry. Co.*, 384 U.S. 238, 246-47 (1966) (“[T]he procedures of the Act are purposely long and drawn out, based on the hope that reason and practical considerations will provide in time an agreement that resolves the dispute.”); *Detroit & Toledo Shore Line R.R. Co. v. United Transp. Union*, 396 U.S. 142, 149 (1969) (noting that exhaustion of the Act’s remedies is an “almost interminable process”). These procedures include providing written notice of the proposed contractual changes, direct negotiations between the parties, and mediation under the auspices of the National Mediation Board. *Detroit & Toledo*, 396 U.S. at 149-51, n.14. If these efforts fail, the President has the power to create an Emergency Board to

investigate the dispute and submit a report. 45 U.S.C. § 160; *Detroit & Toledo*, 396 U.S. at 150-51. Throughout this process, and until 30 days have elapsed following closure of the National Mediation Board proceedings or, if one has been appointed, submission of the Emergency Board's report, neither the carrier nor the union may unilaterally change the terms of employment or resort to self-help remedies. 45 U.S.C. § 152, Seventh; *Detroit & Toledo*, 396 U.S. at 150-51. Instead, both sides must "exert every reasonable effort" to settle the dispute "in order to avoid any interruption to commerce or to the operation of" the carrier. 45 U.S.C. § 152, First. However, neither the President, the Emergency Board nor the National Mediation Board has the power to decide the dispute or impose a resolution on the parties.

Once the parties have exhausted the section 6 procedures and still failed to resolve a major dispute, both sides are allowed to resort to self-help without judicial interference. As put bluntly by Judge Posner, the "terminus of such a dispute, if the procedures set forth in section 6 fail to produce agreement between the parties, is a strike." *Chicago & North Western*, 908 F.2d at 148. Since Congress did not provide for compulsory arbitration, once the union "exhaust[s] all the procedures provided by Congress," it is permitted to invoke the "ultimate sanction" of a strike. *Florida E. Coast*, 384 U.S. at 244; *Conrail*, 491 U.S. at 303 ("Once [the RLA's] protracted process ends and no agreement has been reached, the parties may resort to the use of economic force."); *Bhd. of R.R. Trainmen v. Jacksonville Terminal Co.*, 394 U.S. 369, 378-79 (1969) (noting that Court had held in a "long line of decisions" that once the RLA's major disputes procedures were exhausted the "ultimate right of the disputants to resort to self-help" could be invoked); *Bhd. of Locomotive Eng's v. Baltimore & Ohio R.R. Co.*, 372 U.S. 284, 291 (1963) ("What is clear . . . is that both parties, having exhausted all of the statutory procedures, are relegated to self-help in adjusting this dispute. . . ."). A strike is "the inevitable alternative

in a statutory scheme which deliberately denies the final power to compel arbitration.”
Jacksonville Terminal, 394 U.S. at 378 (quoting *Florida E .Coast Ry. Co. v. Bhd. of R.R.
Trainmen*, 336 F.2d 172, 181 (5th Cir. 1964), *cert. denied*, 379 U.S. 990 (1965)).

The coequal restraint on the use of self-help by labor and management is the critical element of the RLA’s mechanism for preventing strikes while still protecting employees from the superior bargaining power of management. During the protracted section 6 process, self-help is not available to either side. The carrier cannot modify the status quo by unilaterally changing the terms and conditions of employment, and the union cannot modify the status quo by striking. As explained by the Supreme Court, this “status quo” requirement encourages the parties to reach a consensual solution:

Its immediate effect is to prevent the union from striking and management from doing anything that would justify a strike. In the long run, delaying the time when the parties can resort to self-help provides time for tempers to cool, helps create an atmosphere in which rational bargaining can occur, and permits the forces of public opinion to be mobilized in favor of a settlement without a strike or lockout. Moreover, since disputes usually arise when one party wants to change the status quo without undue delay, the power which the Act gives the other party [the right] to preserve the status quo for a prolonged period will frequently make it worthwhile for the moving party to compromise with the interests of the other side and thus reach agreement without interruption to commerce.

Detroit & Toledo, 396 U.S. at 150.

However, the coequal lifting of restraints on the use of self-help by both sides when the section 6 procedures fail to produce a consensual agreement is no less important in achieving the RLA’s objectives. Once the parties have exhausted section 6 procedures, the carrier must make the decision whether to try to continue negotiations or make unilateral changes to working conditions with the knowledge that the union is free to strike if it wishes. Indeed, it “could hardly be expected that the union would sit idly by as the [carrier] rushed to accomplish the very

result the union was seeking to prohibit by agreement.” *Id.* at 154. Knowledge that the other side can resort to self-help is a further deterrent to actually engaging self help by either management or labor, and an inducement to return to the bargaining table without a commerce-disrupting work stoppage. *See Burlington N. R.R. Co. v. Bhd. of Maint. of Way Employees*, 481 U.S. 429, 451-52 (1987) (reasoning that, because of both parties’ interest in avoiding a strike, the availability of self-help “may increase the effectiveness of the RLA in settling major disputes by creating an incentive for the parties to settle prior to exhaustion of the statutory procedures”).

Moreover, maintaining the mutual availability of self-help under the RLA prevents one side from ever being completely at the economic mercy of the other, and permits negotiations between the airline and the union to be conducted fairly and freely. As the Supreme Court has noted, if the airline is free to resort to self-help, “the union cannot be expected to hold back its own economic weapons, including the strike.” *Detroit & Toledo*, 396 U.S. at 155; *Jacksonville Terminal*, 394 U.S. at 384 (“[W]hen the machinery of industrial peace fails, the policy in all national labor legislation is to let loose the full economic power of each (party). On the side of labor, it is the cherished right to strike.”) (quoting *Florida E. Coast Ry.*, 336 F.2d at 181). Making self-help available to both sides ensures that whatever agreement is ultimately reached will be the product of arms-length negotiations, rather than a one-sided deal produced by economic coercion. “Only if both sides are equally restrained can the Act’s remedies work effectively.” *Detroit & Toledo*, 396 U.S. at 155; *see also Jacksonville Terminal*, 394 U.S. at 381, 392-93 (holding that state courts have no power to enjoin peaceful strike activity and picketing protected under the RLA and noting that the “Railway Labor Act’s entire scheme for the resolution of major disputes would become meaningless if the States could prohibit the parties from engaging in any self-help.”).

Thus, while Congress clearly wanted to prevent strikes, the RLA does not seek that objective at the expense of disarming organized labor. Rather, the RLA preserves the strike as a legitimate tool in industrial relations that unions are free to invoke when the RLA's other procedures fail to resolve a major dispute. *Jacksonville Terminal*, 394 U.S. at 384 (“[E]mployees subject to the Railway Labor Act enjoy the right to engage in primary strikes over major disputes.”). As explained by the Ninth Circuit, while Congress intended the RLA to be a “response to the perceived dangers of disruption in the transportation industry,” the

policy of the statute is not that any act which disrupts the transportation industry may be enjoined. Instead, after major disputes procedures are completely exhausted, with reasonable efforts having been made to reach an agreement, the policies peculiar to the RLA are also exhausted, and the parties are governed by general labor law principles.

[*Trans Int'l Airlines, Inc. v. Int'l Bhd. of Teamsters*, 650 F.2d 949, 962-63 (9th Cir. 1980) (where union struck after exhausting the major dispute resolution mechanisms under the RLA, the federal courts had no power to enjoin strike), *cert. denied*, 449 U.S. 1110 (1981).]

Thus, so long as it is consistent with the RLA, a strike is perfectly lawful even if it causes economic disruption to the carrier. *Jacksonville Terminal*, 394 U.S. at 374-75, 393.

Indeed, courts must not violate the RLA's three key principles that (1) neither side can unilaterally alter the status quo while the section 6 procedures are ongoing, (2) self-help remedies must be available on equal terms to both sides, and (3) no outsider (whether a court, an arbitration panel or even the President) has the legal authority to impose a resolution of a major dispute on either the employer or the union.

In *Pan American World Airways, Inc. v. Int'l Bhd. of Teamsters*, 894 F.2d 36, 37-38 (2d Cir. 1990), the parties exhausted the RLA's major dispute resolution procedures without reaching agreement on a new contract following the expiration of the parties' collective

bargaining agreement. The airline then immediately (and lawfully) modified the employees' rates of pay, rules and working conditions, while the employees continued working without a contract. *Id.* at 38. Over a year later, after further negotiations failed to produce a new contract, the union began a series of intermittent work stoppages. *Id.* The airline unsuccessfully sought an injunction on the grounds that its lawful unilateral modification of the terms of employment created a new "status quo" that could not be disrupted by the union until section 6's dispute resolution procedures were exhausted a second time. *Id.* at 38-39. On appeal, the Second Circuit rejected this attempt by the airline to enforce working conditions "unilaterally imposed by Pan Am in the exercise of its right to self-help" and "deny that right to its adversary." *Id.* Instead, the court held that a new "status quo" following a carrier's unilateral imposition of new terms of employment only occurs when the carrier and the union reach a consensual resolution of the dispute.

Until that happens, the union retains the right to strike. *Id.* at 39. The TWU does not consent to the jurisdiction of this Court to consider this issue or in any way to abrogate these rights.

IV. STATEMENT PURSUANT TO RULE 7012 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE

The TWU asserts that the question of whether the Bankruptcy Court can impose terms of employment on the TWU-membership and whether the TWU-membership retains the right to strike in the event of rejection are non-core under 28 U.S.C. § 157, and the TWU does not consent to the entry of a final order by this Court.

V. RESERVATION OF RIGHTS

Pursuant to the agreement between the Debtors and the TWU, because the TWU has sent the Debtors' last and best proposals out to a vote by its membership, the TWU has not cross-examined Debtors' witnesses Jeffrey Brundage, James Weel and Mark Burdette and the TWU has reserved the right to cross-examine these witnesses. The TWU preserves and reserves the right to raise any evidentiary objections to the testimony given by these three witnesses. In addition, the TWU reserves the right to rely on the testimony of all witnesses whether called by the TWU or other parties and to rely upon any arguments raised by other parties.

CONCLUSION

For the reasons stated above, the portion of the Motion seeking to reject the TWU CBAs should be denied because American has not satisfied the requirements necessary for the rejection of collective bargaining agreements under section 1113 of the Bankruptcy Code.

Dated: New York, New York
May 7, 2012

Respectfully submitted,

By: /s/ Sharon L. Levine
LOWENSTEIN SANDLER PC
Sharon L. Levine
S. Jason Teele
Paul Kizel
Tania Ingman
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-- and --

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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

AMR CORPORATION, *et al.*,

Debtors.

Chapter 11

Case No. 11-15463 (SHL)

(Jointly Administered)

**DECLARATION OF TIMOTHY J. GILLESPIE IN OPPOSITION TO
MOTION OF THE DEBTORS FOR ENTRY OF AN ORDER PURSUANT
TO 11 U.S.C. § 1113 AUTHORIZING DEBTORS TO REJECT
COLLECTIVE BARGAINING AGREEMENTS WITH THE
TRANSPORT WORKERS UNION OF AMERICA, AFL-CIO**

I, Timothy J. Gillespie, subject to penalty of perjury, hereby declare the following to be true and correct on the basis of my personal knowledge, and upon information provided to me by others acting under my supervision, and upon information from business records of the Transport Workers Union of America, AFL-CIO (the "TWU") in my custody and control. I submit this declaration in connection with the TWU's objection to the motion (the "1113 Motion") of American Airlines, Inc. ("American" or "Company") to reject seven collective bargaining agreements ("CBAs") between the TWU and American. If called upon to testify, I would testify competently as to the facts contained herein as follows:

Identification of the Declarant

1. I was employed by American as part of its fleet service workforce from May 1979 until my retirement in 2008.
2. Although retired from American, I am currently an International Representative of the Air Transport Division of the TWU and have held that position

since approximately 2006. Between 2000 and 2006, I was president of the TWU Local 513 at Dallas Ft. Worth Airport (“DFW”).

The Declarant’s Responsibilities For Certain TWU CBA’s

3. In my current position, I am responsible for the negotiation and coordination of administration of four of the seven CBA’s between the TWU and American. The four CBA’s for which I am responsible cover approximately 10,630 of the approximately 23,500 TWU represented employees at American.¹ In particular, the four agreements and the employees they cover are as follows:

- **Fleet Services:** Agreement between American Airlines and Transport Workers Union of America, AFL-CIO covering Fleet Service Employees and Ground Service Employees of American Airlines, Inc. (Effective Date: April 15, 2003) (the “**Fleet Service CBA**”). Approximately 10,200 employees are covered by the Fleet Service CBA. These employees service aircraft on the ramp at airport terminals by performing such tasks as baggage and cargo handling, fueling of aircraft and automotive equipment, cleaning and equipping aircraft interior and maintenance of the ramp area and ground support equipment.
- **Dispatchers:** Agreement between American Airlines and Transport Workers Union of America, AFL-CIO and the Flight Dispatchers and Dispatcher’s Assistants in the service of American Airlines, Inc. (Effective Date: April 15, 2003) (the “**Dispatcher’s CBA**”). Approximately 175 employees are covered by the Dispatcher’s CBA. These employees are licensed by the Federal Aviation Administration (“**FAA**”) and monitor and maintain communication with all Company aircraft in route and exercise certain operational control-related functions.
- **Instructors:** Agreement between American Airlines and Transport Workers Union of America, AFL-CIO covering Ground School and Pilot Simulator Instructors (Effective Date: October 1, 2011) (the “**Instructors CBA**”). Approximately 170 employees are covered by

¹ The other three TWU work groups at American are (a) Mechanics & Related or “M&R” (approximately 11,450 employees) (b) Stock Clerks (approximately 1,300 employees) and (c) Maintenance Control Technicians or “MCTs” (approximately 87 employees).

the Instructors CBA. These employees provide formal classroom and tutorial training for pilots and certain aircraft maintenance personnel.

- **Simulator Technicians or "Sim Techs"**: Agreement between American Airlines and Transport Workers Union of America, AFL-CIO covering Simulator Technicians (Effective Date: April 15, 2003) (the "**Sim Tech CBA**"). Approximately 76 employees are covered by the Sim Tech CBA. These employees maintain and repair 26 flight simulators at American's facility in Ft. Worth, Texas, which are used in pilot training.

TWU Post-Bankruptcy Proposals

4. On February 1, 2012, American presented its first post-bankruptcy proposals to modify each of the TWU CBAs. Copies of the term sheets containing the proposals (the "**February Term Sheets**") with respect to the Fleet Service CBA, Dispatchers CBA, Instructors CBA and Sim Techs CBA are attached as Exhibits AA Ex.1126 through AA Ex. 1129 to the Declaration of James B. Weel In Support Of Debtor's Motion To Reject Collective Bargaining Agreements Pursuant To 11 U.S.C. § 1113 (the "**Weel Decl.**").

5. Subsequent to the delivery of the February Term Sheets and prior to March 22, 2012, the date on which American delivered its second round of term sheets to the TWU, each of the four TWU work groups for which I have been acting as lead negotiator delivered several proposals to American.

6. Set forth below is a list of the date of each proposal delivered by each of the four groups between February 1, 2012 and March 22, 2012:

A. Fleet Service

- February 21, 2012
- February 28, 2012
- March 5, 2012
- March 6, 2012
- March 8, 2012
- March 9, 2012

B. Dispatchers

- February 23, 2012
- February 28, 2012
- March 5, 2012

C. Instructors

- February 22, 2012
- February 28, 2012
- March 5, 2012

D. Sim Techs

- February 22, 2012
- February 28, 2012
- March 5, 2012

7. True and accurate copies of the Fleet Services' proposals listed in paragraph 6 above are attached hereto as exhibit A.

8. True and accurate copies of the Dispatchers' proposals listed in paragraph 6 above are attached hereto as exhibit B.

9. True and accurate copies of the Instructors' proposals listed in paragraph 6 above are attached hereto as exhibit C.

10. True and accurate copies of the Sim Techs' proposals listed in paragraph 6 above are attached hereto as exhibit D.

I declare under penalty of perjury that the foregoing is true and correct.

May 3, 2012.

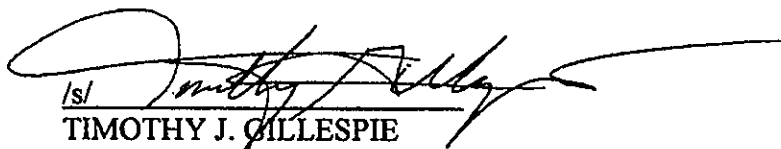

/s/ Timothy J. Gillespie
TIMOTHY J. GILLESPIE

EXHIBIT A TO TIMOTHY J. GILLESPIE'S DECLARATION

TWU Statement on counter proposal --February 21, 2012 --FLEET

On February 1, 2012 the company gave us an initial partial presentation on its business plan of reorganization---a plan with which we have serious concerns. The last of the Company's initial business presentations to this bargaining unit was on Monday, February 13, 2012.

We have studied your plan. Your plan contemplates some 13,000 pink slips (9000 of which cover employees represented by our union). It seeks to change much in the CBA, including language that the parties have lived by for decades and it calls for ending benefit plans that we designed our lives around. You even propose health insurance changes that will be unaffordable to many of those who remain in AA's employ. It is a monumental "ask", to say the least.

In order to frame our counter proposal we have requested essential documentation and information. Your first omnibus response to our requests came just last Friday, February 17, 2012. While we have received materials and information, much critical information is still outstanding.

Despite the lack of complete information needed to address your proposed concessions, we nonetheless, without waiving rights, will present to you a proposal that addresses the company's financial concerns.

Our counter proposal is based on many factors.

First, since we still lack critical data, this counter proposal will necessarily change as more information becomes available. We understand and accept our 1113 obligation and the carrier's need for relief. That is why this counterproposal represents approximately \$50M in concessions.

Second, this counter does not address additional concessions we are contemplating as to those issues involving the across the board "pass through" items. These pass through items include those contractual items that apply to all the TWU title groups such as retiree medical, pension, attendance, active healthcare coverage, and more. One such item, an early out program, was submitted last week on February 15, 2012 and awaits a response from you.

Next, our offer is being made in good faith, and the anticipated good faith of the company, with an expectation that no other bargaining group or employee group will benefit at the expense of or to the detriment of the TWU bargaining groups.

Without waiving our rights that each TWU 1113 proceeding is separate and apart from the other, each of our CBA units will make its across the board proposal after we receive the requisite outstanding information and documents.

Last and importantly, this offer, worth millions in concessions, was based upon your statement that your ask was not a take it or leave it situation----both as to its design and the amount. We have agreed to some of your concessions and offered some concessionary concepts to which we previously agreed, in prior section 6 bargaining. Further, we identified some alternative concessions that are verifiable and that provide real financial relief, which at the same time mitigate job loss.

We intend that this counter offer underscore good faith negotiations that result in a compromise of your ask while also providing deep concessions that gives AMR the necessary relief contemplated by section 1113.

We look forward to a good faith back and forth discussion that closes our gap. We are confident that we can get to a consensual agreement.

I will now pass our counter proposal, in the form of bullets, with the understanding that the parties must agree on full contractual language if the concepts are accepted. Further, for those contractual areas not addressed in our proposal, it should be understood that we are proposing that our current contractual language remain in place. Lastly, our financial analysts discovered some discrepancies over valuations as well as cost models. We must resolve these issues prior to reaching a final agreement.

Thank you.

TWU/1113 PROPOSAL

Title Group: III & IV

Proposal #: Fleet/Ground 1

Date Submitted: 2-21-12

Delivered To: Jim Weel

Delivered By: Tim Gillespie

Article	Proposal	Notes	T/A Date
	<p>ARTICLE 1 – SCOPE</p> <p>Modify the Eagle ASM letter outlined in Attachment 1.5 – SEAT MILES SCHEDULED BY COMMUTER AIR Carriers</p> <ul style="list-style-type: none"> ● Modify the 6% to 18% and the current counting methodology, exclusions, report and measurement period will remain as is provided under the current letter of agreement. ● C/A - Allow the outsourcing of fueling (Includes Title III and IV): Implementation of outsourcing may vary by location in terms of timeline and functions. ● C/A - Outsource Bus Drivers – LAX and ORD 		
	<p>ARTICLE 4 – COMPENSATION</p> <p><u>Compensation</u></p> <ul style="list-style-type: none"> ● C/A - Structural increase of 1.5% effective DOS + 12 months ● C/A - Structural increase of 1.5% effective DOS plus twenty four (24) months ● C/A - Structural increase of 1.5% effective DOS thirty six (36) months ● C/A - Structural increase of 1.5% effective DOS plus forty eight (48) months ● C/A - Structural increase of 1.5% effective DOS plus sixty months (60) months 		

TWU/1113 PROPOSAL

Title Group: III & IV

Proposal #: Fleet/Ground 1

Date: Submitted: 2-21-12

Delivered To: Jim Weel

Delivered By: Tim Gillespie

Article	Proposal	Notes	T/A Date
	<p>ARTICLE 4 – COMPENSATION CONTINUED</p> <ul style="list-style-type: none"> ● MODIFY LONGEVITY PAY TO THE FOLLOWING RATES 17 YEARS - .06 18 YEARS - .09 19 YEARS - .12 20 YEARS - .15 CENTS ● Crew chiefs will be paid at their Crew chief rate for all overtime and CS's, provided company may utilize Crew chiefs in the capacity of a Crew chief when they are working a similar shift (within 30 minutes). <p>Profit Sharing and Variable Compensation</p> <ul style="list-style-type: none"> ● New Profit Sharing (Continental match) <ul style="list-style-type: none"> ○ 15% of all operating earnings (1st dollar) <ul style="list-style-type: none"> ● The above percentage will create a fund from which awards are distributed to all participating employees. Individual awards will be distributed March 15 of the following year. Payments are not pensionable. Each employee's award will be determined by the percentage of their earnings relative to overall payroll participants. This plan replaces the existing profit sharing plan. ● This plan also replaces the financial component of the AIP. ● Variable compensation plan: Mutually commit to develop a variable compensation plan (Gain sharing) one hundred and eighty days (180) from DOS, prior to the amendable date, which is intended to replace the Customer Service component of the plan. 		

TWU/1113 PROPOSAL

Title Group: III & IV

Proposal #: Fleet/Ground 1

Date Submitted: 2-21-12

Delivered To: Jim Weel

Delivered By: Tim Gillespie

Article	Proposal	Notes	T/A Date
	<p>ARTICLE 8 – VACATIONS</p> <ul style="list-style-type: none"> ● C/A - REDUCE MAXIMUM VACATION ACCRUAL FROM 30 DAYS TO 25 DAYS. ● C/A - ELIMINATE PAID PERSONAL VACATION DAYS (PV) 		
	<p>ARTICLE 11 – CLASSIFICATIONS & QUALIFICATIONS</p> <ul style="list-style-type: none"> ● C/A - Outsource Dayline Cabin, including interior security searches. ● C/A - Outsource American Eagle Drivers. 		

C/A = Company ASK

ARTICLE 1 – SCOPE

Modify the Eagle ASM letter outlined in Attachment 1.5 – SEAT MILES
SCHEDULED BY COMMUTER AIR Carriers

- Modify the 6% to 18% and the current counting methodology, exclusions, report and measurement period will remain as is provided under the current letter of agreement.
- C/A - Allow the outsourcing of fueling (Includes Title III and IV): Implementation of outsourcing may vary by location in terms of timeline and functions.
- C/A - Outsource Bus Drivers – LAX and ORD

ARTICLE 4 – COMPENSATION

Compensation

- C/A - Structural increase of 1.5% effective DOS + 12 months
- C/A - Structural increase of 1.5% effective DOS plus twenty four (24) months
- C/A - Structural increase of 1.5% effective DOS thirty six (36) months
- C/A - Structural increase of 1.5% effective DOS plus forty eight (48) months
- C/A - Structural increase of 1.5% effective DOS plus sixty months (60) months

- **MODIFY LONGEVITY PAY TO THE FOLLOWING RATES**
17 YEARS - .06 18 YEARS - .09 19 YEARS - .12 20 YEARS - .15 CENTS
- Crew chiefs will be paid at their Crew chief rate for all overtime and CS's, provided company may utilize Crew chiefs in the capacity of a Crew chief when they are working a similar shift (within 30 minutes).

Profit Sharing and Variable Compensation

- New Profit Sharing (Continental match)
 - 15% of all operating earnings (1st dollar)
 - The above percentage will create a fund from which awards are distributed to all participating employees. Individual awards will be distributed March 15 of the following year. Payments are not pensionable. Each employee's award will be determined by the percentage of their earnings relative to overall payroll participants. This plan replaces the existing profit sharing plan.
 - This plan also replaces the financial component of the AIP.
- Variable compensation plan: Mutually commit to develop a variable compensation plan (Gain sharing) **one hundred and eighty days (180) from DOS**, prior to the amendable date, which is intended to replace the Customer Service component of the plan.

ARTICLE 8 – VACATIONS

- **C/A - REDUCE MAXIMUM VACATION ACCRUAL FROM 30 DAYS TO 25 DAYS.**
- **C/A - ELIMINATE PAID PERSONAL VACATION DAYS (PV)**

ARTICLE 11 – CLASSIFICATIONS & QUALIFICATIONS

- **C/A - Outsource Dayline Cabin, including interior security searches.**
- **C/A - Outsource American Eagle Drivers.**

Summary

1st pass – Goal 25 to 33%

• Modify the ASM letter from 6 to 18%.	VALUE=?	AHC=?
• Outsource Dayline Cabin. (No credit for any of the down line cities. We should have some credit or are we going to continue to do cabin in those cities?).	VALUE= \$29.7 M	AHC= 865
• Outsource American Eagle Drivers.	VALUE= \$6 M	AHC= 218
• Outsource Fueling.	VALUE= \$5.7 M	AHC= 179
• Outsource Bus Drivers.	VALUE= \$1.3 M	AHC= 41
• Modify Longevity. (17 YRS -.06 18 YRS -.09 19 YRS -.12 20 YRS -.15)	VALUE= \$1.8 M	
• Reduce maximum VC accrual. (30 days to 25 days as maximum VC accrual)	VALUE= \$1 M	AHC= 14 27
• Eliminate Paid Personal Vacation Days (PV).	<u>VALUE= \$1.2 M</u>	<u>AHC= 23</u>
	Total = \$46.7 M	Total = 1,340

Other Values if needed.

- Modify the station staffing formula from the current to 3650 – 10 Flights VALUE= \$17.0 M AHC=470 (Industry average)(15 cities will be outsourced – IAD, EWR, BNA, MSY, TUS, BWI, TUL, ABQ, ELP, SJC, DTW, HNL, IND, BDL, MEM).
- Modify the station staffing formula from the current to 4015 – 11 Flights VALUE= \$20.0 M AHC=628 (19 cities will be outsourced-all cities listed above + PHL, IAH, MCI, MSP)
- Modify the station staffing formula from the current to 4380 – 12 Flights VALUE= \$21.4 M AHC=672 (20 cities will be outsourced-all cities above +RDU)
- Modify the station staffing formula from the current to 4745 – 13 Flights VALUE= \$23.6 M AHC=740 (22 cities will be outsourced-all cities above + SNA, FLL)
- Modify the station staffing formula from the current to 5110 – 14 Flights VALUE= \$26.6 M AHC=833 (24 cities will be outsourced- all cities above + SAN, SEA)
- Modify the station staffing formula from the current to 5475 – 15 Flights VALUE= \$29.6 M AHC=929 (26 cities will be outsourced-all cities above + PHX, DEN)
- Modify the station staffing formula from the current to 5840 – 16 Flights VALUE= \$34.5 M AHC=1080 (27 cities will be outsourced-all cities above + SJU)
- Modify the station staffing formula from the current to 6205 – 17 Flights VALUE= \$38.8 M AHC=1217 (30 cities will be outsourced-all cities above + TPA, ATL, SAT)

TIER SYSTEM

- Proposal to modify current pay scale to a two tier system. Cities with more than 7,300 (20 daily) annual departures will be considered Tier 1. (US AIR)
- All employees at the Tier 1 cities will be asked for a 5% pay reduction (\$1.00).
VALUE= \$19.9 M
- Cities with less than 7,300 annual departures will be considered Tier 2.
- During the period of this Agreement for the employees at tier 2 cities, the chart rates of pay for the non-bid classifications of work covered by this Agreement will be as specified below.
- 1st step - \$9.52, 2nd step - \$10.02, 3rd step - \$10.52, 4th step - \$11.00, 5th step - \$11.51, 6th step - \$11.98, 7th step - \$12.48, 8th step - \$13.50, 9th step - \$14.51, Thereafter - \$18.60
VALUE= \$7.5 M

Cargo Staffing

- Proposal to modify the staffing of TWU employees at the AA cargo facilities. All Cities within the AA cargo system, except DFW, MIA, ORD, JFK & LAX, may be (if decided by the Company to be practical and cost efficient), contracted to an outside agency.
VALUE= \$4.8 M AHC= 149

Reduction in Pay

- Total workforce (today's) – 5%=
- 3650 threshold workforce – 5%=
- 3650 threshold workforce + all cargo except cornerstone workforce – 5%=

PROTECTED EMPLOYEES

- Total protected= 7,511 - Soft Value= \$94 M
- Number protected out of the 4,200= 1,181- Hard Value= \$14.7 M
(In the Co. ASK there was no credit for this protection)

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: FLEET SERVICE Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
1	<p>RECOGNITION AND SCOPE (Successorship Language)</p> <p>Successorship – (1)Economic concessions shall “snap back” to pre-concession economics at closing of “successor transaction” (Definitions to be further expanded from current CBA—e.g. - spin offs, asset sales or transfers, joint ventures, MRO base sale, etc.). (2)Union recognition and neutrality: It shall be a condition of any successorship transaction that the surviving entity recognizes the Union as the collective bargaining agent for the employees performing work described in this agreement. (3)The Company will assure that any entities that it enters into Successor transactions with involving performance of TWU craft work will retain/hire existing TWU employees and will apply the terms and conditions of the TWU CBA and recognize TWU as the collective bargaining agent.</p>		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: FLEET SERVICE Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
(4)	Wage Opener Wage reopeners for increases each year of CBA from DOS, utilizing an agreed upon industry market rates model		
(4)	Variable compensation plan: Mutually commit to develop a variable compensation plan (Gain Sharing).		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: FLEET SERVICE Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
	<p>Defined Benefit Plan (hard freeze) provided it is company-wide, 90 days after DOS contingent upon all employee groups doing the same. Plan to be fully funded.</p> <p>Defined Contribution Plan – effective 90 days after DOS. Following one year of eligibility service, the employee will receive an automatic Company contribution of 3.0% per pay period. The employee may contribute any amount allowed by law. If the employee’s contribution is in excess of 3.0%, the company will match the employee’s contribution up to a maximum Company match of 6.5%. Additional terms of the Defined Contribution plan (DC) will be no less favorable than those offered to management or any other work group unless otherwise agreed to by the TWU.</p>		
(41)	<p>BENEFITS Active Medical</p>	Still under review.	

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: FLEET SERVICE Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
(41)	<p>BENEFITS</p> <p>Retiree Medical The following changes to the retiree medical plan:</p> <p>Active Employees:</p> <p>Employee and Company prefunding contributions will cease three (3) months after DOS.</p> <p>The employee's match and the Company's match of the employee's prefunding account, plus investment earnings, will be distributed to the employee within ___ days (TBD) of DOS per terms of the Trust Agreement.</p> <p>For under age 65 coverage, employees who enroll will pay 100% of the cost of pre-65 retiree medical coverage upon retirement.</p> <p>For over age 65 coverage, retirees will be offered access to purchase a guaranteed issue Medicare supplement plan through a third party administrator.</p>		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: FLEET SERVICE Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
	<p>Retiree Medical (CONTINUED) Current Retirees and those that retire within 90 days after DOS:</p> <p>Employee and Company contributions will cease 3 months after DOS.</p> <p>Retiree Medical coverage for current retirees and active TWU employees retiring within 3 months or earlier from DOS:</p> <p>The Retiree Medical Plan will be the same plan design as offered to the TWU retirees today with the following changes: in-network benefits paid at 80% by the Company after the deductible and out-of-network benefits paid at 60% by the Company after the deductible.</p> <p>Retiree medical coverage for New Hires – those hired after DOS.</p> <p>For under age 65 coverage, employees will pay 100% of the cost of pre-65 retiree medical coverage upon retirement.</p>		

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TWU/1113 PROPOSAL

Title Group: FLEET SERVICE Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

	<p>For over age 65 coverage, retirees will be offered access to purchase a guaranteed issue Medicare supplement plan through a third party administrator.</p> <p>Retiree Medical Plan will be no less favorable than those offered to management or other work group, unless otherwise agreed to by the TWU.</p> <p>The above plans shall not apply to the current plan for MCT and Instructors, which shall stay in place.</p>		
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CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: FLEET SERVICE Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
(47)	DURATION TBD by the parties.		
(LOM)	Early Out Program as agreed to between the parties.		
(LOM)	TWU shall be entitled to a claim in the Chapter 11 case equal to value of concessions.		
(LOM)	Equity in concessions: TWU concessions are contingent upon equitable concessions of all non-TWU groups such that this unit is not disadvantaged. Disputes shall proceed to expedited binding arbitration.		
(LOM)	Agreement to provide equity to TWU employees.		
	*This counter proposal coupled with the earlier counter proposal of this title group represents a complete initial response to the Company's initial ask. Each item offered is contingent upon reaching a full consensual agreement.		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: FLEET SERVICE Proposal # 1 A Date Submitted: 3/5/12

Delivered To: Mark Burdette Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
41 Active Medical	<p>Active Medical Plan Design Changes (See attached spreadsheet)</p> <p>Plan 1. Value – Current Value Plus plan offered by AA. Plan 2. Standard – Modify current \$150 deductible contractual plan Plan 3. Core Plan – Replaces current \$1000 deductible contractual plan (Free plan)</p> <p>Proposal:</p> <ol style="list-style-type: none"> 1. Three plans available and have them all contractual plans 2. Keep 3-Tier Structure 3. Same cost for all TWU members (Full-Time and Part-Time) 4. Include wellness program in contract 5. Participation in wellness program 6. Incentives for engagement in wellness program <ol style="list-style-type: none"> a. Funding Health Savings Account (HSA) b. Reduce co-pays/co-insurance amounts c. Reduce monthly contribution amounts 		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: FLEET SERVICE Proposal # 1 A Date Submitted: 3/5/12

Delivered To: Mark Burdette Delivered By: TIM GILLESPIE

41
Active
Medical
Content.

Active Medical (Continued)

- 7. Members that elect the HSA Compatible HDHP (Dollar for Dollar match by AA)
 - a. Employee -- \$ 500
 - b. Employee and Spouse -- \$ 1000
 - c. Employee and Child(ren) -- \$ 2000
 - d. Employee and Family -- \$ 3000

All plan changes will be reviewed by the TWU prior to implementation and the TWU would maintain a right of appeal prior to any plan change implementations.

Current language on inflation: The number of "benefit dollars" Provided by the Company to each employee will increase by the percentage increase in the Company's average annual cost per covered employee, for the period July 1 through June 30 immediately preceding the enrollment year over the previous period July 1 through June 30 up to a maximum of 5%. In this way, the Company pays for the first 5% of cost increases.

The Company agrees, if necessary, to reduce the option price of any Medical or Dental Plan currently offered in the Flexible Benefits Enrollment to the same contribution level set by the Cafeteria Plan for Pilots and Flight Attendants for equivalent plans.

TWJU PROPOSAL

	Plan 1 (Value)	Plan 2 (Standard)	Plan 3 (Core)
Plan Design Features	All Plans are Contractual		
Spending Accounts	Not HSA Compatible	Not HSA Compatible	HSA Compatible
In Network Deductible (Single/Family)	\$100/\$300	\$500/\$1200	\$1500/\$3000
Out of Network Deductible (Single/Family)	\$750/\$2250	\$1000/\$2400	\$3000/\$6000
Coinurance (In/Out)	15%/35%	20%/40%	20%/40%
In Network Out of Pocket Max (Single/Family)	\$1750/\$5250	\$2000/\$3250	\$4000/\$8000
Out of network Out of pocket max (Single/Family)	\$3500/\$10500	\$4000/\$6500	\$8000/\$16000
Primary Care Physician Copay (In/Out)	\$20	20%	20%
Specialist Copay (In/Out)	\$40	20%	20%
Retail Clinics Copay (In/Out)	\$40	20%	20%
Preventive Care (In Network Only)*	\$0	\$0	\$0
Generic	Pharmacy (Retail)*		
Formulary Brand	\$10	Subject to deductibles and coinsurance (Applies to deductible and Out of Pocket)	
Non-Formulary Brand	30% \$20 min/\$75 max 50% \$35 min/\$90 max	subject to deductible and coinsurance	
Generic	Pharmacy (Mail Order)*		
Formulary Brand	20% \$0 min/\$80 max	25 % of cost (does not go toward your deductible or out of pocket max)	
Non-Formulary Brand	30% \$50 min/\$150 max 50 % \$70 min/\$180 max	subject to deductible and coinsurance	
Employee Only	2012 Monthly Contributions		
Employee Plus 1	\$92.50	\$59.42	\$0
Employee Plus 2	\$185.00	\$118.84	\$0
	\$277.50	\$178.27	\$0
Proposed Premium Increases			
\$10 Increase	\$102.50	\$69.42	
\$20 Increase	\$205.00	\$138.84	
\$30 Increase	\$307.50	\$208.27	

TWU/1113 PROPOSAL

Title Group: Title III & IV Proposal #: Fleet/Ground 2

Date Submitted: 3-6-2012

Delivered To: Jim Weel

Delivered By: Tim Gillespie

Article	Proposal	Notes	T/A Date
	<p>ARTICLE 1 – SCOPE</p> <ul style="list-style-type: none"> ● Modify the Eagle ASM letter outlined in Attachment 1.5 – SEAT MILES SCHEDULED BY COMMUTER AIR Carriers ● Modify the 6% to 18% and the current counting methodology, exclusions, report and measurement period will remain as is provided under the current letter of agreement. ● C/A - Allow the outsourcing of fueling (Includes Title III and IV): Implementation of outsourcing may vary by location in terms of timeline and functions. T/A – 2/29/2012 ● C/A - Outsource Bus Drivers – LAX and ORD T/A – 2/29/2012 		

TWU/1113 PROPOSAL

Title Group: Title III & IV

Proposal #: Fleet/Ground 2

Date Submitted: 3-6-2012

Delivered To: Jim Weel

Delivered By: Tim Gillespie

Article	Proposal	Notes	T/A Date
	<p>ARTICLE 4 – COMPENSATION</p> <ul style="list-style-type: none"> ● Wage Cut – 5% effective DOS ● C/A - Structural increase of 1.5% effective DOS + 12 months ● C/A - Structural increase of 1.5% effective DOS plus twenty four (24) months ● C/A - Structural increase of 1.5% effective DOS thirty six (36) months ● C/A - Structural increase of 1.5% effective DOS plus forty eight (48) months ● C/A - Structural increase of 1.5% effective DOS plus sixty months (60) months T/A – 2/29/2012 ● MODIFY LONGEVITY PAY TO THE FOLLOWING RATES 17 YEARS - .06 18 YEARS - .09 19 YEARS - .12 20 YEARS - .15 CENTS T/A – 2/29/2012 ● Crew chiefs will be paid at their Crew chief rate for all overtime and CS's, provided company may utilize Crew chiefs in the capacity of a Crew chief when they are working a similar shift (within 30 minutes). 		

	<p>Profit Sharing and Variable Compensation</p> <ul style="list-style-type: none">● New Profit Sharing (Continental match)○ 15% of all operating earnings (1st dollar) The above percentage will create a fund from which awards are distributed to all participating employees. Individual awards will be distributed March 15 of the following year. Payments are not pensionable. Each employee's award will be determined by the percentage of their earnings relative to overall payroll participants. This plan replaces the existing profit sharing plan.● This plan also replaces the financial component of the AIP.● Variable compensation plan: Mutually commit to develop a variable compensation plan (Gain sharing) one hundred and eighty days (180) from DOS, prior to the amendable date, which is intended to replace the Customer Service component of the plan.		

TWU/1113 PROPOSAL

Title Group: Titles III & IV Proposal #: Fleet/Ground 2

Date Submitted: 3-6-2012

Delivered To: Jim Weel

Delivered By: Tim Gillespie

Article	Proposal	Notes	T/A Date
	<p>ARTICLE 8 – VACATIONS</p> <ul style="list-style-type: none"> ● C/A - REDUCE MAXIMUM VACATION ACCRUAL FROM 30 DAYS TO 25 DAYS. T/A – 2/29/2012 ● C/A - ELIMINATE PAID PERSONAL VACATION DAYS (PV) T/A – 2/29/2012 		
	<p>ARTICLE 11 – CLASSIFICATIONS & QUALIFICATIONS</p> <ul style="list-style-type: none"> ● C/A - Outsource Day-line Cabin, including interior security searches. T/A – 2/29/2012 ● C/A - Outsource American Eagle Drivers. T/A – 2/29/2012 		

TWU/1113 PROPOSAL

Title Group: Title III & IV Proposal #: Fleet/Ground 3 Date Submitted: 3-8-2012

Delivered To: Jim Weel

Delivered By: Tim Gillespie

Article	Proposal	Notes	T/A Date
	<p>ARTICLE 1 – SCOPE</p> <ul style="list-style-type: none"> ● Modify the Eagle ASM letter outlined in Attachment 1.5 – SEAT MILES SCHEDULED BY COMMUTER AIR Carriers ● Modify the 6% to 18% and the current counting methodology, exclusions, report and measurement period will remain as is provided under the current letter of agreement. ● C/A - Allow the outsourcing of fueling (Includes Title III and IV): Implementation of outsourcing may vary by location in terms of timeline and functions. T/A – 2/29/2012 ● C/A - Outsource Bus Drivers – LAX and ORD T/A – 2/29/2012 ● Outsource all cities below the 2555 threshold 		

TWU/1113 PROPOSAL

Title Group: Title III & IV

Proposal #: Fleet/Ground 3

Date Submitted: 3-8-2012

Delivered To: Jim Weel

Delivered By: Tim Gillespie

Article	Proposal	Notes	T/A Date
	<p>ARTICLE 4 – COMPENSATION</p> <ul style="list-style-type: none"> ● Wage Cut – 5% effective DOS ● C/A - Structural increase of 1.5% effective DOS + 12 months ● C/A - Structural increase of 1.5% effective DOS plus twenty four (24) months ● C/A - Structural increase of 1.5% effective DOS thirty six (36) months ● C/A - Structural increase of 1.5% effective DOS plus forty eight (48) months ● C/A - Structural increase of 1.5% effective DOS plus sixty months (60) months T/A – 2/29/2012 ● MODIFY LONGEVITY PAY TO THE FOLLOWING RATES 17 YEARS - .06 18 YEARS - .09 19 YEARS - .12 20 YEARS - .15 CENTS T/A – 2/29/2012 ● Crew chiefs will be paid at their Crew chief rate for all overtime and CS's, provided company may utilize Crew chiefs in the capacity of a Crew chief when they are working a similar shift (within 30 minutes). 		

	<p>Profit Sharing and Variable Compensation</p> <ul style="list-style-type: none">● New Profit Sharing (Continental match)○ 15% of all operating earnings (1st dollar) The above percentage will create a fund from which awards are distributed to all participating employees. Individual awards will be distributed March 15 of the following year. Payments are not pensionable. Each employee's award will be determined by the percentage of their earnings relative to overall payroll participants. This plan replaces the existing profit sharing plan.● This plan also replaces the financial component of the AIP.● Variable compensation plan: Mutually commit to develop a variable compensation plan (Gain sharing) one hundred and eighty days (180) from DOS, prior to the amendable date, which is intended to replace the Customer Service component of the plan.		

TWU/1113 PROPOSAL

Title Group: Titles III & IV Proposal #: Fleet/Ground 3

Date Submitted: 3-8-2012

Delivered To: Jim Weel

Delivered By: Tim Gillespie

Article	Proposal	Notes	T/A Date
	<p>ARTICLE 7 – HOLIDAYS</p> <ul style="list-style-type: none"> ● Rolling Holiday Rule 		
	<p>ARTICLE 8 – VACATIONS</p> <ul style="list-style-type: none"> ● C/A - REDUCE MAXIMUM VACATION ACCRUAL FROM 30 DAYS TO 25 DAYS. T/A – 2/29/2012 ● C/A - ELIMINATE PAID PERSONAL VACATION DAYS (PV) T/A – 2/29/2012 		
	<p>ARTICLE 11 – CLASSIFICATIONS & QUALIFICATIONS</p> <ul style="list-style-type: none"> ● C/A - Outsource Day-line Cabin, including interior security searches. T/A – 2/29/2012 ● C/A - Outsource American Eagle Drivers. T/A – 2/29/2012 ● Proposal to modify the staffing of TWU employees at the AA cargo facilities. All Cities within the AA cargo system, except DFW, MIA, ORD, JFK & LAX, may be (if decided by the Company to be practical and cost efficient), contracted to an outside agency. 		

TWU/1113 PROPOSAL

Title Group: Title III & IV Proposal #: Fleet/Ground 4 Date Submitted: 3-9-2012

Delivered To: Jim Weel

Delivered By: Tim Gillespie

Article	Proposal	Notes	T/A Date
	<p>ARTICLE 1 – SCOPE</p> <ul style="list-style-type: none"> ● Modify the Eagle ASM letter outlined in Attachment 1.5 – SEAT MILES SCHEDULED BY COMMUTER AIR Carriers ● Modify the 6% to 18% and the current counting methodology, exclusions, report and measurement period will remain as is provided under the current letter of agreement. ● C/A - Allow the outsourcing of fueling (Includes Title III and IV): Implementation of outsourcing may vary by location in terms of timeline and functions. T/A – 2/29/2012 ● C/A - Outsource Bus Drivers – LAX and ORD T/A – 2/29/2012 ● Outsource all cities below 3650 		

TWU/1113 PROPOSAL

Title Group: Title III & IV

Proposal #: Fleet/Ground 4

Date Submitted: 3-9-2012

Delivered To: Jim Weel

Delivered By: Tim Gillespie

Article	Proposal	Notes	T/A Date
	<p>ARTICLE 4 – COMPENSATION</p> <ul style="list-style-type: none"> ● Wage Cut – 5% effective DOS ● C/A - Structural increase of 1.5% effective DOS + 12 months ● C/A - Structural increase of 1.5% effective DOS plus twenty four (24) months ● C/A - Structural increase of 1.5% effective DOS thirty six (36) months ● C/A - Structural increase of 1.5% effective DOS plus forty eight (48) months ● C/A - Structural increase of 1.5% effective DOS plus sixty months (60) months T/A – 2/29/2012 ● MODIFY LONGEVITY PAY TO THE FOLLOWING RATES 17 YEARS - .06 18 YEARS - .09 19 YEARS - .12 20 YEARS - .15 CENTS T/A – 2/29/2012 ● Crew chiefs will be paid at their Crew chief rate for all overtime and CS's, provided company may utilize Crew chiefs in the capacity of a Crew chief when they are working a similar shift (within 30 minutes). 		

	<p>Profit Sharing and Variable Compensation</p> <ul style="list-style-type: none">● New Profit Sharing (Continental match)○ 15% of all operating earnings (1st dollar) The above percentage will create a fund from which awards are distributed to all participating employees. Individual awards will be distributed March 15 of the following year. Payments are not pensionable. Each employee's award will be determined by the percentage of their earnings relative to overall payroll participants. This plan replaces the existing profit sharing plan.● This plan also replaces the financial component of the AIP.● Variable compensation plan: Mutually commit to develop a variable compensation plan (Gain sharing) one hundred and eighty days (180) from DOS, prior to the amendable date; which is intended to replace the Customer Service component of the plan.		

TWU/1113 PROPOSAL

Title Group: Titles III & IV Proposal #: Fleet/Ground 4

Date Submitted: 3-9-2012

Delivered To: Jim Weel

Delivered By: Tim Gillespie

Article	Proposal	Notes	T/A Date
	<p>ARTICLE 7 – HOLIDAYS</p> <ul style="list-style-type: none"> ● Rolling Holiday Rule 		
	<p>ARTICLE 8 – VACATIONS</p> <ul style="list-style-type: none"> ● C/A - REDUCE MAXIMUM VACATION ACCRUAL FROM 30 DAYS TO 25 DAYS. T/A – 2/29/2012 ● C/A - ELIMINATE PAID PERSONAL VACATION DAYS (PV) T/A – 2/29/2012 		
	<p>ARTICLE 11 – CLASSIFICATIONS & QUALIFICATIONS</p> <ul style="list-style-type: none"> ● C/A - Outsource Day-line Cabin, including interior security searches. T/A – 2/29/2012 ● C/A - Outsource American Eagle Drivers. T/A – 2/29/2012 ● Proposal to modify the staffing of TWU employees at the AA cargo facilities. All Cities within the AA cargo system, except DFW, MIA, ORD, JFK & LAX, may be (if decided by the Company to be practical and cost efficient), contracted to an outside agency. 		

	LOM To allow the outsourcing of M&E FSC's.		
	ARTICLE 34 – SICK LEAVE Go from 5 to 4 sick days		
	ARTICLE 16 – RECALL Go to a 6 year recall		
	ARTICLE 43 – PART TIME EMPLOYEES Relief to the PT CAP for DFW		

EXHIBIT B TO TIMOTHY J. GILLESPIE'S DECLARATION

TWU Statement on counter proposal - February 23, 2012 - DISPATCH

On February 1, 2012 the company gave us an initial partial presentation on its business plan of reorganization---a plan with which we have serious concerns. The last of the Company's initial business presentations to this bargaining unit was on Monday, February 13, 2012.

We have studied your plan. Your plan contemplates some 13,000 pink slips (9000 of which cover employees represented by our union). It seeks to change much in the CBA, including language that the parties have lived by for decades and it calls for ending benefit plans that we designed our lives around. You even propose health insurance changes that will be unaffordable to many of those who remain in AA's employ. It is a monumental "ask", to say the least.

In order to frame our counter proposal we have requested essential documentation and information. Your first omnibus response to our requests came just last Friday, February 17, 2012. While we have received materials and information, much critical information is still outstanding.

Despite the lack of complete information needed to address your proposed concessions, we nonetheless, without waiving rights, will present to you a proposal that addresses the company's financial concerns.

Our counter proposal is based on many factors.

First, since we still lack critical data, this counter proposal will necessarily change as more information becomes available. We understand and accept our 1113 obligation and the carrier's need for relief. That is why this counterproposal represents approximately \$1.7M in concessions. (It can actually yield up to approximately \$7M.)

Second, this counter does not address additional concessions we are contemplating as to those issues involving the across the board "pass through" items. These pass through items include those contractual items that apply to all the TWU title groups such as retiree medical, pension, attendance, active healthcare coverage, and more. One such item, an early out program, was submitted last week on February 15, 2012 and awaits a response from you.

Next, our offer is being made in good faith, and the anticipated good faith of the company, with an expectation that no other bargaining group or employee group will benefit at the expense of or to the detriment of the TWU bargaining groups.

Without waiving our rights that each TWU 1113 proceeding is separate and apart from the other, each of our CBA units will make its across the board proposal after we receive the requisite outstanding information and documents.

Last and importantly, this offer, worth more than one million in concessions, was based upon your statement that your ask was not a take it or leave it situation----both as to its design and the amount. We have agreed to some of your concessions and offered some concessionary concepts to which we previously agreed, in prior section 6 bargaining. Further, we identified some alternative concessions that are verifiable and that provide real financial relief, which at the same time mitigate job

loss.

We intend that this counter offer underscore good faith negotiations that result in a compromise of your ask while also providing deep concessions that gives AMR the necessary relief contemplated by section 1113.

We look forward to a good faith back and forth discussion that closes our gap. We are confident that we can get to a consensual agreement.

I will now pass our counter proposal, in the form of bullets, with the understanding that the parties must agree on full contractual language if the concepts are accepted. Further, for those contractual areas not addressed in our proposal, it should be understood that we are proposing that our current contractual language remain in place. Lastly, our financial analysts discovered some discrepancies over valuations as well as cost models. We must resolve these issues prior to reaching a final agreement.

Thank you.

TWU/1113 PROPOSAL

Title Group: Dispatch/FPS

Proposal #: 1

Date Submitted: 23 February 2012

Delivered To: James B. Weel

Delivered By: John E. Plowman

Article	Proposal	Notes	T/A Date
27 - d	Agree to eliminate PV days except as approved by management in special circumstances.		
LOA - Relief Operation Coordinators	Agree to lock in Relief Operation Coordinators in that qualification for minimum of 1 year.		
R.I.P.	Agree to Plan implementation to effectively plan staffing attrition.		
PRP	Adjusts targets and payout levels per attachment.		

Article	Proposal	Notes	T/A Date
MOC Router	To absorb said work into the Dispatch CBA		

PRP Table 1.0

PRAF Q1	PRP	PRAF Q2	PRP	PRAF Q3	PRP	PRAF Q4	PRP	2010
94.4*	\$0	90.4*	\$0	96.1*	\$0	90*	\$0	90.5*
89	\$1000	90	\$1000	89.5	\$1000	85.5	\$1000	
88	\$1750	89	\$1750	88.5	\$1750	84.5	\$1750	
87	\$2500	88	\$2500	87.5	\$2500	83.5	\$2500	
86	\$4250	87	\$4250	86.5	\$4250	82.5	\$4250	GOAL
85	\$5250	86	\$5250	85.5	\$5250	81.5	\$5250	84.5

PRAF Q1	PRP	PRAF Q2	PRP	PRAF Q3	PRP	PRAF Q4	PRP	2010
94.4*	\$0	90.4*	\$0	96.1*	\$0	90*	\$0	90.5*
91	\$1000	92	\$1000	91.5	\$1000	87.5	\$1000	
90	\$1750	91	\$1750	90.5	\$1750	86.5	\$1750	
89	\$2500	90	\$2500	89.5	\$2500	85.5	\$2500	
88	\$3250	89	\$3250	88.5	\$3250	84.5	\$3250	GOAL
87	\$4250	88	\$4250	87.5	\$4250	83.5	\$4250	86.5

*Denotes 2010 Actuals in minutes

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: DISPATCH Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
1	<p>RECOGNITION AND SCOPE (Successorship Language)</p> <p>Successorship – (1)Economic concessions shall “snap back” to pre-concession economics at closing of “successor transaction” (Definitions to be further expanded from current CBA—e.g. - spin offs, asset sales or transfers, joint ventures, MRO base sale, etc.). (2)Union recognition and neutrality: It shall be a condition of any successorship transaction that the surviving entity recognizes the Union as the collective bargaining agent for the employees performing work described in this agreement. (3)The Company will assure that any entities that it enters into Successor transactions with involving performance of TWU craft work will retain/hire existing TWU employees and will apply the terms and conditions of the TWU CBA and recognize TWU as the collective bargaining agent.</p>		

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TWU/1113 PROPOSAL

Title Group: DISPATCH Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
(4)	Wage Opener Wage reopener for increases each year of CBA from DOS, utilizing an agreed upon industry market rates model		
(4)	Variable compensation plan: Mutually commit to develop a variable compensation plan (Gain Sharing).		

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TWU/1113 PROPOSAL

Title Group: DISPATCH Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
	<p>Defined Benefit Plan (hard freeze) provided it is company-wide, 90 days after DOS contingent upon all employee groups doing the same. Plan to be fully funded.</p> <p>Defined Contribution Plan -- effective 90 days after DOS. Following one year of eligibility service, the employee will receive an automatic Company contribution of 3.0% per pay period. The employee may contribute any amount allowed by law. If the employee's contribution is in excess of 3.0%, the company will match the employee's contribution up to a maximum Company match of 6.5%. Additional terms of the Defined Contribution plan (DC) will be no less favorable than those offered to management or any other work group unless otherwise agreed to by the TWU.</p>		
(41)	<p>BENEFITS Active Medical</p>	<p>Still under review.</p>	

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TWU/1113 PROPOSAL

Title Group: DISPATCH Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
(41)	<p>BENEFITS</p> <p>Retiree Medical</p> <p>The following changes to the retiree medical plan:</p> <p>Active Employees:</p> <p>Employee and Company prefunding contributions will cease three (3) months after DOS.</p> <p>The employee's match and the Company's match of the employee's prefunding account, plus investment earnings, will be distributed to the employee within ___ days (TBD) of DOS per terms of the Trust Agreement.</p> <p>For under age 65 coverage, employees who enroll will pay 100% of the cost of pre-65 retiree medical coverage upon retirement.</p> <p>For over age 65 coverage, retirees will be offered access to purchase a guaranteed issue Medicare supplement plan through a third party administrator.</p>		

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TWU/1113 PROPOSAL

Title Group: DISPATCH Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
	<p>Retiree Medical (CONTINUED) Current Retirees and those that retire within 90 days after DOS:</p> <p>Employee and Company contributions will cease 3 months after DOS.</p> <p>Retiree Medical coverage for current retirees and active TWU employees retiring within 3 months or earlier from DOS:</p> <p>The Retiree Medical Plan will be the same plan design as offered to the TWU retirees today with the following changes: in-network benefits paid at 80% by the Company after the deductible and out-of-network benefits paid at 60% by the Company after the deductible.</p> <p>Retiree medical coverage for New Hires – those hired after DOS.</p> <p>For under age 65 coverage, employees will pay 100% of the cost of pre-65 retiree medical coverage upon retirement.</p>		

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TWU/1113 PROPOSAL

Title Group: DISPATCH Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

	<p>For over age 65 coverage, retirees will be offered access to purchase a guaranteed issue Medicare supplement plan through a third party administrator.</p> <p>Retiree Medical Plan will be no less favorable than those offered to management or other work group, unless otherwise agreed to by the TWU.</p> <p>The above plans shall not apply to the current plan for MCT and Instructors, which shall stay in place.</p>		
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TWU/1113 PROPOSAL

Title Group: DISPATCH Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
(47)	DURATION TBD by the parties.		
(LOM)	Early Out Program as agreed to between the parties.		
(LOM)	TWU shall be entitled to a claim in the Chapter 11 case equal to value of concessions.		
(LOM)	Equity in concessions: TWU concessions are contingent upon equitable concessions of all non-TWU groups such that this unit is not disadvantaged. Disputes shall proceed to expedited binding arbitration.		
(LOM)	Agreement to provide equity to TWU employees.		
	*This counter proposal coupled with the earlier counter proposal of this title group represents a complete initial response to the Company's initial ask. Each item offered is contingent upon reaching a full consensual agreement.		

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TWU/1113 PROPOSAL

Title Group: DISPATCH Proposal # 1 A Date Submitted: 3/5/12

Delivered To: Mark Burdette Delivered By: Tim Gillespie

Article	Proposal	Notes	T/A Date
<p>41 Active Medical</p>	<p>Active Medical Plan Design Changes (See attached spreadsheet)</p> <p>Plan 1. Value – Current Value Plus plan offered by AA. Plan 2. Standard – Modify current \$150 deductible contractual plan Plan 3. Core Plan – Replaces current \$1000 deductible contractual plan (Free plan)</p> <p>Proposal:</p> <ol style="list-style-type: none"> 1. Three plans available and have them all contractual plans 2. Keep 3-Tier Structure 3. Same cost for all TWU members (Full-Time and Part-Time) 4. Include wellness program in contract 5. Participation in wellness program 6. Incentives for engagement in wellness program <ol style="list-style-type: none"> a. Funding Health Savings Account (HSA) b. Reduce co-pays/co-insurance amounts c. Reduce monthly contribution amounts <p>Active Medical (Continued)</p>		

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TWU/1113 PROPOSAL

Title Group: DISPATCH Proposal # 1 A Date Submitted: 3/5/12

Delivered To: Mark Burdette Delivered By: Tim Gillespie

<p>41 Active Medical Cont.</p>	<p>7. Members that elect the HSA Compatible HDHP (Dollar for Dollar match by AA)</p> <ul style="list-style-type: none"> a. Employee -- \$ 500 b. Employee and Spouse -- \$ 1000 c. Employee and Child(ren) -- \$ 2000 d. Employee and Family -- \$ 3000 <p>All plan changes will be reviewed by the TWU prior to implementation and the TWU would maintain a right of appeal prior to any plan change implementations.</p> <p>Current language on inflation: The number of "benefit dollars" Provided by the Company to each employee will increase by the percentage increase in the Company's average annual cost per covered employee, for the period July 1 through June 30 immediately preceding the enrollment year over the previous period July 1 through June 30 up to a maximum of 5%. In this way, the Company pays for the first 5% of cost increases.</p> <p>The Company agrees, if necessary, to reduce the option price of any Medical or Dental Plan currently offered in the Flexible Benefits Enrollment to the same contribution level set by the Cafeteria Plan for Pilots and Flight Attendants for equivalent plans.</p>		
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TWU PROPOSAL

	Plan 1 (Value)	Plan 2 (Standard)	Plan 3 (Core)
All Plans are Contractual			
Plan Design Features			
Spending Accounts	Not HSA Compatible	Not HSA Compatible	HSA Compatible
In Network Deductible (Single/Family)	\$100/\$300	\$500/\$1200	\$1500/\$3000
Out of Network Deductible (Single/Family)	\$750/\$2250	\$1000/\$2400	\$3000/\$6000
Coinsurance (In/Out)	15%/35%	20%/40%	20%/40%
In Network Out of Pocket Max (Single/Family)	\$1750/\$5250	\$2000/\$3250	\$4000/\$8000
Out of network Out of pocket max (Single/Family)	\$3500/\$10500	\$4000/\$6500	\$8000/\$16000
Primary Care Physician Copay (In/Out)	\$20	20%	20%
Specialist Copay (In/Out)	\$40	20%	20%
Retail Clinics Copay (In/Out)	\$40	20%	20%
Preventive Care (In Network Only)*	\$0	\$0	\$0
Pharmacy (Retail)*			
Generic	\$10	Subject to deductibles and coinsurance (Applies to deductible and Out of Pocket)	subject to deductible and coinsurance
Formulary Brand	30% \$20 min/\$75 max		
Non-Formulary Brand	50% \$35 min/\$90 max		
Pharmacy (Mail Order)*			
Generic	20% \$0 min/\$80 max	25 % of cost (does not go toward your deductible or out of pocket max)	subject to deductible and coinsurance
Formulary Brand	30% \$50 min/\$150 max		
Non-Formulary Brand	50 % \$70 min/\$180 max		
2012 Monthly Contributions			
Employee Only	\$92.50	\$59.42	\$0
Employee Plus 1	\$185.00	\$118.84	\$0
Employee Plus 2	\$277.50	\$178.27	\$0
Proposed Premium Increases			
\$10 Increase	\$102.50	\$69.42	
\$20 Increase	\$205.00	\$138.84	
\$30 Increase	\$307.50	\$208.27	

TWJ PROPOSAL

	Plan 1 (Value)	Plan 2 (Standard)	Plan 3 (Core)
All Plans are Contractual			
Plan Design Features			
Spending Accounts	Not HSA Compatible	Not HSA Compatible	HSA Compatible
In Network Deductible (Single/Family)	\$100/\$300	\$500/\$1200	\$1500/\$3000
Out of Network Deductible (Single/Family)	\$750/\$2250	\$1000/\$2400	\$3000/\$6000
Coinsurance (In/Out)	15%/35%	20%/40%	20%/40%
In Network Out of Pocket Max (Single/Family)	\$1750/\$5250	\$2000/\$3250	\$4000/\$8000
Out of network Out of pocket max (Single/Family)	\$3500/\$10500	\$4000/\$6500	\$8000/\$16000
Primary Care Physician Copay (In/Out)	\$20	20%	20%
Specialist Copay (In/Out)	\$40	20%	20%
Retail Clinics Copay (In/Out)	\$40	20%	20%
Preventive Care (In Network Only)*	\$0	\$0	\$0
Pharmacy (Retail)*			
Generic	\$10	Subject to deductibles and coinsurance (Applies to deductible and Out of Pocket)	
Formulary Brand	30% \$20 min/\$75 max	subject to deductible and coinsurance	
Non-Formulary Brand	50% \$35 min/\$90 max		
Pharmacy (Mail Order)*			
Generic	20% \$0 min/\$80 max	25 % of cost (does not go toward your deductible or out of pocket max)	
Formulary Brand	30% \$50 min/\$150 max		
Non-Formulary Brand	50 % \$70 min/\$180 max		
2012 Monthly Contributions			
Employee Only	\$92.50	\$59.42	\$0
Employee Plus 1	\$185.00	\$118.84	\$0
Employee Plus 2	\$277.50	\$178.27	\$0
Proposed Premium Increases			
\$10 Increase	\$102.50	\$69.42	
\$20 Increase	\$205.00	\$138.84	
\$30 Increase	\$307.50	\$208.27	

TWU/1113 PROPOSAL

Title Group: Dispatch/FPS Proposal #: 2 Date Submitted: 23 March 2012

Delivered To: James B. Weel Delivered By: John E. Plowman

Article	Proposal	Notes	T/A Date
27 - d	Agree to eliminate PV days per Company 2-1-12 proposal.		2/29/2012
LOA - Relief Operation Coordinators	Agree to Relief Operation Coordinators "lock-in" per Company 2-1-12 proposal.		2/29/2012
R.I.P.	Agree to Plan implementation to effectively plan staffing attrition per Company 2-1-12 proposal.		2/29/2012
PRP	Extend PRP Program, as defined in the October 1, 2011 AA/TWU Tentative Agreement based on either Option A or Option B.		

Article	Proposal.	Notes	T/A Date
Pay Rates Profit Sharing ATC/Check Dispatcher/Fuel Positions	Agree to Company 2-1 Proposal Agree to Company 2-1 Proposal Per 11-14-11 T/A		
Hours of Work	Per 11-14-11 T/A		
Overtime	Per 11-14-11 T/A		
Holidays	Open - based on total value of concessions.		

Article	Proposal	Notes	T/A Date
Vacations	Reduce each accrual period by 1 day. Require valuation prior to agreement.		
Seniority	Per 11-14-11 T/A		
Sick Leave	Reduce current accrual to 4 days (32 hours), fully compensated if used.		
Job Protection	Per 11-14-11 T/A		

Article	Proposal	Notes	T/A Date
9, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 35, 36, 37, 38, 39, 43, 44, 45, 46	Per 11-14-11 T/A.		
Duration	Open for discussion		
Letters of Agreement	Per 11-14-11 T/A except for corrections to wage table for FPS, ASM Seat Cap - P.G.A. and update UB pay continuance LOA,		

Additional Global Items	Pension Active Medical Retiree Medical		
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AmericanAirlines®

December 15, 2011

Robert F. Gless
Deputy Director - ATD
AA System Coordinator
Transport Workers Union of America
1791 Hurstview Drive
Hurst, TX 76054

John Plowman
President – Local 542
Transport Workers Union of America
1201 Airport Freeway
Suite 386
Euless, TX 76040

Performance Related Pay- Dispatchers

Dear Robert and John,

The Company and the Transport Workers Union of America, AFL-CIO representing Flight Dispatchers and Dispatcher's Assistants agree to extend the Dispatcher Performance Related Pay (PRP) plan for the calendar year 2012.

As a reminder, the PRP has been structured in a way which meets the following principles

- Simple and easily understood by employees
- Fiscally responsible
- Performance based
- Connected to employee action: "line of sight"
- Tied to corporate and local business results
- Recognizes the joint commitment to safety of the operation

The PRP has been structured to motivate Dispatch employees to

- Reduce company diversions
- Use the most efficient routings where possible
- Reduce the number of flights arriving with less than 50 minutes of Actual Ramp Arrival Fuel (ARAF)
- Reduce Planned Arrival Fuel (PRAF)

The specific terms and conditions are outlined in Attachment I and are aligned with the principles listed above.

If the above and Attachment I accurately reflects your understanding, please signify by signing below.

Neither the fact nor the terms of this LOA is intended to or does affirm or assume the underlying collective bargaining agreement.

If you have any questions, please contact me at 817-967-1447.

Sincerely,

James B. Weel
Director
Employee Relations

Agreed to:

Robert F. Gless
Deputy Director – ATD
American Airlines System Coordinator
Transport Workers Union, AFL-CIO

John Plowman
President – Local 542
Transport Workers Union, AFL-CIO

cc: J. Ream
J. Brundage
M. Burdette
J. Snook
C. Wright
J. Hale
G. Drummond
J. Osborne
T. Antolovic
M. Waldron
M. Gribbons
R. Sparling
M. Nelson
D. Taber
L. Keetch

Attachment I.

Principles Concerning Performance Related Pay for Dispatchers

1. Definition: "PRP" stands for Performance Related Pay for Dispatchers
2. Purpose: The purpose of the Performance Related Pay (PRP) plan for Dispatchers is to recognize and reward the achievement of measurable performance objectives and to provide variable compensation to enhance a participants' total compensation.
3. PRP is applicable to employee's in the following job classifications:
 - a. Flight Dispatcher
 - b. Operations Coordinator
 - c. Dispatcher in Training
 - d. Flight Planning Specialists (60% payout)
4. PRP Payments:
 - a. PRP payments will be made quarterly, with each payment to be made by the 45th day following the end of the quarter.
 - b. The eligibility criteria and payment method under this plan is as defined in the PRP plan document.
 - c. Maximum PRP payment amounts for an individual participant for each quarter will be paid based on the following table as measured in Planned Ramp Arrival Fuel (PRAF) minutes as well as the conditions and metrics stated in 5. below and will not be modified during the 2012 calendar year, unless by mutual agreement:

PRP Table 1.0

OPTION A

PRAF Q1	PRP	PRAF Q2	PRP	PRAF Q3	PRP	PRAF Q4	PRP		2010
94.4*	\$0	90.4*	\$0	96.1*	\$0	90*	\$0		90.5*
89	\$1000	90	\$1000	89.5	\$1000	85.5	\$1000		
88	\$1500	89	\$1500	88.5	\$1500	84.5	\$1500		
87	\$2000	88	\$2000	87.5	\$2000	83.5	\$2000		
86	\$3250	87	\$3250	86.5	\$3250	82.5	\$3250		GOAL
85	\$5250	86	\$5250	85.5	\$5250	81.5	\$5250		84.5

OPTION B

<u>PRAF Q1</u>	<u>PRP</u>	<u>PRAF Q2</u>	<u>PRP</u>	<u>PRAF Q3</u>	<u>PRP</u>	<u>PRAF Q4</u>	<u>PRP</u>	<u>2010</u>
94.4*	\$0	90.4*	\$0	96.1*	\$0	90*	\$0	90.5*
91	\$0	92	\$0	91.5	\$0	87.5	\$0	
90	\$500	91	\$500	90.5	\$500	86.5	\$500	
89	\$1000	90	\$1000	89.5	\$1000	85.5	\$1000	
88	\$1500	89	\$1500	88.5	\$1500	84.5	\$1500	<u>GOAL</u>
87	\$2000	88	\$2000	87.5	\$2000	83.5	\$2000	86.5

<u>PRAF Q1</u>	<u>PRP</u>	<u>PRAF Q2</u>	<u>PRP</u>	<u>PRAF Q3</u>	<u>PRP</u>	<u>PRAF Q4</u>	<u>PRP</u>	<u>2010</u>
94.4*	\$0	90.4*	\$0	96.1*	\$0	90*	\$0	90.5*
91	\$1000	92	\$1000	91.5	\$1000	87.5	\$1000	
90	\$1750	91	\$1750	90.5	\$1750	86.5	\$1750	
89	\$2500	90	\$2500	89.5	\$2500	85.5	\$2500	
88	\$3250	89	\$3250	88.5	\$3250	84.5	\$3250	<u>GOAL</u>
87	\$4250	88	\$4250	87.5	\$4250	83.5	\$4250	86.5

*Denotes 2010 Actuals in minutes

5. PRP Measurements and Metrics

- a. PRAF minutes for the total system will be measured for each quarter in 2012. For the applicable quarter, the PRAF result will be compared against the table above to determine the potential maximum individual payment amount. Payments will be taxed as supplemental earnings and will not be pensionable. Payments will be eligible for a special election deferral into the individual's 401(k) plan. The PRAF goals for each quarter were established based on historical trends with the ultimate goal of 86.5 minutes as a daily average for the full 2012 calendar year.
- b. If the quarter triggers a payout based on the targets above, a funding pool will be established with sufficient funds to pay 100% of the payout amount for all eligible employees for that quarter. The funding pool will be based on the number of overall eligible plan participants multiplied by the maximum award possible.
- c. Since the plan is performance based for participants, it is necessary to ensure other performance objectives are achieved that are the responsibility of the Dispatcher during the same quarter.

Therefore, the funding pool as provided for in 5.(b.) above will remain fully funded so long as the following metrics are achieved within the same quarter or will be reduced or increased as indicated by each metric:

- i. Fewer than 90 flights with less than 50 minutes Actual Ramp Arrival Fuel (ARAF). For every incremental flight above 90 flights in the quarter, the overall funding pool is reduced by \$5000.

- ii. Flight weather diversions for the quarter must average less than 2.3 diversions per 1000 departures. If the average is greater than 2.3 diversions/1000 departures the overall funding pool will be reduced by \$5000 per flight above that average.
- iii. If Optimum Routing usage on domestic flights meets the percentages as listed below, the corresponding amounts will be added to supplement the funding pool for that quarter so long as the funding pool does not exceed the maximum funding defined in 5. (c.)

1Q2012	46%	\$150,000	2Q2012	42.1%	\$150,000
	47%	\$200,000		43.1%	\$200,000
	48%	\$250,000		44.1%	\$250,000
3Q2012	42.9%	\$150,000	4Q2012	47.3%	\$150,000
	43.9%	\$200,000		48.3%	\$200,000
	44.9%	\$250,000		49.3%	\$250,000

- iv. If at the end of the 4th quarter it is determined that 84.5 minutes PRAF has been achieved as a daily average over all 4 quarters, a retroactive payment will be made to supplement payments made during the year equal to the difference between what was the actual amount achieved in accordance with the PRP Table 1.0 above and maximum payment amount as defined in the same table. e.g. If the payment amount for 1Q12 is \$2500, and 84.5 minutes is achieved as a daily average for the year, then the 1Q PRAF funding will be converted to \$5250. The supplement payment will be calculated by using adjustments c. i through c. ii aggregated for the year. If the daily average for the year for Optimum Routing Usage is 46.6% or higher. e.g. If optimum routing in Q1 was 46% and paid at \$150k but the annual daily average was 46.6% or higher, the Optimum route funding will be converted to \$250k for that quarter and any other quarter in which the Optimum Routing funding was below \$250k.
- v. Employees must have worked at least 50% of their published schedule in order to be eligible for a supplemental year end payment but will not receive the base payment for any quarter in which they were ineligible.
- vi. The actual pool amount awarded will be based on achieved metrics that have been audited and adjusted. The award payout is calculated on the total adjusted pool amount divided by the total number of eligible employees post eligibility check. The overall funding pool amount may vary due to achieved metrics and employee eligibility.
- vii. For Flight Planning Specialists, the final payment award will be equal to 60% of the award amount for a Dispatcher.
- viii. See example below for the steps in calculating the quarterly payment amount.

Example: Payment Calculation using the following assumptions:

- 180 eligible participants
- PRAF actual of 85 minutes for 1Q2012
- 100 flights with less than 50 minutes ARAF for the quarter
- 1900 daily departures for 90 day quarter with weather diversion rate of 2.7/1000 departures
- Optimum Routing Usage exceeds 48% for the quarter

	<u>Payment Amount</u>	<u>Pool Funded Amount</u>	
Table 1.0	\$5,250	\$945,000	180 participants X \$5250 (100% funded)
		<u>(\$50,000)</u>	ARAF calculation = 10 flights X \$5000
	\$3,972	\$895,000	ARAF adjusted amount
		<u>(\$360,000)</u>	Weather Diversions calculation: 72 diversions X \$5000
	\$1,972	\$535,000	Diversion adjusted amount
		<u>\$250,000</u>	Optimum Routing Infusion*
Dispatcher	\$4,361	\$785,000	Final Pool Amount
Flt.Plan.Spec.	\$2,617		

*Will add only the amount needed up to the \$250,000 to restore pool funding to 100%

6. The new Flight Planning system is currently scheduled to be implemented in September 2012, which could impact the Optimum Routing Usage as referenced above. In the event, the Flight Planning system is implemented and Optimum Routing usage is no longer measurable as was the case for previous quarters, the last quarter measured will be used for purposes of calculating any quarter where the new flight planning system is utilized.
7. In the event the Company and the TWU are released from mediation for the Dispatch negotiations and enter a cooling off period, the Company reserves the right to terminate the plan prospectively. Any awards earned, but not yet paid will be provided. If the Company decides to terminate the plan under these conditions, the Company will notify the TWU in writing.
8. Duration of plan: The time period in which metrics will be measured and determined is January 1, 2012 thru December 31, 2012. This letter of agreement will terminate upon

final resolution of the 2012 4th Quarter results and is not renewable or amendable, except by mutual agreement of the parties.

9. While the Plan will be administered by the Incentive Compensation Committee (ICC), the Company and the TWU agree to establish a Joint PRP Committee to monitor results and to address any unanticipated issue(s) relative to the plan. The ICC will have the ultimate authority to administer and interpret the Plan, establish administrative rules, determine eligibility and take any other action necessary for the proper and efficient operation of the Plan, consistent with the Letter of Agreement reached with the TWU. In addition, the Joint PRP Committee will engage on a regular basis to discuss and resolve any performance related matters that may impact the plan.
10. Neither the fact nor the terms of this LOA (or settlement) is intended to or does affirm or assume the underlying collective bargaining agreement.

EXHIBIT C TO TIMOTHY J. GILLESPIE'S DECLARATION

TWU Statement on counter proposal - February 22, 2012 -
INSTRUCTORS

On February 1, 2012 the company gave us an initial partial presentation on its business plan of reorganization---a plan with which we have serious concerns. The last of the Company's initial business presentations to this bargaining unit was on Monday, February 13, 2012.

We have studied your plan. Your plan contemplates some 13,000 pink slips (9000 of which cover employees represented by our union). It seeks to change much in the CBA, including language that the parties have lived by for decades and it calls for ending benefit plans that we designed our lives around. You even propose health insurance changes that will be unaffordable to many of those who remain in AA's employ. It is a monumental "ask", to say the least.

In order to frame our counter proposal we have requested essential documentation and information. Your first omnibus response to our requests came just last Friday, February 17, 2012. While we have received materials and information, much critical information is still outstanding.

Despite the lack of complete information needed to address your proposed concessions, we nonetheless, without waiving rights, will present to you a proposal that addresses the company's financial concerns.

Our counter proposal is based on many factors.

First, since we still lack critical data, this counter proposal will necessarily change as more information becomes available. We understand and accept our 1113 obligation and the carrier's need for relief. That is why this counterproposal represents approximately \$100K in concessions.

Second, this counter does not address additional concessions we are contemplating as to those issues involving the across the board "pass through" items. These pass through items include those contractual items that apply to all the TWU title groups such as retiree medical, pension, attendance, active healthcare coverage, and more. One such item, an early out program, was submitted last week on February 15, 2012 and awaits a response from you.

Next, our offer is being made in good faith, and the anticipated good faith of the company, with an expectation that no other bargaining group or employee group will benefit at the expense of or to the detriment of the TWU bargaining groups.

Without waiving our rights that each TWU 1113 proceeding is separate and apart from the other, each of our CBA units will make its across the board proposal after we receive the requisite outstanding information and documents.

Last and importantly, this offer, worth thousands in concessions, was based upon your statement that your ask was not a take it or leave it situation----both as to its design and the amount. We have agreed to some of your concessions and offered some concessionary concepts to which we previously agreed, in prior section 6 bargaining. Further, we identified some alternative concessions that are verifiable and that

provide real financial relief, which at the same time mitigate job loss.

We intend that this counter offer underscore good faith negotiations that result in a compromise of your ask while also providing deep concessions that gives AMR the necessary relief contemplated by section 1113.

We look forward to a good faith back and forth discussion that closes our gap. We are confident that we can get to a consensual agreement.

I will now pass our counter proposal, in the form of bullets, with the understanding that the parties must agree on full contractual language if the concepts are accepted. Further, for those contractual areas not addressed in our proposal, it should be understood that we are proposing that our current contractual language remain in place. Lastly, our financial analysts discovered some discrepancies over valuations as well as cost models. We must resolve these issues prior to reaching a final agreement.

Thank you.

TWU/1113 PROPOSAL

Title Group: _____ Instructor _____ Proposal #: 1 Date Submitted: 2/21/12

Delivered To: Jim Weel Delivered By: Jim Fudge

Article	Proposal	Notes	T/A Date
27(h)	Eliminate paid personal vacation days (PV)		
17(e)	Leave of Absence to reduce the duration of SLOA and IDLOA from 5 years to 3 years.		
42 & Attach 42.1	Eliminate Article 42 and Attachment 42.1, which currently limits the company's ability to layoff protected employees.		
8 (a)(2)	Reduce maximum vacation accrual from 30 days to 25 days		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: INSTRUCTORS Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
1	<p>RECOGNITION AND SCOPE (Successorship Language)</p> <p>Successorship - (1)Economic concessions shall "snap back" to pre-concession economics at closing of "successor transaction" (Definitions to be further expanded from current CBA—e.g. - spin offs, asset sales or transfers, joint ventures, MRO base sale, etc.). (2)Union recognition and neutrality: It shall be a condition of any successorship transaction that the surviving entity recognizes the Union as the collective bargaining agent for the employees performing work described in this agreement. (3)The Company will assure that any entities that it enters into Successor transactions with involving performance of TWU craft work will retain/hire existing TWU employees and will apply the terms and conditions of the TWU CBA and recognize TWU as the collective bargaining agent.</p>		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: INSTRUCTORS Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
(4)	Wage Opener Wage reopeners for increases each year of CBA from DOS, utilizing an agreed upon industry market rates model		
(4)	Variable compensation plan: Mutually commit to develop a variable compensation plan (Gain Sharing).		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: INSTRUCTORS Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
	<p>Defined Benefit Plan (hard freeze) provided it is company-wide, 90 days after DOS contingent upon all employee groups doing the same. Plan to be fully funded.</p> <p>Defined Contribution Plan – effective 90 days after DOS. Following one year of eligibility service, the employee will receive an automatic Company contribution of 3.0% per pay period. The employee may contribute any amount allowed by law. If the employee’s contribution is in excess of 3.0%, the company will match the employee’s contribution up to a maximum Company match of 6.5%. Additional terms of the Defined Contribution plan (DC) will be no less favorable than those offered to management or any other work group unless otherwise agreed to by the TWU.</p>		
(41)	<p>BENEFITS Active Medical</p>	<p>Still under review.</p>	

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: INSTRUCTORS Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
(41)	<p>BENEFITS Retiree Medical The following changes to the retiree medical plan:</p> <p>Active Employees:</p> <p>Employee and Company prefunding contributions will cease three (3) months after DOS.</p> <p>The employee's match and the Company's match of the employee's prefunding account, plus investment earnings, will be distributed to the employee within ___ days (TBD) of DOS per terms of the Trust Agreement.</p> <p>For under age 65 coverage, employees who enroll will pay 100% of the cost of pre-65 retiree medical coverage upon retirement.</p> <p>For over age 65 coverage, retirees will be offered access to purchase a guaranteed issue Medicare supplement plan through a third party administrator.</p>		

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TWU/1113 PROPOSAL

Title Group: INSTRUCTORS Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
	<p>Retiree Medical (CONTINUED) Current Retirees and those that retire within 90 days after DOS:</p> <p>Employee and Company contributions will cease 3 months after DOS.</p> <p>Retiree Medical coverage for current retirees and active TWU employees retiring within 3 months or earlier from DOS:</p> <p>The Retiree Medical Plan will be the same plan design as offered to the TWU retirees today with the following changes: in-network benefits paid at 80% by the Company after the deductible and out-of-network benefits paid at 60% by the Company after the deductible.</p> <p>Retiree medical coverage for New Hires – those hired after DOS.</p> <p>For under age 65 coverage, employees will pay 100% of the cost of pre-65 retiree medical coverage upon retirement.</p>		

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TWU/1113 PROPOSAL

Title Group: INSTRUCTORS Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

	<p>For over age 65 coverage, retirees will be offered access to purchase a guaranteed issue Medicare supplement plan through a third party administrator.</p> <p>Retiree Medical Plan will be no less favorable than those offered to management or other work group, unless otherwise agreed to by the TWU.</p> <p>The above plans shall not apply to the current plan for MCT and Instructors, which shall stay in place.</p>		
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CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: INSTRUCTORS Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
(47)	DURATION TBD by the parties.		
(LOM)	Early Out Program as agreed to between the parties.		
(LOM)	TWU shall be entitled to a claim in the Chapter 11 case equal to value of concessions.		
(LOM)	Equity in concessions: TWU concessions are contingent upon equitable concessions of all non-TWU groups such that this unit is not disadvantaged. Disputes shall proceed to expedited binding arbitration.		
(LOM)	Agreement to provide equity to TWU employees.		
	*This counter proposal coupled with the earlier counter proposal of this title group represents a complete initial response to the Company's initial ask. Each item offered is contingent upon reaching a full consensual agreement.		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: INSTRUCTORS Proposal # 1 A Date Submitted: 3/5/12

Delivered To: Mark Burdette Delivered By: Tim Gillespie

Article	Proposal	Notes	T/A Date
<p>41 Active Medical</p>	<p>Active Medical Plan Design Changes (See attached spreadsheet)</p> <p>Plan 1. Value – Current Value Plus plan offered by AA. Plan 2. Standard – Modify current \$150 deductible contractual plan Plan 3. Core Plan – Replaces current \$1000 deductible contractual plan (Free plan)</p> <p>Proposal:</p> <ol style="list-style-type: none"> 1. Three plans available and have them all contractual plans 2. Keep 3-Tier Structure 3. Same cost for all TWU members (Full-Time and Part-Time) 4. Include wellness program in contract 5. Participation in wellness program 6. Incentives for engagement in wellness program <ol style="list-style-type: none"> a. Funding Health Savings Account (HSA) b. Reduce co-pays/co-insurance amounts c. Reduce monthly contribution amounts 		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: INSTRUCTORS Proposal # 1 A Date Submitted: 3/5/12

Delivered To: Mark Burdette Delivered By: Tim Gillespie

<p>41 Active Medical Cont.</p>	<p>Active Medical (Continued)</p> <p>7. Members that elect the HSA Compatible HDHP (Dollar for Dollar match by AA)</p> <ul style="list-style-type: none"> a. Employee -- \$ 500 b. Employee and Spouse -- \$ 1000 c. Employee and Child(ren) -- \$ 2000 d. Employee and Family -- \$ 3000 <p>All plan changes will be reviewed by the TWU prior to implementation and the TWU would maintain a right of appeal prior to any plan change implementations.</p> <p>Current language on inflation: The number of "benefit dollars" Provided by the Company to each employee will increase by the percentage increase in the Company's average annual cost per covered employee, for the period July 1 through June 30 immediately preceding the enrollment year over the previous period July 1 through June 30 up to a maximum of 5%. In this way, the Company pays for the first 5% of cost increases.</p> <p>The Company agrees, if necessary, to reduce the option price of any Medical or Dental Plan currently offered in the Flexible Benefits Enrollment to the same contribution level set by the Cafeteria Plan for Pilots and Flight Attendants for equivalent plans.</p>	
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TWU PROPOSAL			
Plan 1 (Value)	Plan 2 (Standard)	Plan 3 (Core)	
All Plans are Contractual			
Spending Accounts	Not HSA Compatible	Not HSA Compatible	HSA Compatible
In Network Deductible (Single/Family)	\$100/\$300	\$500/\$1200	\$1500/\$3000
Out of Network Deductible (Single/Family)	\$750/\$2250	\$1000/\$2400	\$3000/\$6000
Coinsurance (In/Out)	15%/35%	20%/40%	20%/40%
In Network Out of Pocket Max (Single/Family)	\$1750/\$5250	\$2000/\$3250	\$4000/\$8000
Out of network Out of pocket max (Single/Family)	\$3500/\$10500	\$4000/\$6500	\$8000/\$16000
Primary Care Physician Copay (In/Out)	\$20	20%	20%
Specialist Copay (In/Out)	\$40	20%	20%
Retail Clinics Copay (In/Out)	\$40	20%	20%
Preventive Care (In Network Only)*	\$0	\$0	\$0
Pharmacy (Retail)*			
Generic	\$10	Subject to deductibles and coinsurance (Applies to deductible and Out of Pocket deductible and Out of Pocket max)	subject to deductible and coinsurance
Formulary Brand	30% \$20 min/\$75 max		
Non-Formulary Brand	50% \$35 min/\$90 max		
Pharmacy (Mail Order)*			
Generic	20% \$0 min/\$80 max	25 % of cost (does not go toward your deductible or out of pocket max)	subject to deductible and coinsurance
Formulary Brand	30% \$50 min/\$150 max		
Non-Formulary Brand	50 % \$70 min/\$180 max		
2012 Monthly Contributions			
Employee Only	\$92.50	\$59.42	\$0
Employee Plus 1	\$185.00	\$118.84	\$0
Employee Plus 2	\$277.50	\$178.27	\$0
Proposed Premium Increases			
\$10 Increase	\$102.50	\$69.42	
\$20 Increase	\$205.00	\$138.84	
\$30 Increase	\$307.50	\$208.27	

EXHIBIT D TO TIMOTHY J. GILLESPIE'S DECLARATION

TWU Statement on counter proposal - February 22, 2012 -
SIMULATOR TECHNICIANS

On February 1, 2012 the company gave us an initial partial presentation on its business plan of reorganization---a plan with which we have serious concerns. The last of the Company's initial business presentations to this bargaining unit was on Monday, February 13, 2012.

We have studied your plan. Your plan contemplates some 13,000 pink slips (9000 of which cover employees represented by our union). It seeks to change much in the CBA, including language that the parties have lived by for decades and it calls for ending benefit plans that we designed our lives around. You even propose health insurance changes that will be unaffordable to many of those who remain in AA's employ. It is a monumental "ask", to say the least.

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Second, this counter does not address additional concessions we are contemplating as to those issues involving the across the board "pass through" items. These pass through items include those contractual items that apply to all the TWU title groups such as retiree medical, pension, attendance, active healthcare coverage, and more. One such item, an early out program, was submitted last week on February 15, 2012 and awaits a response from you.

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Thank you.

TWU/1113 PROPOSAL

Title Group: Sim Tech

Proposal #: 1

Date Submitted: _____

Delivered To: Jim Weel

Delivered By: Jim Fudge

Article	Proposal	Notes	T/A Date
8	Eliminate paid personal vacation days		
17	Duration of SLOA and IDLOA from 5 years to 3 years		
26	Remove reference to IRS guidelines		
Misc	Eliminate letter of memorandum 3 - Seat miles scheduled by commuter air carriers.		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: SIMULATOR TECHNICIANS Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
1	<p>RECOGNITION AND SCOPE (Successorship Language)</p> <p>Successorship – (1)Economic concessions shall “snap back” to pre-concession economics at closing of “successor transaction” (Definitions to be further expanded from current CBA—e.g. - spin offs, asset sales or transfers, joint ventures, MRO base sale, etc.). (2)Union recognition and neutrality: It shall be a condition of any successorship transaction that the surviving entity recognizes the Union as the collective bargaining agent for the employees performing work described in this agreement. (3)The Company will assure that any entities that it enters into Successor transactions with involving performance of TWU craft work will retain/hire existing TWU employees and will apply the terms and conditions of the TWU CBA and recognize TWU as the collective bargaining agent.</p>		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: SIMULATOR TECHNICIANS Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
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(4)	Variable compensation plan: Mutually commit to develop a variable compensation plan (Gain Sharing).		

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TWU/1113 PROPOSAL

Title Group: SIMULATOR TECHNICIANS Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
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(41)	BENEFITS Active Medical	Still under review.	

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: SIMULATOR TECHNICIANS Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
(41)	<p>BENEFITS</p> <p>Retiree Medical</p> <p>The following changes to the retiree medical plan:</p> <p>Active Employees:</p> <p>Employee and Company prefunding contributions will cease three (3) months after DOS.</p> <p>The employee's match and the Company's match of the employee's prefunding account, plus investment earnings, will be distributed to the employee within ___ days (TBD) of DOS per terms of the Trust Agreement.</p> <p>For under age 65 coverage, employees who enroll will pay 100% of the cost of pre-65 retiree medical coverage upon retirement.</p> <p>For over age 65 coverage, retirees will be offered access to purchase a guaranteed issue Medicare supplement plan through a third party administrator.</p>		

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TWU/1113 PROPOSAL

Title Group: SIMULATOR TECHNICIANS Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
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TWU/1113 PROPOSAL

Title Group: SIMULATOR TECHNICIANS Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

	<p>For over age 65 coverage, retirees will be offered access to purchase a guaranteed issue Medicare supplement plan through a third party administrator.</p> <p>Retiree Medical Plan will be no less favorable than those offered to management or other work group, unless otherwise agreed to by the TWU.</p> <p>The above plans shall not apply to the current plan for MCT and Instructors, which shall stay in place.</p>		
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TWU/1113 PROPOSAL

Title Group: SIMULATOR TECHNICIANS Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: TIM GILLESPIE

Article	Proposal	Notes	T/A Date
(47)	DURATION TBD by the parties.		
(LOM)	Early Out Program as agreed to between the parties.		
(LOM)	TWU shall be entitled to a claim in the Chapter 11 case equal to value of concessions.		
(LOM)	Equity in concessions: TWU concessions are contingent upon equitable concessions of all non-TWU groups such that this unit is not disadvantaged. Disputes shall proceed to expedited binding arbitration.		
(LOM)	Agreement to provide equity to TWU employees.		
	*This counter proposal coupled with the earlier counter proposal of this title group represents a complete initial response to the Company's initial ask. Each item offered is contingent upon reaching a full consensual agreement.		

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TWU/1113 PROPOSAL

Title Group: SIMULATOR TECHNICIANS Proposal # 1 A Date Submitted: 3/5/12

Delivered To: Mark Burdette Delivered By: Tim Gillespie

Article	Proposal	Notes	T/A Date
<p>41 Active Medical</p>	<p>Active Medical Plan Design Changes (See attached spreadsheet)</p> <p>Plan 1. Value – Current Value Plus plan offered by AA. Plan 2. Standard – Modify current \$150 deductible contractual plan Plan 3. Core Plan – Replaces current \$1000 deductible contractual plan (Free plan)</p> <p>Proposal:</p> <ol style="list-style-type: none"> 1. Three plans available and have them all contractual plans 2. Keep 3-Tier Structure 3. Same cost for all TWU members (Full-Time and Part-Time) 4. include wellness program in contract 5. Participation in wellness program 6. Incentives for engagement in wellness program <ol style="list-style-type: none"> a. Funding Health Savings Account (HSA) b. Reduce co-pays/co-insurance amounts c. Reduce monthly contribution amounts <p>Active Medical (Continued)</p>		

TWU/1113 PROPOSAL

Title Group: SIMULATOR TECHNICIANS Proposal # 1 A Date Submitted: 3/5/12

Delivered To: Mark Burdette Delivered By: Tim Gillespie

<p>41 Active Medical Cont.</p>	<p>7. Members that elect the HSA Compatible HDHP (Dollar for Dollar match by AA)</p> <ul style="list-style-type: none"> a. Employee -- \$ 500 b. Employee and Spouse -- \$ 1000 c. Employee and Child(ren) -- \$ 2000 d. Employee and Family -- \$ 3000 <p>All plan changes will be reviewed by the TWU prior to implementation and the TWU would maintain a right of appeal prior to any plan change implementations.</p> <p>Current language on inflation: The number of "benefit dollars" Provided by the Company to each employee will increase by the percentage increase in the Company's average annual cost per covered employee, for the period July 1 through June 30 immediately preceding the enrollment year over the previous period July 1 through June 30 up to a maximum of 5%. In this way, the Company pays for the first 5% of cost increases.</p> <p>The Company agrees, if necessary, to reduce the option price of any Medical or Dental Plan currently offered in the Flexible Benefits Enrollment to the same contribution level set by the Cafeteria Plan for Pilots and Flight Attendants for equivalent plans.</p>		
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TWU PROPOSAL

	Plan 1 (Value)	Plan 2 (Standard)	Plan 3 (Core)
All Plans are Contractual			
Plan Design Features			
Spending Accounts	Not HSA Compatible	Not HSA Compatible	HSA Compatible
In Network Deductible (Single/Family)	\$100/\$300	\$500/\$1200	\$1500/\$3000
Out of Network Deductible (Single/Family)	\$750/\$2250	\$1000/\$2400	\$3000/\$6000
Coinsurance (In/Out)	15%/35%	20%/40%	20%/40%
In Network Out of Pocket Max (Single/Family)	\$1750/\$5250	\$2000/\$3250	\$4000/\$8000
Out of network Out of pocket max (Single/Family)	\$3500/\$10500	\$4000/\$6500	\$8000/\$16000
Primary Care Physician Copay (In/Out)	\$20	20%	20%
Specialist Copay (In/Out)	\$40	20%	20%
Retail Clinics Copay (In/Out)	\$40	20%	20%
Preventive Care (In Network Only)*	\$0	\$0	\$0
Pharmacy (Retail)*			
Generic	\$10	Subject to deductibles and coinsurance (Applies to deductible and Out of Pocket)	subject to deductible and coinsurance
Formulary Brand	30% \$20 min/\$75 max		
Non-Formulary Brand	50% \$35 min/\$90 max		
Pharmacy (Mail Order)*			
Generic	20% \$0 min/\$80 max	25 % of cost (does not go toward your deductible or out of pocket max)	subject to deductible and coinsurance
Formulary Brand	30% \$50 min/\$150 max		
Non-Formulary Brand	50 % \$70 min/\$180 max		
2012 Monthly Contributions			
Employee Only	\$92.50	\$59.42	\$0
Employee Plus 1	\$185.00	\$118.84	\$0
Employee Plus 2	\$277.50	\$178.27	\$0
Proposed Premium Increases			
\$10 Increase	\$102.50	\$69.42	
\$20 Increase	\$205.00	\$138.84	
\$30 Increase	\$307.50	\$208.27	

REDACTED

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----	X	
	:	Chapter 11 Case No.
In re	:	
	:	11-15463 (SHL)
AMR CORPORATION, et al.,	:	
	:	(Jointly Administered)
Debtors	:	
	:	
-----	X	

DECLARATION OF HENRY F. OWSLEY III IN OPPOSITION TO THE MOTION OF THE DEBTORS FOR ENTRY OF ORDER PURSUANT TO 11 U.S.C. § 1113 AUTHORIZING DEBTORS TO REJECT COLLECTIVE BARGAINING AGREEMENTS

I, HENRY F. OWSLEY, III, subject to the penalties provided by law for perjury, do hereby declare the following to be true and correct on the basis of my personal knowledge and upon information from documents I have reviewed, and submit this Declaration (the “**Declaration**”) on behalf of the Transport Workers Union of America, AFL-CIO (the “**TWU**”), in support of the TWU’s Objection to *The Motion Of The Debtors For Entry Of Order Pursuant To 11 U.S.C. § 1113 Authorizing Debtors To Reject Collective Bargaining Agreements* (the “**Motion**”).

I. Background and Qualifications

1. I am a Co-Founding Partner and Chief Executive Officer of Gordian Group, LLC (“**Gordian**”), a New York-based investment banking firm specializing in financial restructurings, merger and acquisition (“**M&A**”) transactions, financings, fairness opinions, solvency opinions and valuations, particularly as it relates to distress. Gordian is a FINRA-regulated broker-dealer. During the past 24 years at Gordian, I have been involved in numerous assignments, representing companies, boards of directors, government agencies, creditors and other groups.

2. During my 32-year investment banking career, I have been involved in a wide variety of transactions. I have co-authored a book entitled Distressed Investment Banking – To the Abyss and Back.¹ In many of Gordian’s financial restructuring, M&A, and financing assignments, I am called upon to address matters of valuation across a myriad of industries. I have been designated as an expert with respect to finance and valuation matters in various courts. I have also testified as an expert in connection with a number of disputes.

3. My resume is attached as **Exhibit A**. The list of matters on which I have testified or delivered expert reports in the last four years is included as **Exhibit B**.

4. Gordian has been retained by the TWU in connection with the chapter 11 and § 1113 proceedings, and is being compensated for this work, including preparing this report. My professional fees for this service are not contingent upon my opinion here and I do not have a financial interest in the outcome of this matter.

5. My work on this matter is ongoing, and I reserve the right to supplement or modify my conclusions as necessary as additional information comes to my attention that may affect the views and opinions I express herein.

II. Summary of Conclusions

6. In the *Updated Declaration of David L. Resnick in Support of Debtors’ Motion to Reject Collective Bargaining Agreements Pursuant to 11 U.S.C. § 1113* executed on April 9, 2012 (the “**Resnick Declaration**”), Mr. Resnick conducts a series of analyses based upon the business plan promulgated by American Airlines, Inc. (“**American**” or the “**Company**”). Based upon such analyses, he concludes that, in order to successfully reorganize under Chapter 11, American must reject its union contracts. However, as I set forth below, his analysis is completely dependent upon assuming American’s business plan, dated April 6, 2012.

¹ Washington, D.C.: Beard Books, 2005.

7. There is no evidence in the record that American or Rothschild explored – or even considered – fundamentally different and likely viable business plans in connection with the § 1113 process and their determination of the “required” union concessions, wherein such concessions might well be ameliorated.² Certainly, there is nothing in the Resnick Declaration that addresses this issue. The rejection of union contracts under § 1113 is a drastic step. I believe that, from a business perspective, looking hard at alternatives is a prudent and necessary procedure before undertaking the radical surgery the debtors propose.

8. One example of an alternative business plan that was not considered in the Resnick Declaration is one that contemplates the merger with another airline, despite the recent overtures made by US Airways, which reached a term sheet deal with the three unions. American is the only legacy airline that failed to merge during the industry-wide contraction that occurred in the last ten years. Most recently, in 2010, United Airlines merged with Continental Airlines; in 2008, Delta Airlines merged with Northwest Airlines; and in 2005, US Airways merged with America West Airlines. As a result of the consolidations, American lost its place as the world’s largest airline. The Company’s proposed stand-alone model is designed to achieve massive and unnecessary labor cost reductions and loss of jobs for the purpose of setting the Company up for a subsequent and inevitable merger transaction – such sequencing in which “required” labor concessions are derived through a stand-alone plan that contemplates a pension freeze (rather than a pension termination) may well improve future negotiation leverage of American’s management team with a merger partner at the expense of TWU and other unions. The TWU membership should not be compelled to bear the immense burden of the proposed labor costs associated with a Business Plan that is not likely to succeed. The Debtors’ use of a stand-alone business model to develop proposed labor cost savings, in light of the history of failed stand-alone models and prospects of the airline industry, is unreasonable and inappropriate.

² There is some evidence in the record that management, working with McKinsey & Company, considered a couple of alternate business plan scenarios. However, no analyses with respect to these alternatives have been made available, including with regard to the necessary labor concessions required under such alternatives.

9. I also observe that the \$390 million in proposed cost savings to come from the TWU is premised on American's assumption that it needs an aggregate of \$1.25 billion in average annual cost savings by 2017³, from all of its labor groups to achieve certain financial metrics contained in its proposed business plan for a reorganized American ("**Business Plan**"), which the Company calls its "Plan For Success." The Business Plan upon which the proposed TWU CBA modifications are based adopts a stand-alone business strategy and assumes that American should and would remain as a stand-alone business and will not merge or consolidate during the six-year course of the Business Plan, notwithstanding that all of its legacy competitors have done so.

10. Additionally, the cost savings the debtors are seeking from the unions have been a movable feast. First, we were told that American needed about \$1.25 billion in labor savings per annum. Then American told us that the "hole" grew by another one-time \$1.5 billion (calculated on a net present value basis) due to additional costs stemming from a pension plan freeze vs. the earlier concept of plan termination. [REDACTED]

[REDACTED]

11. The credibility of these numbers is further eroded by Mr. Resnick's statement that because no airline has met its business plan after emerging from bankruptcy, American needs a cushion in order to be prudent. I believe American's management is seeking to have the unions

³ Goulet Declaration ¶ 54

⁴ [REDACTED]

bear a major portion of the pain for past and potentially future management failings. I underscore that it is the unions that are paying a large cost for such “prudence”. Were the TWU to accede to American’s proposed compensation cuts, it is my understanding that the TWU’s members would be at the bottom of market rates. See Thomas Roth In Opposition To The Debtor’s Motion To Reject Collective Bargaining Agreements Covering Employees Represented By The Transport Workers Union of America, AFL-CIO. On a related note, the TWU is being asked to assume a significant portion of the pain through reductions in force – so called “outsourcing” to lower cost countries. The proposals seek modifications that the Company expects to generate average annual cost savings over a six-year period (2012-2017) of \$390 million from the seven TWU groups covered by the TWU CBA, including approximately \$212 million from the Mechanics and Related group and approximately \$152 million from the fleet services group. The proposed modifications are expected to result in the loss of nearly 9,000 (or nearly one-third) of American's TWU employees. One of the key reasons American cites for the need for cost reductions is that capital markets will demand a profitable airline. While that may be true, the Resnick Declaration is vague as to why the cost savings need to be delivered in the way requested, both as to the TWU itself, as well as the sharing of pain among the various unions. It is not reasonable or appropriate to seek to impose extraordinary concessions on the TWU membership-and deem them necessary to permit reorganization- when the business plan upon which those concessions are based is fatally flawed and not likely to come to fruition.

12. I also understand that one of the requirements of § 1113 is that the pain be spread “equitably”. I believe that American’s proposal fails on its face in this regard. While American has spun the presentation of the give-ups by the various unions as being the same 20% across the board, I believe that such characterization is willfully misleading. In order to arrive at the 20% figure for TWU give-ups, American offsets the huge TWU cuts with the costs of outsourcing work now performed by TWU. As a result, American artificially lowers the TWU cuts – actually close to 40% - to the same 20% as the other unions in order to make the sharing of the pain among unions “equitable”. It is anything but.

I declare under penalty of perjury that the foregoing is true and correct on the basis of my personal knowledge and upon information from documents that I have reviewed.

Executed on May 4, 2012.



Henry F. Owsley III
Chief Executive Officer
Gordian Group LLC

Exhibit A

Curriculum Vitae HENRY F. OWSLEY

EXPERIENCE

1988 - Present **Gordian Group, LLC, Partner**

A founding partner of Gordian Group, a financial advisory firm specializing in complex capital raising and M&A activities, as well as the restructuring of financially-distressed businesses. Gordian has a proven track record in the representation of over 100 companies or their constituencies in successful financings, out-of-court restructurings, bankruptcies and M&A transactions.

Representative engagements have included AmeriServe (representing Tricon), Bayou Steel Corp (representing the company), Ben & Jerry's (representing the company), Contech (representing Goldman Sachs), Crown Central Petroleum Corp (representing equity owner), Enron Corp (representing creditor to the Enron estate/defendant), Farmland Foods (representing Smithfield, the successful buyer), Heilig-Meyers (representing the plaintiff), Integrated Electrical Services (representing the company), LTV (representing Abbey National), Madoff (representing the trustee), Marsico (representing Goldman Sachs), Mayflower (representing the bondholders' committee), Merisel (in connection with litigation), MiniScribe Corporation (representing the successful buyer and in connection with litigation), Mississippi Chemical Corp (representing the company), Morrison Knudsen (opinion), Ogden Corporation (representing the company), Phar-Mor (in connection with litigation), Pocket Communications and General Wireless (representing the Federal Communications Commission), Olympia & York (in connection with litigation), Osyka Corporation (representing the company), RAB Food Group (representing the company), Safety-Kleen Corporation (representing the company), Pentacon (representing the company), Spansion (representing the company), Sudbury (representing the company), Summit Global Logistics, Inc. (representing the company), Tracor (representing the company), United Rentals (representing the Board of Directors), Waste Systems (representing the company) and Zale (representing the Gordon Jewelry committee). Mr. Owsley has extensive experience in a variety of financing, advisory and merger transactions.

1979 - 1988 **Goldman, Sachs & Co., Vice President**

Founded and ran Goldman Sachs' Workout Group. Representative transactions included Dome Petroleum (representing Amoco Canada), Equatorial Communications (representing the debtor), GCA Corporation (representing the debtor), LTV Corporation (representing the PBGC) and Storage Technology Corporation (representing the debtor).

Previously, Mr. Owsley was a founding member of Goldman Sachs' Technology Group. Transactions included a number of initial public offerings, secondary equity offerings and mergers and acquisitions. Prior to that, Mr. Owsley was an associate in Corporate Finance, where he worked on a variety of financing, merger and restructuring transactions.

EDUCATION

1977 – 1979

Massachusetts Institute of Technology, Sloan School of Management, S.M.

1973 - 1977

Princeton University, B.S.E.

Summa cum laude, in Civil Engineering in 1977. Honors included Phi Beta Kappa, Tau Beta Pi and Sigma Xi.

OTHER

Co-author of Distressed Investment Banking: To the Abyss and Back, Beard Books LLC, May, 2005

Co-author of "The Role of the Investment Banker", *Bankruptcy Business Acquisitions*, LexMed Publishing, 1999.

Director, PineBrook Capital, Inc.

Director, Theatre for a New Audience

Exhibit B

Within the past four years, Henry Owsley has testified as an expert by deposition or testimony in the following matters:

Case name: In re Refco, Inc. Securities Litigation / Marc S. Kirschner v. Phillip R. Bennett, et al.
Court: U.S. District Court, Southern District of New York
Case #: 07 MDL 1902 (JSR) / 07 Civ. 8165 (JSR)
Dates of Deposition: February 8, 2012

Case name: Spansion Inc., et al
Court: U.S. Bankruptcy Court, District of Delaware
Case #: 09-10690 (KJC)
Dates of Deposition: September 23, 2009, November 25, 2009 and February 2, 2010
Dates of Testimony: February 25, 2010 and March 1, 2010

Case name: AIG Global Securities Lending Corp. et al v. Banc of America Securities LLC (Heilig-Meyers)
Court: U.S. District Court, Southern District of New York
Case #: 01 Civ. 11448 (JGK)
Date of Deposition: April 20, 2007
Date of Testimony: November 17 and 18, 2008

REDACTED

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

In re:

AMR CORPORATION, et al.,
Debtors.

Chapter 11
Case No. 11-15463 (SHL)

(Jointly Administered)

**DECLARATION OF THOMAS R. ROTH
IN OPPOSITION TO THE MOTION TO REJECT THE COLLECTIVE BARGAINING
AGREEMENTS COVERING EMPLOYEES REPRESENTED BY THE
TRANSPORT WORKERS UNION OF AMERICA, AFL-CIO
PURSUANT TO 11 U.S.C. SECTION 1113(c)**

I, Thomas R. Roth , do hereby declare that the following is true and correct:

I. QUALIFICATIONS OF DECLARANT

1. I am President of the Labor Bureau Inc., a private consulting firm providing financial and economic consulting services to labor organizations in connection with collective bargaining and related activities. I have been employed by the Labor Bureau Inc. since 1974 and over the past 38 years have served as financial and economic advisor in hundreds of cases throughout the transportation sector. Specifically, my practice has focused on the airline, railroad and urban transit sectors.

2. I have been engaged as financial and economic advisor on behalf of the labor organizations representing ground service employees on the major U.S. airlines

continuously since 1992. In that connection, in addition to traditional collective bargaining negotiations, I have been engaged in 14 airline labor cost “restructuring” cases in and out of the Section 1113 process. I have served as lead financial advisor to the principal labor organizations representing mechanics, fleet service, customer service agents and other maintenance and ground service employees in the Sections 1113 and 1114 cases involving US Airways (2002 and 2005), United Airlines (2003 and 2005), and Northwest Airlines (2006 and 2007). In all cases I was responsible for advising the union in several areas including: (a) the financial position of the company and the viability of its plan of reorganization; (b) determining whether targeted savings were properly allocated among the various stakeholders; (c) developing and applying costing models to value changes made to collective bargaining agreements; (d) developing bargaining positions and designing terms of financial returns such as profit sharing, stock plans and bankruptcy claims; and (e) developing models to measure and compare compensation for comparable jobs elsewhere in the airline industry.

3. My experience in appearing as an expert witness in labor and related cases is extensive. I have prepared and presented economic evidence and testimony in over 200 interest arbitration cases in the urban transit industry including nearly all such proceedings over the past thirty years on the major systems in the Northeast (New York, Boston, Baltimore, Washington et. al.). I have appeared before 21 Presidential Emergency Boards (PEB) under the Railroad Labor Act involving airlines, freight railroads, Amtrak, and commuter railroads. These cases represent nearly half of all PEBs held over the past three decades and 80 percent of all national (non-commuter) cases. Additionally, I have filed expert reports in over 150 judicial cases, testifying at trial or deposition in approximately one-half of those cases. These have

generally involved expert testimony relating to employee compensation or other employment-related economic matters.

4. In connection with the AMR Corporation, et. al. bankruptcy and the Debtors' proposed business plan at American Airlines Inc. ("American" or "Company"), I was retained by the Transport Workers Union of America, AFL-CIO (TWU) as financial and economic advisor on January 31, 2012. The TWU presently represents nearly 23,500 employees at American Airlines or approximately 40 percent of the workforce. The scope of my services in this case include those cited above in connection with other 1113 cases. In providing support to the TWU in these areas I have met with the TWU negotiating committees, their chief negotiators and legal counsel, and attended many of the joint negotiating sessions with the Company involving economic issues.

5. This Declaration is offered in opposition to the Debtors' Motion to Reject its Collective Bargaining Agreements with the TWU, Pursuant to Section 1113(c) of the Bankruptcy Code. The facts asserted herein are based on my personal experience with the Company, knowledge of the airline industry, and statistical analyses performed by me or by my staff under my direct supervision.

II. INTRODUCTION

The TWU represents approximately 23,500 employees of American Airlines engaged in wide range of maintenance and ground service functions. The TWU members are distributed among 7 "crafts-or-classes" – i.e. bargaining units certified by the National Mediation Board.¹

¹ See Burdette Decl. at ¶¶ 3-9 and Weel Decl. at ¶¶ 3-5 for further description of jobs represented by the TWU.

The TWU labor group, in the aggregate, comprise 31.5 percent of total American labor costs projected over American’s 6-year business plan. The statistical profile of the TWU group is shown in Table 1 below:

Table: 1 — Profile of TWU Labor Group At American Airlines — January 2012					
Craft or Class/Job Title	Head Count	Percent of Total	Hourly Rate – Base, License, Line, and Longevity		
			Starting	Maximum	Average*
Mechanic & Related					
Aviation Maintenance Technician -Base	4,915	20.9%	19.74	32.20	32.17
Aviation Maintenance Technician - Line	3,446	14.7%	20.29	32.75	32.75
Overhaul Support Mechanic	787	3.4%	9.58	22.02	20.40
Aircraft Cleaners	193	.8%	9.52	18.60	12.19
Plant Maintenance mechanics	1,756	7.5%	17.57	30.03	29.73
Plant Maintenance Men	78	.3%	9.18	20.45	17.48
Utilityman	44	.2%	8.16	17.71	18.27
Building/Cabin Cleaners	96	.4%	6.91	8.25	8.56
Partswasher	142	.6%	9.52	19.11	14.33
Total M&R	11,457	48.8%			
Fleet Service					
Fleet Service Clerk	10,130	43.1%	8.64	21.46	20.90
Ground Servicemen	78	.3%	8.64	21.46	20.90
Total Fleet Service	10,208	43.5%			
Stock Clerks	1,305	5.6%	9.17	21.46	20.16
Ground Service and Simulator Instructors					
Instructor - Flight Equipment	7	0%	21.39	41.40	41.26
Instructor - Ground Service	70	.3%	22.07	38.30	36.91
Instructor Pilot Simulator	93	.4%	25.19	43.40	40.23
Total Instructors	170	.7%			
Dispatch					
Dispatcher	167	.7%	22.51	49.13	47.46
Operations Specialists	8	0%	15.98	16.28	18.53
Total Dispatch	175	.7%			
Maintenance Control Technicians	90	.4%	36.16	41.90	41.49
Simulator Technicians	76	.3%	21.92	34.96	33.86
Total TWU Labor Group	23,481	100.0%	\$13.77	\$26.38	\$25.86
* Weighted Average includes Base, License Premium, Line Pay, Longevity, Shift and Crew Chief.					

III. THE COMPANY’S PROPOSED ALLOCATION OF LABOR COST REDUCTIONS PLACES A DISPROPORTIONATE AND UNREASONABLE BURDEN ON THE TWU

A. The Company’s Approach to Allocation

6. By correspondence dated February 1, 2012 the Company served the TWU with a Section 1113(c) proposal for modifications to the “basic” collective bargaining agreements covering TWU members in seven bargaining units: Mechanic & Related, Fleet service, Stock Clerks, Dispatchers, Maintenance Control Technicians, Simulator Technicians, and Ground School and Pilot Simulator Instructors. The proposed modifications were intended to produce average annual savings over the 2012-2017 calendar period of \$390 million.² This represents approximately 31 percent of the total \$1.25 billion sought from all labor groups. The allocation of the savings target among all labor groups is shown in Table 2:

Table 2 - AA 1113 Company Proposed Allocation of Labor Concessions			
Labor Group	Share of Total Labor Cost 2012-2017	Share of Total Labor Concession	Ratio: Concessions to Labor Costs
Pilots	29.2%	29.6%	1.0
Flight Attendants	17.9%	18.4%	1.0
Transport Workers Union	31.5%	31.2%	1.0
Res/Gate Agents	7.9%	7.6%	1.0
Management	13.5%	13.2%	1.0
Total	100.0%	100.0%	

² The savings targets for the TWU groups varied slightly over the 1113(c) process as proposals were exchanged. However the Company was clear in explaining its interest in reaching an aggregate target of \$390 million per year for the TWU regardless of the allocation among the TWU groups.

7. As indicated, the savings target for each labor group is proportionate to its share of total labor costs. This is accomplished by taking a uniform percent – approximately 20.4% – of each groups projected total labor cost over the 6-year business plan commencing in 2012.³ In other words, the Company’s demand of \$390 million from the TWU is approximately equal to 20.4 percent of the TWU’s projected annual labor cost over the next 6 years. Approximately 20.4 percent of total American’s aggregate projected labor costs produces the overall labor savings target of \$1.25 billion per year.

8. There is a considerable body of experience regarding the allocation of required concessions in airline labor cost restructuring cases. While the allocation construct has varied from case to case, one principle has dominated the parties’ (and the courts’) determination of fair and equitable sacrifice – **Competitive Position**. The principal objective in labor cost restructuring is to establish competitive wage, benefits and rules, and resulting competitive aggregate labor costs. If it is determined that a company has a labor cost “problem” – i.e. uncompetitive labor costs – it follows that the contribution to the solution should be proportionate to the contribution to the problem. A host of factors such as bargaining history, extent of unionization and timing of wage and benefit adjustments, determine the competitive position of a particular labor group relative to their cohorts elsewhere in the industry at any point in time. But in determining the fair share of a cost reduction target the relative position of each group with respect to wages, benefits and work rules has invariably controlled allocation decisions.

³ The 20.4 percent factor is approximate and is based upon the Company’s calculations and representations to the unions; actual percentages vary slightly among the groups.

9. American Airlines claims to have current labor costs which prevent it from competing successfully in the airline industry. The essence of its motion to reject labor agreements is to effect reductions in overall labor costs which, under the business plan, establishes a competitive cost structure. However, in allocating the alleged necessary labor cost reduction, American totally ignored the controlling factor, instead assuming that the contribution to the labor cost problem was the same for all groups.

B. Prior Airline Experience

10. **United Airlines.** In May, 2002 United approached its labor unions with a plan to reduce labor costs by \$900 million per year in an effort to avoid filing Chapter 11. Although the bankruptcy in December 2002 was not averted, consensual agreements were ultimately reached by November 2002 based on the United’s proposed allocation.

Table 3 - UAL Preemptive Restructuring – November 2002			
Labor Group	Share of Labor Cost 2003 - 2008	Share of Concession 2003 - 2008	Ratio: Concession to Cost
Pilots	31.6%	40.5%	1.28
Flight Attendants	16.6%	9.0%	.54
Mechanics/Utility	15.3%	13.2%	.86
PCE/Fleet Service/Stores	22.0%	17.9%	.82
Salaried/Mgt./Other	14.6%	19.4%	1.33

11. After entering bankruptcy in December 2002, United’s deteriorating financial position called for more radical cuts in labor costs. Under United’s plan of reorganization, labor costs were reduced between 2003 and 2008 by an average annual sum of \$2,564 million. The Company’s proposed allocation of this concession formed the basis of ratified agreements reached in April 2003 through the Section 1113(c) process.

Table 4 - UAL Sec. 1113 Restructuring – April 2003			
Labor Group	Share of Labor Cost 2005 - 2010	Share of Concession 2005 - 2010	Ratio: Concession to Cost
Pilots	31.6%	43.4%	1.38
Flight Attendants	16.6%	12.2%	.74
Mechanics/Utility	15.3%	13.7%	.89
PCE/Fleet Service/Stores	22.0%	17.5%	.80
Salaried/Mgt./Other	14.6%	13.1%	.90

12. **US Airways.** in late 1994 US Air approached its labor groups with a proposal to address a looming liquidity crisis. The unionized labor groups formed a Labor Coalition which ultimately produced average annual savings of \$483.9 million over a five-year term commencing in May 1995 in exchange for a package of financial returns. The Coalition proposed, and the company accepted, an allocation of concessions based on industry benchmarks:⁴

Table 5 - US Air Preemptive Restructuring – May 1995			
Labor Group	Share of Labor Cost 1995 - 1999	Share of Concession 1995 - 1999	Ratio: Concession to Cost
Pilots	29.7%	39.2%	1.32
Flight Attendants	15.1%	10.9%	.72
Mechanics/Utility	18.5%	18.6%	1.01
Ramp/Stores	24.8%	20.9%	.84
Salaried/Mgt./Other	11.9%	10.4%	.88

13. In the spring of 2002 US Airways engaged its unions in the 1113 process in an effort to reduce labor costs by an average annual amount of \$1,024 million. Ultimately, agreements were reached by August, 2002 which produced 85 percent of the company's demand. The allocation of the concessions were based upon US Airway's original proposal.

⁴ For reasons unrelated to allocation issues, the agreements were never presented for ratification and implemented.

Table 6 - US Airways Sec. 1113 Restructuring – August 2002			
Labor Group	Share of Labor Cost 2002 - 2008	Share of Concession 2002 - 2008	Ratio: Concession to Cost
Pilots	41.5%	53.5%	1.29
Flight Attendants	12.7%	8.7%	.69
Mechanics/Utility	16.4%	16.3%	1.00
PCE/Ramp/Stores	18.1%	16.8%	.93
Salaried/Mgt./Other	11.4%	4.7%	.41

14. Within 18 months following emergence from its first bankruptcy, US Airways again filed for Chapter 11 on September 12, 2004. This time the airline sought an additional \$950 million in labor concessions. In this instance the allocation of concessions among the labor groups was specifically pegged to their economic relationship with America West (with some reference in productivity areas to Jet Blue). Significantly, the agreements which were ultimately reached **did not** reflect uniform percentage reductions in then existing labor costs.

15. **Northwest Airlines.** On or about April 12, 2003, Northwest Airlines served its labor groups with a proposal to restructure labor costs. The pilot group entered into the “Bridge Agreement” in December 2004 providing an interim reduction in pay. Negotiations ultimately resulted in voluntary agreements during the period from March 2006 and May 2007. The Northwest plan called for average annual savings of \$1.281 billion over the six year term commencing January 2006. The following allocation was proposed and accepted by labor:

Table 7 - NWA 1113 Restructuring – April 2005			
Labor Group	Share of Labor Cost 2005	Share of Concession 2005	Ratio: Concession to Cost
Pilots	32.2%	49.2%	1.53
Flight Attendants	17.3%	15.8%	.91
Mechanics/Utility	14.6%	16.4%	1.12
PCE/Ramp/Stores	24.0%	15.4%	.64
Salaried/Mgt./Other	12.0%	3.2%	.27

C. The American Airlines Experience

16. **2003 American.** In February 2003 American Airlines sought contract concessions from its labor unions and non-union labor groups in an effort to avoid a liquidity crisis and a Chapter 11 filing. The plan called for a reduction in labor costs of \$1.8 billion per year. The Company, on its own, allocated cost saving targets among the labor groups on the basis of each groups competitive position in the industry. The Company chose Delta, Northwest, Continental, Southwest, United and US Airways against which to benchmark pay benefits and rules for key classifications within each labor group. Predictably, the resulting allocation of the \$1.8 billion target was not uniform among the groups — either in dollars **or as a percent of labor costs.**

17. **American Eagle.** In the current bankruptcy, AMR is pursuing concessions from its labor groups at American Eagle. Changes are based on a blend of comparisons with Pinnacle and Republic airlines regarded by AMR as American Eagle's principal competitors in the regional airline sector. The process of bench marking against these two competitors led to proposed labor cost reductions which were not uniform across the labor groups. I estimate that the Company's proposals call for a 20 percent reduction in labor cost for pilots and flight attendants and 10 percent for ground service crews.

18. The forgoing sample of airline labor cost restructurings is not complete. Others including Northwest Airlines in 1992, United Airlines in 1993, Trans World Airlines in 1999, and Alaska Airlines in 2006 also involved management initiatives to restructure labor costs to avoid financial crisis. In all cases the allocation of concessions was predicated on

relative position in the industry; none resulted in uniform percentage cuts in labor costs as suggested by American here.⁵

D. The Company’s “GAP” Analysis

19. In mid 2011 American performed what management referred to as a labor cost “Gap” analysis. This was an effort to compare and quantify the terms and conditions of work applicable to American’s workforce with those employees in comparable positions on other airlines with whom American sought to achieve competitive labor costs. Significantly, the analysis was comprehensive of scope rules (outsourcing, small jet limits etc.) as well as all elements of employee compensation.⁶ The Company summarized the results by calculating an average weighted by capacity – available seat miles – for comparative airlines. Based on the Company’s analysis, the gap between the other airlines and American for the labor groups studied is shown below:

Table 8 - Labor Cost Gap Based Upon AA Analysis – July 2011						
(\$millions)						
Labor Group	American	Delta	Continental	United	US Airways	Average
Pilots	\$1,630	(\$116)	(\$248)	(\$343)	(\$547)	(\$261)
Flight Attendants	\$1,051	(\$126)	(\$7)	(\$143)	(\$145)	(\$110)
Agents	\$490	(\$31)	(\$53)	(\$9)	(\$70)	(\$35)
Transport Workers Union	\$1,738	(\$285)	(\$64)	(\$172)	(\$144)	(\$193)
Total	\$4,909	(\$558)	(\$372)	(\$372)	(\$906)	(\$600)

⁵ The only exception to my knowledge occurred on United in 2005. However, this was round two of the Section 1113(c) process which occurred in November 2004. Round one, recounted above, was completed in April 2003 and had resulted in the adjustment of UAL’s labor groups to industry norms. Once appropriately adjusted, uniform percentage change was used to allocate round two concessions.

⁶ The Company’s method involves the application of the comparator airline’s terms to the demographics of the American population thus controlling for differences in years of service, fleet composition etc. The method accomplished captures differences in terms of employment.

20. Table 8 shows that it would take a \$600 million adjustment in the terms and conditions of work for the four major labor groups at American to close the cost gap with the other airlines.⁷ The following Table 9 distributes the “gap” by labor group at American:

Table 9 - Distribution of Labor Cost Gap Based Upon American’s Analysis – July 2011 (\$millions)					
	Delta	Continental	United	US Airways	Average
Pilots	20.8%	66.7%	51.4%	60.4%	43.5%
Flight Attendants	22.6%	1.9%	21.4%	16.0%	18.3%
Agents	5.6%	14.2%	1.3%	7.7%	5.9%
Transport Workers Union	51.1%	17.2%	25.8%	15.9%	32.2%
Total	100.0%		100.0%	100.0%	100.0%

21. According to the Company’s own comparative analysis the TWU is responsible for 32 percent of the labor cost problem associated with these four labor groups. Yet, it has assigned the TWU 36 percent of the concessions demanded of these four groups. The following table shows how the TWU’s savings target would change had the Company followed the customary allocation approach:

Table 10 - Allocation of Labor Cost Savings Based Upon AA’s Cost Gap Analysis					
Labor group	AA 1113 Target		Target Based on Gap Analysis		Variance with 1113 Target
Pilots	\$370.7	34.1%	\$473	43.5%	(\$102)
Flight Attendants	\$229.9	21.2%	\$199	18.3%	\$31
Agents	\$95.0	8.7%	\$64	5.9%	\$31
Transport Workers Union	\$390.5	36.0%	\$350	32.2%	\$41
Totals	\$1,086.1	100.0%	\$1,086.1	100.0%	

⁷ This excludes management and support personnel who were excluded from the Company’s gap study.

E. Conclusions on Allocation

22. Based upon the forgoing analysis and my extensive direct experience in airline labor cost restructuring matters, I have reached the following conclusions:

First, the Company's proposed concession for the TWU Group, of \$390 million per year, fails to recognize the principal which has customarily guided the parties, similarly situated, to a fair and equitable distribution of required savings. With rare exception, the fair and acceptable approach has been rooted in competitive cost analysis – resulting in a contribution to the solution in proportion to the contribution to the problem.

23. Second, the Company's proposed allocation, in substance, is wholly inconsistent with prior labor cost restructuring on this property. In this case the management has failed to use the approach that it applied in 2003 which was found fair and acceptable by labor, and lead to voluntary cost-cutting agreements. Moreover, in this very case the Debtor used the bench marking approach in determining the fair distribution of labor savings among the groups on American Eagle. There allocation was determined on the basis of labor cost comparisons with Pinnacle and Republic airlines.

24. Third, the Company's own competitive-position analysis (the Gap analysis) if applied in this case would **reduce** the cost-savings target for the TWU by **\$41** million per year. The Company's mistaken approach thus produces an unfair and disproportionate burden on the TWU.

IV. THE TERMS OF THE COMPANY'S PROPOSED AGREEMENT FOR THE TWU ARE BOTH UNNECESSARY AND UNREASONABLE IN FORM

25. The Company's proposed agreement intends to reduce TWU related labor costs by \$390 million per year. The proposed terms make radical changes in six general areas: outsourcing, demotions, part-time restrictions, paid leave, health insurance and pensions. With respect to outsourcing and health insurance the Company proposal calls for changes that (a) represent the most painful and **least acceptable form** of concession, and (b) in view of TWU's proposed alternatives, are **wholly unnecessary** in order to meet American's stated financial objectives for the TWU group.

A. Outsourcing

26. The Company asks the TWU to agree to the abolishment of over 8,500 jobs. This represents the elimination of 36 percent of the TWU's population. More than half of this is the direct result of outsourcing. The Company's position presents the worst of all alternatives. First, there is the obvious barrier to successful ratification inherent in asking employees to vote for the elimination of their jobs – the same consequence as the airline's liquidation. Secondly, for all of the human carnage caused by outsourcing, the savings are relatively small. Savings from outsourcing equal the difference between the employees' cost and the cost of the hired vendor, including not only labor but the vendor's overhead and profit. Under the Company's plan for instance, thousands of Aircraft Maintenance Technicians (AMTs) will lose their jobs with the outsourcing of heavy aircraft maintenance. Based on the Company's assumed vendor costs, it saves less than \$0.13 for every \$1.00 spent on an AMT for the same job performed in-house. With respect to other functions, such as Fleet Service at line

stations, there is virtually no difference between the post-concession cost of the American employee and the vendor cost under the Company's valuation methods. There are still other classifications where it actually costs more to outsource.

27. In contrast to outsourcing, some initiatives, such as reducing paid leave or increasing part-time utilization, promote labor productivity and drive down staffing levels – i.e. eliminate jobs. But productivity improvement, in stark contrast to outsourcing, is valued at the **full** cost of an employee – i.e. saving \$1.00 for every \$1.00 expended on a job abolished. Productivity savings maximize dollar value for the Company by saving vendor expense while preserving jobs otherwise sacrificed to meet the savings target.

28. The TWU has proposed massive rule changes designed to improve productivity and thereby produce real savings to the Company. Although during negotiations, these ideas were found to be workable, few if any of the productivity and/or efficiency proposals of the TWU have found their way into the Company's position.

29. Specifically with respect to the Fleet Service, the TWU has proposed to reduce base wage rates by 5 percent in lieu of the more draconian changes proposed by the Company. The pay cut produces annual hard-dollar savings of \$25.4 million per year – 17 percent of the full FSC savings target. Moreover the TWU concession involves “high value,” predictable savings compared to the **marginal** value produced by outsourcing. The 5 percent wage cut generates annual savings equal to outsourcing more than 1,550 jobs at line stations. Yet, as indicated by the Company's position as stated in its March 22, 2012 term sheet, the TWU's proposed alternative was flatly rejected.

30. Another TWU effort rejected by the Company involved cabin service at the gate. Presently, FSC perform this function at an average rate of \$20.90. Total cost per employee after the Company's proposed compensation concessions is about \$47,500 per employee. The Company calculates that 865 Fleet Service jobs can be terminated and replaced with a vendor at a cost of [REDACTED] per employee. The TWU proposed to transfer this work to "Cabin Cleaners" under the M&R agreement. Even at the Cabin Cleaners maximum rate, the total cost per employee is under \$30,000; saving the Company more than outsourcing. Inexplicably the Company refused to entertain this idea which would preserve hundreds of jobs albeit at reduced rates of pay.

B. Active Employee Health Insurance

31. The Company's proposed agreement contemplates a diminished medical plan design as well as an increased employee contribution level. The proposed terms are common to all employees of the Company.⁸ Under the proposal the Company will offer a 3-option program with family annual deductibles ranging from \$900 to \$4000 and co-insurance either 20/80 or 30/70 for in-network services. For the plan with the strongest design (best coverage) the monthly employee contribution for family subscribers is \$460; the lessor plan is \$232; and the "Standard" plan is \$270. For part-time employees the contribution for family subscribers would be \$805 per month for the best plan, \$406 for the lower plan and \$473 for the Standard plan.

8 See AA Ex. 607

32. This one-size-fits-all approach creates an intolerable and disproportionate burden on low paid workers. The TWU bargaining unit covers the lowest paid employees at the Company. Hourly pay rates range from \$8.16 to \$49.13 within the TWU. The average rate \$25.86. For the TWU the contribution to the Standard plan will range from 19 percent to 3.2 percent. At the average rate, the contribution to the Standard plan represents 6.0 percent for the TWU but only 2.2 percent for pilots. The averages mask the real problem however. The TWU unit includes 2,567 part-time employees in the Fleet Service classification where monthly earnings average only \$2,288. Under the Company's proposal the family contribution for the Standard plan consumes 21 percent of pay for the average part-time worker. This unaffordable cost of health care will undoubtedly drive the part-time population out of plan participation. No other employee group is similarly affected by the Company's health insurance contribution proposal.

V. THE COMPANY HAS UNDERVALUED CONTRACT CHANGES

33. The Company's focus on outsourcing and job abolishment exacerbates problems associated with methods and assumptions used to value savings. Principal among these problems are those involving the manner of accounting for savings which continue to grow beyond the 6-year business plan – i.e. **terminal values**, and assumed **vendor rates**. Additionally, there are other Company's demands for contract change which are in the nature of expanded **management rights** which under the Company's modeling have no dollar value and thus make no contribution to the savings target assigned to the TWU.

A. Terminal Values

34. There are many contract concessions, such as wage and benefit reductions,

which may be implemented immediately, and once implemented produce a level stream of savings throughout the 6-year duration of the business plan and beyond the plan in perpetuity.⁹ Other changes have a different savings profile. These begin with minimal savings and grow continuously until achieving a “steady state” of dollar value. Characteristic of this type of change is the continuous, incremental growth in savings well beyond the labor agreement. The value of the provision, when fully implemented and realized, is referred to as “terminal value.”

35. **Phase-In.** The Company’s agenda for the TWU is highly focused on outsourcing which amplifies the problem associated with ignoring terminal value. Outsourcing TWU jobs, is assumed to be implemented gradually over time because, presumably, the Company requires time to negotiate vendor contracts. The so-called “phase-in” of savings creates a discount to the steady-state savings which inevitably will be realized by the Company but under the Company’s approach, are not credited to the TWU’s \$390 million savings target.

36. For example, the Company calculates that outsourcing aircraft maintenance at the Alliance Fort Worth and Tulsa bases will save \$133.1 million per year when fully implemented. This initiative terminates 1,106 TWU members. However, because of the phase-in assumptions, the credit to the TWU in the first 2 years is discounted to \$68.7 million per year. Over the 6-year business plan this represents a discount of over \$21 million per year. In short, a major structural change resulting in the elimination of 1,100 jobs is underpriced by over 19 percent because the Company has refused to recognize the terminal value which will be realized in all years following the 6-year plan.

⁹ Annual savings will vary with assumed changes in headcount, payroll, and with respect to outsourcing, with assumed changes in vendor rates. But these fluctuations from the “steady-state” savings are unrelated to the terminal value issue.

37. **Junior Verses Average Employee.** A second source of terminal value which is unaccounted for in the Company's model deals with the cost-out of the TWU member verses the replacement vendor. The Company, again over the objection of the TWU, has insisted in pricing the difference between the cost of performing a function in-house and outsourcing, by comparing the vendor's hourly rate with the rate of compensation for the **junior** American employee. I believe the proper approach is to use the cost of the **average** American employee.

38. Under TWU agreements employees are subject to a wage progression whereby a new hire starts at the bottom wage rate and progresses over several years to the top of scale. Under the FSC agreement for example, an employee starts at \$8.64 and progresses to \$21.16 after nine years of service. When jobs are outsourced employees are severed in reverse seniority order which means the lowest paid is removed first. The Company proposes to eliminate 2,884 full-time-equivalent jobs under the FSC contract. Given the current demographics of the population a large group of the first 2,000 of these employees are within the progression period. In fact, the average rate for the first 2,000 eliminated employees is \$18.67. Adding the rest of labor costs to the base rate brings the American in-house rate to about \$33.58 per hour.¹⁰ This cost is compared to the vendor rate assumed to be [REDACTED] per hour.¹¹ Under the Company's approach, this [REDACTED] delta drives the savings from outsourcing.

39. I believe that the more appropriate method is to value the in-house rate at the average employee.¹² It is acknowledged that junior employees if retained would gradually

10 Total labor costs include fixed (health insurance etc.) and variable benefits (pension, FICA etc.), plus overtime.

11 [REDACTED]

12 The average employee cost is \$36.13 per hour in the example of the first 2,000 FSC outsourced.

move up the progression ladder and become the average employee. Thus, a major structural change which enables the Company to avoid the cost of performing the work in-house, avoids the cost of the average employee, not the near-term new hire. The hourly cost difference, while seemingly minor, is equal to over \$16 million per year against the Company's \$150 million demand for Fleet Service. By failing to recognize this \$16 million, the Company, in essence, has unreasonably increased the \$150 million savings target for the FSC group. The Company's refusal to recognize terminal value – i.e. incremental value which accrues to the Company's benefit beyond the 6-year business plan – explains in large part why Fleet Service, as well as Mechanic & Related, are unable to agree to the Company's offer.¹³

40. **Wage Progression.** A third, and perhaps most egregious, example of the Company's refusal to acknowledge terminal value deals with its demand to extend the wage progression period for Plant Maintenance Mechanics from 5 to 9 years for new hires.¹⁴ Under American's plan, headcounts for the TWU Mechanic and Related group are assumed to decline over the 6-year period. Additionally, with all the outsourcing, hundreds of incumbent Plant Maintenance Mechanics will have recall rights.¹⁵ Accordingly, the Company assumes that there will be no PMMs subject to its progression demand over the contract term and thus no value is assigned. Yet it is acknowledged that this change in the wage structure will reduce average pay in the classification and drive significant savings in the future. Once again the Company's makes a demand for contract change which carries significantly terminal value for which the TWU is

13 This problem exists in the valuation of outsourcing under the M&R Agreement to the same degree.

14 See AA Ex. 1209

15 TWU employees who are laid off retain a right to be recalled to their former position in seniority order for a period of 5 years following layoff.

not given credit for in reaching the \$390 savings target. In this instance the TWU receives zero credit. When this issue arose in the 1113 case at Northwest Airlines the union was credited with value for the concession.¹⁶

41. The logic in accounting for terminal value lies in the Company's desire to achieve "permanence" in its labor cost restructuring. American's business plan contemplates major structural changes in the TWU labor agreements which do not expire with the plan or the labor contracts. If it were true that the **real value** of cost reduction was confined to the 6-year period over which all concessions are priced, then it would follow that concessions could be reversed at the end of the period without effect. Yet such proposals — referred to in airline labor negotiations as "snap-backs" — were met with a rapid and absolute refusal by the Company. Predictably, labor costs in year seven, eight, and nine matter to the Company today. The TWU does not insist on snap-backs. However, where the savings produced by a concession continues to grow incrementally over time, and when the year seven, eight and nine annual savings are considerably greater than the average over the 6-year period of the plan, that value must be accounted for.¹⁷

B. Vendor Rate Assumptions

42. Over 50 percent of the labor cost savings demanded of the TWU comes directly from the outsourcing of more than 4,200 jobs.¹⁸ Yet the valuation of outsourcing rests on

¹⁶ At Northwest the Company agreed to project savings beyond the contract term and credit the Union with the net present value of the savings in the last year of the agreement. This suggested approach was summarily dismissed by American.

¹⁷ Terminal value is recognized either by crediting savings on a steady-state basis, or by calculating savings in the out years and crediting the savings in the current period on a net present value basis.

¹⁸ This number represents the approximate number of jobs back-filled by a vendor. Thousands of additional positions are abolished or subject to transfer to lower paid classifications. The total number of positions eliminated directly and indirectly is approximately 8,500. See AA Exs. 1212, 1213, 1140.

rough estimates of vendor charges for the outsourced services. The Company acknowledged the need to base the valuations on requests for proposals (RFP) from potential vendors but filed its motion to reject labor contracts before any RFPs were received.

43. The estimated vendor rate for outsourced Fleet Service work is [REDACTED] per hour. However, the Company's own analysis of outsourcing experience indicates that vendor rates are actually much lower. For example when Salt Lake City was outsourced the vendor's "turn rate" was 40 percent of American's in-house rate; when Columbus was turned over to American Eagle the cost was 41 percent of the in-house cost. The estimated vendor cost of [REDACTED] is [REDACTED] percent of the in-house cost calculated by the Company. Yet the Company's own experience implies a vendor cost closer to [REDACTED]. The difference is significant. The lower estimate is worth \$16.4 million per year for the TWU's Fleet Service group. In other words, additional concessions by FSC, outsourcing or otherwise, worth \$16.4 million per year must be made to account for this difference in the vendor assumption.

44. An expert called by American in this case testified that when the issue of aircraft cleaning arose in the U.S. Airways 1113(c) case, the airline received bids from outside vendors "which averaged between \$7 and \$9 per hour." This was 42 percent of the in-house U.S. Airways rate.¹⁹ Again, illustrating that Americans's estimate is unreasonably high, resulting in unnecessary additional demands of the FSC group by the Company in order to reach the TWU's cost savings target.

19 Declaration of Jerrold A. Glass at ¶ 189.

45. In the 2005 United Airline 1113(c) case the parties agreed to outsource mail processing and cargo running across the system. The total headcount reduction was 983. It was assumed that United employees would be replaced in equal numbers by contractors working equivalent hours at an hourly cost of \$13.00. Wage inflation does not explain the difference between UAL's cost of \$13.00 and American's assumed \$18.10.

46. On June 9, 2006 the Fleet Service employees on Northwest Airlines (called Equipment Service Employees) ratified an agreement as part of the Section 1113(c) process. The agreement called for the outsourcing of all line stations except for the largest 40 which protected 91 percent of 5,394 ESE jobs. The 481 outsourced positions were valued at their full cost to NWA less a vendor rate of \$14.50.

47. For valuation purposes the all-in hourly rate for aircraft maintenance performed by a vendor is estimated at [REDACTED].²⁰ This estimate is reportedly based upon known rates charged by [REDACTED] — a major domestic Maintenance and Repair Organization (MRO). This is a reasonable basis for estimating the “heavy maintenance” (“C” and “D” checks) involving the B757 fleet. However, under the Company proposal at least 250 mechanic jobs are directly eliminated by outsourcing the B777 and B767 fleets. These are wide-body aircraft deployed in international service. The comparator airlines with similar aircraft outsource to vendors in China or Singapore where costs are substantially lower. Although the management has recognized this possibility, the higher assumption – more costly to the TWU – was used. Once again, this faulty assumption undervalues American's proposed contract changes which, in

20 [REDACTED]

turn, requires the Company to demand additional concessions which are not necessary to meet the cost savings target.

C. Management Rights

48. Numerous Company proposals are designed to expand management prerogatives but, according to American, have no economic value that is appropriately credited to the TWU concession target. These items represent a grab-bag of contractual provisions which the Company argues make no quantifiable contribution to the labor cost reduction which, of course, is the objective of the 1113 process. Under these circumstances it does not make any sense for the TWU to agree to the changes – which in the end create more artificial and unreasonable barriers to consensual restructuring.

49. **The “40 Percent Rule** – Principal among the examples is the Company position on the level of outsourcing under the Mechanic and Related Agreement. Having specified and priced the outsourcing necessary to establish the desired competitive position, American proposes to expand its right to outsource additional jobs “up to 40 percent of aircraft maintenance work currently done in house.”²¹ This incremental level of outsourcing is not valued under the Company’s model.

50. **Part-Time Caps** – The Company’s proposed agreement eliminates all restrictions on the right to employ and utilize part-time employees. This solution amounts to gross overkill of the problem. When the Company runs optimal staffing models for the relevant classifications they suggest a fixed number of additional part-time workers. This number

21 AA Ex. 1209

establishes the basis for the credit toward the aggregate savings target. The added “flexibility” available by eliminating restrictions on part-time employment is unnecessary by the Company’s own admission. There is no credit for the ability to increase the cap beyond the value driven by the current staffing model.

51. **Control over QAM** – Another example of Company overkill is the proposal to eliminate any restrictions on its right to change the Qualifications Administrative Manual. Wage negotiations involve an equation between the pay level and the associated duties, responsibilities and qualifications of the classification. The Company’s insistence that it control one side of this equation while the employees are locked into compensation levels dissolves the wage-effort bargain which is fundamental to wage negotiations. The notion that this proposal has minimal economic value is unsound. Alternatively, if such a change has no economic value the Company’s insistence on its inclusion is unwarranted.

VI. THE COMPANY’S PROPOSED AGREEMENT(S) DRIVE TWU TERMS AND CONDITIONS TO THE BOTTOM OF THE INDUSTRY

52. As noted earlier over half of the TWU’s concession target is composed of outsourcing jobs. These include outsourcing AMTs engaged in heavy maintenance at the AFW and TULE bases; outsourcing PMMs engaged in facilities maintenance; outsourcing cabin cleaning and building cleaning; and outsourcing FSCs engaged in turning aircraft at line stations including cabin service, fueling, bag transfers, bus driving and cargo handling. The Company initiatives in this area, once accomplished, completes the process of establishing competitive labor costs with the relevant comparator airlines.²² The additional cuts in compensation – health

²² See Declaration of Jerrold A. Glass at ¶¶ 192-197, 199-202 and 228-231 for a review of industry practice re scope and outsourcing.

insurance, pension, sick leave, and vacations – are completely unnecessary to establish a competitive position and in fact, drive compensation for TWU members to the bottom of the industry.

53. I have developed a model which is designed to measure total compensation per hour worked. Once populated with the elements of compensation paid by the comparator airlines the differences in the cost of compensation is quantified. The comparison airlines are Southwest, Continental, United, Delta and US Airways.²³ The analysis is comprehensive and captures differences in cash compensation (base wages, license and skill premiums, longevity), supplemental benefits (pension, active health insurance, retiree health insurance, life insurance, short term disability benefits, long term disability insurance benefits, uniform/clothing allowances), and pay for time not worked (paid breaks, vacations, holidays, sick leave and on-the-job-injury benefits). As noted the model does not measure differences in labor costs associated with scope rules or outsourcing limitations which are neutralized by Company initiatives before the proposed cuts in compensation. The analysis covers Aviation Maintenance Technicians (AMT), Fleet Service Clerks (FSC), and Stock Clerks which together represent more than 85 percent of TWU active employees at American.

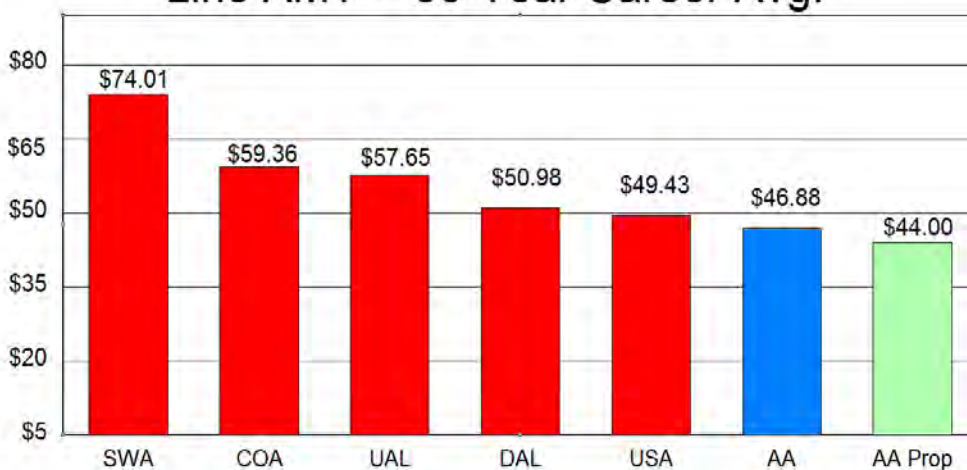
A. Aviation Maintenance Technicians

54. The AMT is the key classification in TWU's M&R group. This class represents 36 percent (approximately 8,400 employees) of all TWU members at American. Prior

²³ Measured by capacity (domestic and international) these airlines, together with American, are the 6 largest carriers representing 77 percent of the entire industry. Traditionally, American, Continental, United, Delta and US Airways are considered the "legacy" or "network" carriers. Southwest is included because it is the 3rd largest airline (largest in the domestic market) measured by ASMs, and largest airline measured by passengers enplaned. Additionally, Southwest is the major competitor of American measure by revenue share on city pairs served.

to any proposed concessions in compensation, AMTs at American were the lowest paid in the comparison group at \$46.88 per hour. After reducing shift differentials, pensions, health care, vacations and sick leave the AMT's compensation falls to \$44.00 per hour – 12 percent below US Airways, the next lowest in the group.

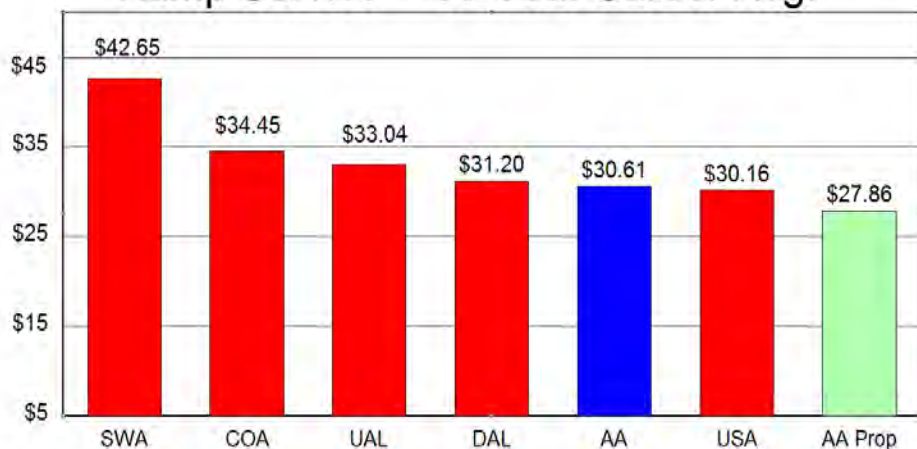
**Total Compensation Per Work Hour
Line AMT -- 30-Year Career Avg.**



B. Fleet Service Clerks

55. FSCs make-up 43 percent of the TWU membership and the sole classification under the TWU Fleet Service contract. Today, the FSC is paid \$30.61 per hour, slightly above US Airways. But after the additional cuts in compensation demanded by the Company, the FSC rate will be \$27.86 – 8.5 percent below the next lowest rate.

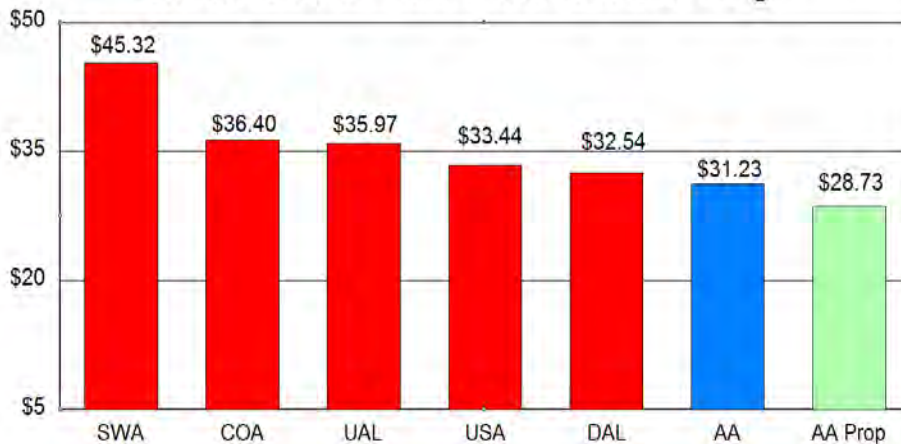
**Total Compensation Per Work Hour
Ramp Service -- 30-Year Career Avg.**



C. Stock Clerks

56. The Stock Clerk, representing 6 percent of the TWU population at American, is the only classification under the TWU Stock Clerk agreement. The Stock Clerk’s compensation level is currently the lowest among the comparative airlines. With the additional concessions they will be paid \$28.73 per hour, 13.3 percent below the next lowest rate of \$32.54 at Delta.

**Total Compensation Per Work Hour
Stock Clerk -- 30-Year Career Avg.**



D. Wage Rates

57. For the AMT at American, 73 percent of total compensation is driven by the base hourly wage rate. The fact that AA pays its top-of-scale mechanic more than \$4.85 per hour **less** than the industry average (\$27.20 verses \$32.05) explains the TWU’s already unenviable position. Beyond the base rate – adding license, longevity, shift differentials and line premium – the wage gap persists. The all-in AMT/Line rate at top-of-scale at AA is \$32.75; compared to \$37.06 for the other airlines – a \$4.31 per hour difference.

58. For the FSC the base rate is 82 percent of total compensation. The FSC rates are similarly positioned. At \$21.16, the FSC is already \$1.00 below the average. With wage differences of this magnitude, there is no reason to cut compensation elsewhere in order to reach competitive labor costs. The Company’s efforts in this regard are completely unnecessary.

Table 11– Comparative Wage Rates – 2012				
TOS Hourly Rate Including License, Line, and Longevity				
Airline	Aviation Maintenance Tech		Fleet Service Clerk	Stock Clerk
	Base	Line		
American	\$32.20	\$32.75	\$21.46	\$21.46
United	36.42	36.92	21.22	21.17
Continental	36.42	36.92	22.29	21.17
Delta	33.98	34.73	21.16	21.46
Southwest	43.89	43.89	25.97	27.30
US Airways	32.83	32.83	20.57	21.26
Average	\$36.71	\$37.06	\$22.24	\$22.47
AA Rank	Last	Last	3	3
AA as % of Avg.	87.7%	88.4%	96.5%	95.5%

E. Pensions

59. To support its proposed reduction in TWU pensions the Company has repeatedly declared that the competitive airlines have frozen or terminated their traditional

defined benefit pension plans (DBP) and replaced them with defined contribution plans (DCP), principally through the 1113(c) process.²⁴ But with respect to ground service employees this, at best, is only partially true.

60. In 2005 United terminated its then existing DBP for Fleet Service employees. The plan benefits were defined as a fixed dollar per month per year of service. Post-1113 Fleet Service employees became participants in the IAM National Pension Plan – a multi-employer DBP with benefits defined in terms of a dollar per month per year of service. The DBP is financed exclusively with employer contributions presently equal to █████ percent of gross earnings (no employee match required). This is far superior to the DCP offered by American which calls for a 100 percent match of employee contributions up to an employer maximum contribution of 5.5 percent of straight-time pay.

61. In 2006 Northwest froze accruals under its DBP for Fleet Service employees. As with United, the plan benefits were defined as a fixed dollars per month per year of service. Post-1113 Fleet Service employees became participants in the IAM-NPP. The DBP is financed exclusively with employer contributions which were pegged at 5 percent of the maximum wage rate for the Customer Service Classification Agent (2.6 percent above the maximum Fleet Service rate). Again this arrangement is superior to the matching DCP proposed by American.

62. The story on US Airways is similar. In 2005 the airline terminated the existing DBP for its fleet service and mechanic and related employees. The employees immediately became participants in the IAM-NPP providing defined benefits expressed as a

²⁴ See Wright Decl. at ¶ 11, citing Glass Decl. at ¶¶ 271-275.

dollar per month per year of service. The plan is financed with employer contributions originally the equivalent of 5 percent of gross pay (no matching contribution required). Currently the contribution for mechanics and related is approximately 6.5 percent of pay.

63. In summary, the demise of the DBP for fleet service and M&R employees on the competitive airlines is greatly exaggerated. Today Continental, and US Airways have DBP for their M&R employees; Continental, United, and US Airways maintain DBP for Fleet Service. More importantly, **all** of the comparator airlines offer pension programs providing retirement plans superior to that proposed by American. The Company's demands with respect to pension are unnecessary overkill leaving TWU members with pension benefits below the competition.

Table 12 – Summary of Retirement Plans — Comparative Airlines 2012							
		AA Prop.	COA	UAL	SWA	USA	DAL
Mech.& Related	DBP:	None	1.19% x FAE x YOS	None	None	Yes; IAM - NPP	None
	DCP:	100% match up to 5.5%	matching plan based on YOS: to 50% match up to 6%	5%; no match required	100% match up to 7.3%	None	2% plus 100% match up to 5%
	Cost:	4.4% of straight time	8.8% of gross	5.0% of gross	5.8% of gross	6.4% of gross	6.0% of gross
Fleet Service	DBP:	None	1.19% x FAE x YOS	Yes: IAM-NPP	None	Yes; IAM - NPP	None
	DCP:	100% match up to 5.5%	matching plan based on YOS: to 50% match up to 6%	None	100% match up to 7.3%	None	2% plus 100% match up to 5%
	Cost:	4.4% of straight time	8.8% of gross	6.5% of gross	5.8% of gross	5.0% of gross	6.0% of gross
Note: Cost to employer estimated assuming 80% participation to DCP.							

F. Medical Care

64. A third major element of compensation is health care. The Company's analysis of other airlines conducted in mid-2011, revealed that contributions for active employees represented by the TWU were already in line with industry standards. The reported composite employee contribution as a percent of the total cost was 19 percent — the same as Continental, and **higher** than United, Southwest, US Airways. Only Delta was higher at 21 percent. Here again, the Company demand for an "equivalent" employee contribution of 21 to 27 percent is unnecessary since it goes beyond the competitive norm.²⁵

65. The Company demand of the TWU exceeds, by a wide margin, that required in the other (successful) 1113(c) cases in the airline industry. At US Airways for instance, the Fleet Service, M&R, and Stores groups agreed to a three-tiered Preferred Provider Organization (PPO) Plan which varied employee contributions from 7, 14 or 19.4 percent of the cost depending on the selected plan design (i.e. deductibles, co-insurance and out-of-pocket maximums). Suffice to say that the plan option calling for the lowest contribution (7 percent) is **far superior** in coverage than either of the American's proposed plans requiring 21 percent.

66. At United, the ground service employees agreed to a PPO initially requiring a 20 percent employee contribution for single or family coverage. Significantly, the employee contribution increase is subject to a 7 percent annual cap. Accordingly, the contribution today is significantly less than 20 percent. As with US Airways the United plan design with a fixed annual deductible of \$250 and out-of-pocket maximum of \$1,500, is superior

²⁵ The Company proposes a 3-option program. The top level ("Value" Plan) requires the employee to pay 22% for single coverage and 29% for family coverage – a composite of 27%; the "Standard" and "Core" plan options require 17% for single subscribers and 22% for families — or a composite of 21%. See Wright Decl. at ¶ 27.

to the best option (22% single/29% family) offered by American.

67. When Northwest sought consensual agreements from its ground service employees in the 2006 bankruptcy it proposed that employees pay 15 percent of required contributions to a quality PPO. The employee contribution was subject to a maximum annual increase of 8 percent. The plan called for an annual deductible for single/family of \$350/\$700 for both in-network and out-of-network. The out-of-pocket employee maximums were \$2000 and \$4000 for single and family subscribers respectively. The cap on contributions caused the employee share to fall over the term. Apart from much lower contributions, the design features of the Northwest Plan provided coverage far superior to that offered by American in this case.

Table 13 - Summary of Active Employee Health Insurance Plans - Comparative Airlines 2012						
Active Employees in Ground Service						
	AA Prop.	COA	UAL	SWA	USA	DAL
Annual Deductible: Ind/Family	\$300/ \$900	None	\$250/ \$500	\$200/ \$300	\$225/ \$450	\$500/ \$1,500
Co-Insurance:	80/20	100%	80/20	80/20	90/10	80/20
Out-of-Pocket Max: Ind./Family	\$2,750/ \$8,250	NA	\$1,500/ \$3,000	\$2,500/ \$2,500	\$1,500/ \$3,000	\$2,500/ \$5,000
Drug Co-Pay: Generic (min/max) Formulary (min/max) Non-Form (min/max)	\$10 (\$20/\$75) 30% (\$40/\$150) 50% (\$70/\$180)	\$5 \$25 \$50	20% credited to deductible	\$0 20% credited to deductible	\$15 \$30 \$50	\$10 25% (\$30/\$75) 25% (\$50/\$125)
Employee Cont. Share:	22% Ind. 29% Fam.	20%	13%	0%	14%	
Notes: AA proposal for "Value" Plan which is most popular plan with TWU members (90%); features are for in-network where applicable for plans most comparable to AA "Value" Plan.						

G. Pay Levels Upon Exit From Bankruptcy

68. It is clear that under the Company's present demands the pay, pensions, medical and overall compensation for TWU-represented employees will be well below the airline market. The Company, through expert Jerrold A. Glass, seems to argue that this result is consistent with prior airline bankruptcy experience.²⁶ This conclusion is false with respect to ground service employees. The United example cited by Mr. Glass relating to the Mechanic & Related and Fleet Service workers uses UAL wage rates which are inaccurate.

69. On January 31, 2005, the court granted United interim relief from the Mechanic & Related Agreement under Section 1113(e), following the Aircraft Mechanics Fraternal Association, (AMFA) membership's rejection of the tentative agreement reached on January 28, 2005. That relief, by the Court's order, ran from February 1, 2005 through May 31, 2005, and imposed a 9.8 percent pay reduction plus a reduction in sick leave pay. The pay reduction applied to base rates, license and skill premiums. United and AMFA ultimately ratified an agreement which became effective July 1, 2005. The agreement reversed the interim pay cuts by increasing base rates, skill pay, and license premiums in 2 steps by 8.17 percent effective January 1, 2006. When United emerged from bankruptcy in February 2006, the aircraft mechanic rate was \$30.24 – not the \$26.74 reported by American's expert. The rate cited by Mr. Glass excludes skill pay which at UAL is built into the base rate, and reflects the rate pursuant to the temporary 1113(e) relief which expired well **before** United exited from bankruptcy. The accurate before and after picture on United is illustrated in Table 14.

²⁶ See Glass Decl. at ¶ 42

Table 14		
A&P Mechanic – TOS Hourly Rate Including License, Skill, and Longevity		
Airline	Prior To UAL Rsx Ch. 11 Filing Dec. 2002	Following UAL Rsx Ch. Exit Feb. 2006
United	\$35.04	\$30.24
Alaska	27.87	31.12
American	34.52	31.01
Continental	32.80	31.51
Delta	33.47	27.64
Northwest	33.39	36.14
US Airways East	28.21	24.77
Average	31.71	30.37
UAL Rank	1	5
UAL as % of Avg.	110.5%	99.6%
Note: The CO Rate of \$32.80 was effective January 1, 2003.		

70. It is apparent that entering the 1113(c) process United mechanics were at the top of the industry. Following restructuring through the bankruptcy process United mechanics emerged with **average pay levels** which put them in the middle of the competitive range. As noted above this is in sharp contrast with the American situation where AMTs go into bankruptcy with the lowest pay levels among their peers in the industry as defined by the Company's expert.

71. I have also analyzed the wage data for fleet service employees at United before and after Section 1113 restructuring. Again I have found that the Company's expert applied the wrong rates in his analysis.

72. On January 6, 2005, the Court granted United interim relief under Section 1113(e) from the International Association of Machinists and Aerospace Workers (IAM) Agreements which included Fleet Service workers (titled Ramp Serviceman on UAL). That relief which began on January 6, 2005 was extended to May 31, 2005. The 1113(e) process

imposed a 11.5 percent pay reduction and reduced sick leave compensation. United and the IAM ultimately reached a tentative agreement on June 16, 2005 which was ratified by the members. The agreement became effective July 1, 2005 and reversed the interim pay cuts by increasing longevity and line premiums to pre-bankruptcy levels, and rolling back the 11.5 percent cut to 5.5 percent – an effective wage increase of 6.78 percent. When United emerged from bankruptcy in February 2006, the Ramp Serviceman rate (excluding line premium) was \$19.82 – not the \$18.55 reported by American’s expert which, once again, was the rate imposed pursuant to the temporary 1113(e) relief which expired well **before** United exited from bankruptcy. The accurate before and after picture at United is illustrated in Table 15.

Table 15 Fleet Service – TOS Hourly Rate Including Longevity		
Airline	Prior To UAL Rxs Ch. 11 Filing Dec. 2002	Following UAL Rxs Ch. Exit Feb. 2006
United	\$23.69	\$19.82
Alaska	19.70	20.80
American	23.01	20.54
Continental	20.65	20.64
Delta	21.77	19.58
Northwest	20.35	20.35
US Airways East	19.64	17.00
Average	\$20.85	\$19.82
UAL Rank	1	5
UAL as % of Avg.	113.6%	100.0%
Note: CO rates reduced April 2005 by estimated 4%		

H. Conclusions On Compensation Comparisons

73. With respect to the TWU group, the Company’s demands for changes in scope alone eliminate any competitive labor cost disadvantage. The additional demands for reduced compensation are completely unnecessary to achieve the competitive labor cost

objective contemplated by the Section 1113(c) process. The cuts in compensation – including pensions, health insurance, vacations, sick leave and shift differentials – drive the key TWU classifications to the absolute bottom of the competitive airline market. This overkill has created an ill-conceived and unfortunate obstacle to a voluntary settlement.

74. Contrary to the TWU experience in this case, pay levels for ground service employees in other airline bankruptcies were at the very top of competitive peer group when entering the 1113(c) process. Such was the case with United and Northwest as recounted above.²⁷ Following restructuring in bankruptcy United mechanics and fleet service workers were placed at a normative – or average – level within the industry. By contrast the Company’s demand for compensation cuts in this case, which places the TWU at the very bottom of the industry, is both unreasonable and unnecessary and provides good cause for rejecting the Company’s proposal.

VI. THE COMPANY HAS IGNORED TWU PROPOSALS FOR FINANCIAL RETURNS CHARACTERISTIC OF SUCCESSFUL AIRLINE RESTRUCTURINGS

75. The Company has relied heavily on precedent and practice established in prior airline bankruptcies in support of concessions such as pensions and outsourcing. Yet it has ignored terms of these prior agreements favorable to employees. For example, in all prior Section 1113(c) proceedings involving ground service employees, the airline had agreed to terms which (a) softened the impact of outsourcing on affected individuals, and (b) provided “up-side”

²⁷ Northwest filed in September 2005. At that time the AMT total rate was \$36.69, number one in the industry with the exception of Southwest at \$37.30.

financial returns to surviving employees. In this case American has rebuffed all such proposals by the TWU except for the continuation of a profit sharing plan.

A. **Early-Out/Enhanced Severance**

76. US Airways, United and Northwest each provided an “early-out” or enhanced severance package to ground service employees displaced as a result of the terms of the restructuring agreement(s). The terms are briefly summarized as follows:

US Airways — Eligible employees must have at least 15 years of service; received \$17,500 in cash, one-year of health insurance coverage at active employee contribution rate, and lifetime travel pass for self and dependents.

United — Eligible employees must be at least age 45 with 15 years of service; received \$500 per year of service up to \$12,500, lifetime travel pass same as retiree.

Northwest — Eligible employees (no age or service requirement) receive 4 week’s pay after completion of 1-3 years plus 2 week’s pay for each additional year of service up to 20 week’s pay after 10 years of service.

By contrast, as evident by American’s March 22, 2012 proposals, the Company has not only refused to enhance severance benefits, they proposes to **eliminate** the existing benefit which calls for a \$12,500 moving allowance to laid off employees forced to move from their home station.²⁸

B. **Financial Returns**

77. In all prior cases resulting in consensual agreements arising out of the 1113(c) process, the employees were granted some form of financial return in consideration for concessions:

28 AA Ex. 1209, 1136 et. al.

US Airways — M&R employees received equity equal to 4.4 percent (Fleet Service 1.9 percent) of common stock issued by US Airways Group Inc. upon consummation of its Plan of Reorganization; plus profit sharing equal to 10 percent for pre-tax margin between .1 percent and 5 percent, plus 25 percent of pre-tax profit above a 5 percent margin.

United — Ground employees received profit sharing equal to 15 percent of pre-tax profit beyond \$10 million; convertible notes equal to \$60 million (IAM only); Success Sharing Plan based on executive program with payout from .5 percent to 2.0 percent; a claim equal to equity or any other consideration received by any general unsecured creditor equal to 30 months of concessions divided by the total amount of pre-petition general unsecured claims.

Northwest — Profit sharing equal to 10 percent of pre-tax profit after \$1 million; and a claim of \$181 million (IAM only), 20 percent sold and distributed before Northwest's exit from bankruptcy.

VII. THE TWU HAS RESPONDED WITH PROPOSED AGREEMENTS WHICH MEET THE COMPANY'S FINANCIAL IMPERATIVE

78. The TWU has engaged the Company in intense negotiations in an effort to reach mutually acceptable agreements. Commencing on or about February 1, 2012 and continuing throughout the post-petition period, the TWU has set forth terms of an agreement which in its best judgment would be ratified by TWU members. The last iteration of the TWU position, when reasonably valued, will produce savings to American averaging over \$350 million over a 6-year contract term. The distribution of the savings proposed by TWU bargaining unit is summarized in Table 16.

Table 16 – TWU Proposal					
Average Annual Savings Over 6-Year Period in \$Millions					
Unit	Date	Valuation A*	Valuation B**	Valuation C***	Job Reduction
Mechanic & Related	March 21	\$164.70	\$181.30	\$181.30	2,079
Fleet Service	March 9	\$126.30	\$136.80	\$143.30	2,202
Stock Clerks	March 29	\$16.60	\$18.00	\$18.00	228
Dispatchers	March 23	\$3.27	\$3.27	\$3.27	1
Maintenance Control Techs.	March 22	\$2.27	\$2.27	\$2.27	12
Instructors	February 28	\$1.83	\$1.83	\$1.83	0
Simulator Technicians	February 28	\$0.58	\$0.58	\$0.58	7
Totals		\$315.7	\$344.1	\$350.6	4,529
Percent of AA Demand		81%	88%	90%	51%
Difference from AA Demand		(\$74)	(\$46)	(\$39)	

Notes:
 * Values using Company assumed vendor rates and Company assumption re junior employee outsourced
 ** Values using Company assumed vendor rates and average employee outsourced
 *** Values using Company vendor rates for M&R; vendor rate of \$15.00 for FSC; avg employee outsourced

For comparison purposes the Company’s proposal of March 22, 2012 is summarized in Table 17:

Table 17 – American Airline Proposal					
Annual Savings Over 6-Year Period in \$Millions					
Unit	Date	Valuation A*	Valuation B**	Valuation C***	Job Reduction
Mechanic & Related	March 22	\$213.1	\$247.2	\$247.2	4,620
Fleet Service	March 22	\$152.0	\$171.3	\$186.8	3,903
Stock Clerks	March 22	\$21.0	\$22.2	\$22.2	267
Dispatchers	March 22	\$3.2	\$3.2	\$3.2	14
Maintenance Control Techs.	March 22	\$3.5	\$3.5	\$3.5	17
Instructors	March 22	\$2.2	\$2.2	\$2.2	0
Simulator Technicians	March 22	\$0.7	\$0.7	\$0.7	7
Totals		\$395.7	\$450.3	\$465.8	8,828
Percent of AA Demand		101.5%	115.5%	119.4%	
Difference from AA Demand		\$5.7	\$60.3	\$75.8	

Notes:
 * Values using Company assumed vendor rates and Company assumption re junior employee outsourced
 ** Values using Company assumed vendor rates and average employee outsourced
 *** Values using Company vendor rates for M&R; vendor rate of \$15.00 for FSC; avg employee outsourced

79. Across all units, the TWU negotiators focused on contract changes which produced hard-dollar savings while protecting as many positions as possible. In the end, the TWU position, collectively, will generate 90 percent of the \$390 million savings target set by American for the TWU — a target which was inappropriately and arbitrarily set, **at least**, \$40 per year too high. If the savings target were properly set, the TWU offer would reach 100 percent of the savings objective.

80. Even if all fundamental differences in valuation assumptions and methods are ignored and the TWU position is priced completely on the Company's terms, the proposal meets 74 percent of the \$390 million target, and 90 percent of the target properly adjusted by \$40 million.

81. The TWU effort, as noted, involves the adoption of a form of concession which preserves as many jobs as possible. This approach not only protects the working lives of individual members, it also maximizes the value of jobs which ultimately are abolished and thus prevents further carnage. Focusing on productivity and efficiency improvement lowers staffing requirements. The redundant positions are abolished at the full cost of the employee as compared with the smaller, net savings occurring when the position is back-filled by a outsourced employee. The approach pursued by the TWU saved 50 percent of the jobs otherwise sacrificed under the Company's specific demands.

A. **Mechanic & Related**

82. Negotiations over changes in the M&R agreement are complex. It is the contract with the most individual classifications, covering the most diverse functions and wage levels. Additionally the M&R group is confronted with the most radical parts of the Company's agenda for labor cost reductions — the Company proposed to terminate over 4,600 jobs or 40

percent of the entire unit. The TWU’s alternatives to outsourcing involve complicated operational change in the manner of organizing work crews, schedules and work stations. The proposed complex of contract changes were demonstrably sound and workable, but ultimately rejected by the Company as indicated by its March 22nd term sheet.

83. The differences between the parties are detailed in Attachments A and B.

The nature and magnitude of the differences are summarized below in Table 18:

Table 18 - TWU and American – Differences in Positions – Mechanic & Related Average Annual Savings (cost) over 6-year Period in \$Millions			
Item	TWU	American	Difference
Pension	\$31.5	\$40.6	\$9.1
Wage Increase	(\$11.1)	0	\$11.1
Health Insurance	\$2.6	\$14.8	\$12.2
Outsourcing	\$63.1	\$80.3	\$18.2
Valuations			\$16.6
Note: Values are those under Company’s assumptions and methods; valuation difference is difference under TWU proposal with respect to the use of the junior versus the average employee.			

84. Table 18 indicates that — under the Company’s pricing — \$32.4 million, or 67 percent, of the \$48.4 million deterrence between the M&R negotiators is explained by the pension, wage and health insurance issues. Recall that the Company position on these is wholly unnecessary to establish competitive compensation with industry peers.²⁹ About 38 percent of the difference is attributable to the outsourcing issue. But nearly all of that is erased by accounting for the “permeant” value to the Company associated with outsourcing major maintenance functions.

²⁹ The TWU has agreed to freeze the defined benefit plan and replace it with a defined contribution plan with company contribution levels comparable to the airline peer group.

B. Fleet Service

85. The FSC negotiations have been less complicated than others only because they involve a singular classification, with significant, but simpler issues. The Company demands savings from the FSC group averaging \$150 million per year. I believe that if the TWU proposals were properly priced, the TWU offer would generate \$143 million, or 95 percent of the savings target. The Company proposed outsourcing of FSC functions creates the main obstacle to a consensual agreement. The Company asks to terminate over 3,900 jobs – 38 percent of the FSC population. No function is spared under the Company proposal which includes all of cabin service, cargo handling, aircraft fueling, bag transferring and expediting, bus driving, and the complete abandonment of line stations with fewer than 20 daily departures.

In an effort to reach agreement the TWU consented to 56 percent (in terms of jobs) of the Company outsourcing proposal. Nevertheless, there is a perceived difference of \$24 million which is explained in major part by the pension and health insurance issues and differences in valuation. See Attachments C and D.

Table 19 - TWU and American – Differences in Positions – Fleet Service Average Annual Savings (cost) over 6-year Period in \$Millions			
Item	TWU	American	Difference
Pension	\$17.7	\$24.5	\$6.8
Health Insurance	\$2.5	\$15.9	\$13.4
Outsourcing	\$41.1	\$66.7	\$25.6
Wage Reduction	25.4	0	\$25.4
Valuations			\$17.0
Note: Values are those under Company’s assumptions and methods; valuation difference is the difference under TWU proposal with respect to the use of the junior versus the average employee, and vendor rate.			

86. As indicated in Table 19, the TWU has agreed to close the gap between the parties with respect to the outsourcing issue by reducing base wages by an equivalent amount

savings (5 percent wage reduction). The Company's's insistence that the savings be produced exclusively by outsourcing is unnecessary to reach the economic objective, and obviously threatens ratification by those whose jobs are terminated. The balance of the \$24 million difference (using the Company's price-outs) is explained by the Company's position on pension and health insurance — cuts in compensation which drive the FSC to the bottom of the industry, and accordingly, are unnecessary to achieve a labor cost competitive position with this group.

87. In the last analysis, the difference between the parties with regard to the Fleet Service group could be resolved if the Company took a more reasonable be approach in pricing the outsourced jobs. First, as noted above, the assumed vendor rate of [REDACTED] s artificial. Given industry precedent the rate is closer to \$15.00. The difference drives another \$6.5 million per year, and saves 104 FSC jobs. In my opinion, it is imprudent to terminate 104 employees without receiving actual vendor bids for the work. Secondly, pricing a lost job at the minimum rate under the FSC contract ignores the long-term value to American in abandoning the fleet service business. Accounting for this value adds another \$10 million per year under the TWU proposal and saves another 160 TWU members.

C. Store Clerks

88. Notwithstanding the Company's March 22, 2012 proposal (which is priced at over \$21 million per year), the savings target for the Store Clerk Group is \$18.8 per year. The TWU's last offer produces \$16.6 million or 88 percent using the Company valuation and \$18.0 million or 96 percent using my valuation. See Attachments E and F Again, the TWU has attempted to reach the Company's demand for outsourcing — 85 percent has been agreed to. As indicated below, the entire difference between the parties is accounted for by the wage, pension and health insurance issues.

Table 20 - TWU and American – Differences in Positions – Store Clerks Average Annual Savings (cost) over 6-year Period in \$Millions			
Item	TWU	American	Difference
Pension	\$2.4	\$3.1	\$0.7
Health Insurance	\$0.3	\$1.7	\$1.4
Outsourcing	\$11.2	\$12.5	\$1.3
Wage Increase	(\$1.9)	0	\$1.9
Valuations			\$1.4
Note: Values are those under Company’s assumptions and methods; valuation difference is the difference under TWU proposal with respect to the use of the junior versus the average employee.			

89. Based on the Company valuations there is an apparent gap between the TWU and American of \$2.2 million per year. It is clear that all of this is caused by the Company’s proposed replacement DC plan and health insurance – both of which are below airline market levels. Alternatively, the difference is nearly eliminated by recognition of the valuation difference discussed above and common to all groups subject to outsourcing.

D. Dispatchers, Maintenance Control Technicians, Instructors and Simulator Technicians

90. The remaining four TWU bargaining units make up 2 percent of the TWU members and accordingly, are asked to deliver a proportionate amount of the total savings. The specialized occupations covered by these agreements are not subject to outsourcing under American’s proposal. Negotiations have led to differences – with regard to values – fully explained by the pension and health insurance issues. In fact, the TWU’s position excluding pension and health insurance, would result in savings from these groups which meet or exceed the original savings targets set under the Section 1113(c) petition.

Table 21 – Comparison of Proposals Against Targets Annual Savings Over 6-Year Period in \$Millions					
TWU Unit	Original Savings Target	TWU Proposal		American Proposal	
		\$Millions	% of Target	\$Millions	% of Target
Mechanic & Related	\$212.0	\$181.30	86%	\$247.2	117%
Fleet Service	\$150.0	\$143.30	96%	\$186.8	130%
Stock Clerks	\$18.8	\$18.00	96%	\$22.2	118%
Dispatchers	\$3.2	\$3.27	102%	\$3.2	100%
Maintenance Control Techs.	\$3.4	\$2.27	67%	\$3.5	103%
Instructors	\$2.2	\$1.83	83%	\$2.2	100%
Simulator Technicians	\$0.7	\$0.58	83%	\$0.7	100%
Totals	\$390.3	\$350.6	90%	\$465.8	119%

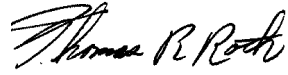
Notes: Values based on Company vendor rates for M&R; vendor rate of \$15.00 for FSC; and average employee outsourced.

VIII. CONCLUSION

91. The TWU has bargained in a good faith in an effort to reach consensual agreements which could potentially be ratified by its members. The proposed agreements in the aggregate produce \$350 million in annual labor cost savings which represent 90 percent of the original savings target demanded by American. These savings are based on calculations which account for only part of the legitimate valuation issues that I have raised with the Company.

92. Moreover, the Company erred in its original determination of the savings target requested of the TWU. If the Company were to apply the methodology which has been characteristic of prior airline labor cost restructurings – both in and out of the Section 1113(c) process – the demand of the TWU would be, at least, \$40 million per year less. If the savings target were fairly and properly determined, the TWU’s proposal would meet 100 percent of the amount necessary to meet its fair contribution to the business plan’s labor cost objective. American’s demand for more is unfair and excessive.

I declare under penalty of perjury that the foregoing is true and accurate to the best of my
knowledge and belief.

A handwritten signature in black ink, appearing to read "Thomas R. Roth". The signature is written in a cursive style with a large initial "T".

Thomas R. Roth
President,
The Labor Bureau, Inc.

May 3, 2012

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

AMR CORPORATION, *et al.*,

Debtors.

Chapter 11

Case No. 11-15463 (SHL)

(Jointly Administered)

**DECLARATION OF DONALD M. VIDETICH IN OPPOSITION TO
MOTION OF THE DEBTORS FOR ENTRY OF AN ORDER PURSUANT TO 11
U.S.C. § 1113 AUTHORIZING DEBTORS TO REJECT COLLECTIVE
BARGAINING AGREEMENTS WITH THE
TRANSPORT WORKERS UNION OF AMERICA, AFL-CIO**

I, Donald M. Videtich, subject to penalty of perjury, hereby declare the following to be true and correct on the basis of my personal knowledge, and upon information provided to me by others acting under my supervision, and upon information from business records of the Transport Workers Union of America, AFL-CIO (the "TWU") in my custody and control.

Identification of the Declarant

1. I am an International Representative, Air Transport Division, of the TWU. I submit this declaration in connection with the TWU's objection to the motion (the "1113 Motion") of American Airlines, Inc. ("American" or "Company") to reject seven collective bargaining agreements ("CBAs") between the TWU and American. If called upon to testify, I would testify competently as to the facts contained herein as follows:

2. I have been employed by American as a licensed airframe and power plant mechanic ("A&P Mechanic") since August of 1991. I have been a member of the TWU since I began my employment with American.

3. Between January 1990 and the time I joined American in August 1991, I worked as a commercial aviation A&P Mechanic for aviation maintenance firms. Prior to my employment in the private sector, I served in the United States Navy from March 1981 until October 1989. At the outset of my Navy career, I performed various maintenance functions on various aircraft and engine types. Throughout the years in the Navy, I was responsible for, among other things, (a) quality assurance of aircraft power plants and related systems, (b) performance appraisals and promotional recommendations, (c) supervising and training aircraft maintenance crews for a variety of different types of aircrafts and engines, (d) conducting quarterly audits of aircraft maintenance work centers and (e) managing five aircraft quality assurance monitoring programs.

The Declarant's Responsibilities for Certain TWU CBAs

4. In addition to my extensive experience in aircraft maintenance, I have held leadership positions with the TWU since approximately 1996. Starting in 1996 through September 1999, I was a Member of the TWU Local 513 Maintenance Executive Board and was responsible for, among other things, (i) oversight of all facets of the aircraft maintenance department, (ii) reviewing, planning and conducting Area Board Arbitration cases, (iii) developing contract negotiation proposal procedures, and (iv) participating in the ASAP Committee Review Team. Starting in September, 1999 and through October 2005, I was the TWU Local 565 President. In that position I was responsible for oversight of all Local 565 affairs, including preparing for and participating in collective bargaining negotiations, and working with TWU International and legal counsel on various issues. Since October 2004, I have been a TWU International Maintenance Representative responsible for, among other things,

coordinating the administration of (i) the M&R, Stores and MCT membership at the maintenance overhaul bases at Locals 514 (TUL), 567 (AFW) and 530 (MCI) and (ii) the M&R and Stores membership at nine other line station Locals. In this role I have been intimately involved in all aspects of the collective bargaining negotiations with American's management over the past several years. Furthermore, I have been involved as a TWU leader in several collaborative management/labor initiatives that were designed to, among other things, understand and improve the productivity of the Company's maintenance functions. I have also attended monthly financial briefings given by the Company's management.

5. Currently, I am responsible for, among other things, the oversight and coordination of the administration of three of the seven TWU CBAs that American wants to reject. These three agreements and the employees they cover are outlined below:¹

- **M&R CBA**: Agreement between American Airlines and Transport Workers Union of America, AFL-CIO covering Aviation Maintenance Technicians and Plant Maintenance employees of American Airlines, Inc. (Effective Date: April 15, 2003) (the "M&R CBA"). Approximately 11,500 American employees, or approximately 48% of TWU-represented employees at American, are covered by the M&R CBA. These employees are responsible for the maintenance, repair and modification and support of American's aircraft. M&R employees include approximately 3,500 FAA licensed Aviation Maintenance Technicians ("AMTs") who service aircraft at airports (line stations) and approximately 4,915 AMTs who service aircraft at maintenance bases where aircraft receive periodic heavy maintenance checks and overhauls, and in support shops where components are maintained. AMTs represent nearly 40% of the 23,500 member TWU workforce at American. M&R employees also include Parts Washers, Aircraft Cleaners, Plant Maintenance Mechanics, Plan Maintenance Men, Utilitymen, Building Cleaners, and Cabin Cleaners.

¹ The four other TWU work groups at American are (a) Fleet Services (approximately 10,200 employees), (b) Dispatchers (approximately 1,300 employees), (c) Instructors (approximately 170 employees), and (d) Sim Techs (approximately 76 employees).

- **Stock Clerks CBA:** Agreement between American Airlines and Transport Workers Union of America, AFL-CIO covering Stock Clerk and Crew Chief Stock Clerk employees of American Airlines, Inc. (Effective Date: April 15, 2003) (the “**Stock Clerks CBA**”). Approximately 1,300 employees are covered by the Stock Clerks CBA. Stock Clerks support the M&R employees on the line and at the maintenance bases and are responsible for receiving, shipping and storing aircraft parts, materials and equipment used in aircraft maintenance functions.
- **MCT CBA:** Agreement between American Airlines and Transport Workers Union of America, AFL-CIO covering Maintenance Control Technician employees of American Airlines, Inc. (Effective Date: May 5, 2010) (the “**MCT CBA**”). Approximately 87 employees are covered by the MCT CBA. MCTs give technical advice to mechanics and pilots regarding aircraft structural, mechanical, electrical, avionics and power plant systems problems and make recommendations for corrective actions.

History of Pre-Bankruptcy Events and Negotiations

6. The TWU has a long history of representing workers at American going back as far as the 1940’s. Over the past 60 plus years of representing members at American, the TWU has made great strides in balancing the goal of good quality jobs while understanding the Company’s need to be profitable. The TWU is well aware that a labor agreement must be a living document that evolves over time and that through the process of negotiations the constantly changing business environment should be taken into consideration. While no agreement is perfect, the TWU membership has managed to work out agreements that had helped build American into the largest airline in the world. After decades of hard work in building an environment of mutual respect and understanding, the American bankruptcy filing seeks to undo all that has been built by honest hard working employees. All this hard work was not undone overnight and in the last decade viable and valuable business opportunities were squandered and mismanaged.

7. In 2001, TWU was in negotiations and had sent out a tentative agreement for voting by the M&R, Stores and MCT groups when the tragic events of 9/11 occurred. TWU members ratified the agreement but knew that difficult economic times were ahead. American along with every other airline had passenger traffic drop from 65 million passengers to 40 million in one year. The industry was in uncharted territory and the TWU and American worked hard to find solutions to cutting costs. As the demand for flying decreased, aircraft were parked, and lower utilization of aircraft drove less need for maintenance, American began the lay off of maintenance and engineering staff. Mechanics, Stock Clerks, and facilities maintenance mechanics were laid off in record numbers in October 2001. The TWU worked with management on special severance packages to soften the blow of such huge job losses. In addition, to mitigate job loss and better position American for quick resumption of higher service levels, the TWU increased its efforts to work more productively and significantly reduced the amount of overtime that was worked prior to 9/11.

8. During this time, distrust of management grew among labor – both organized and unorganized groups – because while labor and support staff were being laid off in record numbers, direct and indirect management suffered very few headcount cuts. This issue was recognized quickly throughout the Company. Employees felt that the focus should have been on customer service, not behind the scenes work that had no impact on now nervous customers. To most frontline workers, management appeared to be protected from drastic job cuts. In 2006, a report found that is exactly what happened.

American M&E management had 24% more headcount than baseline² while the TWU headcount was 11% over baseline.

9. Even after this information was provided to senior management, the line maintenance operation has continued to add more direct management headcount. Between 2008 and 2011 the line maintenance management headcount increased even more.

10. By mid-2002, passenger traffic started to return after security issues were addressed. Some recalls were initiated in certain locations and aircraft were reactivated. Revenue, however, did not return to pre 9/11 levels and airlines trying to recover losses and win traffic back lowered fares to unprofitable levels. By the end of 2002 it was clear that, after burning through cash reserves, mortgaging assets to unprecedented levels, and failing to adapt their business models fast enough, drastic structural changes were on the horizon for the airline industry.

11. In early 2003, at the request of American's management, and in response to the deteriorating financial condition of the Company, each of the seven TWU workgroups entered into a new collective bargaining agreement (collectively, the "2003 CBAs") as part of the Company's out-of-court restructuring. The 2003 CBAs resulted in approximately \$620 million in aggregate annual labor concessions from TWU-represented employees and an initial layoff of approximately 1,300 M&R employees alone. Since 2003, the M&R work force has been reduced dramatically from approximately 16,000 to 11,500 employees.

² The baseline year for American was set as 1995 for performance and costs. 1995 was the best year for costs and performance for American M&E.

12. The M&R group alone contributed approximately \$315 million in concessions as part of the 2003 restructuring, including a staggering 17.5% reduction in base wage rates (which drives nearly 85% of overall compensation) and another approximate 10% in various vacation, sick leave and other benefit concessions. These drastic changes, contrary to the assertions of the Company, have placed M&R employees at the bottom end of the overall compensation scale compared to similar employees at the other major domestic airlines, including U.S. Airways, Delta, United and Southwest. *See also* Declaration of Thomas Roth In Opposition To The Debtor's Motion To Reject Collective Bargaining Agreements Covering Employees Represented By The Transport Workers Union of American, AFL-CIO (the "**Roth Decl.**"). The 1,300 Stock Clerks, representing approximately 6% of the Company's TWU workforce, is currently close to the industry average but, as a result of the negotiations of collective bargaining agreement at other airlines in the near future, the Stock Clerks will be toward the low end of the industry average.

13. After the TWU ratified the 2003 CBAs and made extraordinary sacrifices to save the Company, it was revealed that at the same time that it was asking TWU for drastic concessions to avoid bankruptcy, senior management had established a Supplemental Executive Retirement Plan for then CEO, Donald Carty, and 44 other executives in order to protect their retirement funds in the event of a bankruptcy filing.

14. Moreover, contrary to representations made during the negotiations leading up to the 2003 CBAs, the TWU learned that senior management did not reduce their wages and other benefits to the same degree as the TWU and other unions. For example, while the TWU agreed to 17.5% wage reductions, management compensation

was reduced only 6-8%, and while TWU employees agreed to reduce holidays from 10 days to 5, management remained at the 10 day level. Thus, while the TWU recognized - as it does now and always has - the need for fair, equitable and shared sacrifice and honest negotiations, the Company's senior management did not. Understandably, the Company's actions resulted in tremendous distrust, betrayal and resentment by the TWU, which had negotiated and entered into concessionary agreements in good faith with the goal of saving the Company and restoring it to profitability.

15. Notwithstanding the tension created by the conduct of the Company's management, the TWU understood the need to improve the efficiency and productivity of the Company's maintenance operation and participated in collaborative labor/management efforts as part of the Company's Performance Leadership Initiative ("PLI") that was established in 2005. As part of the PLI, a Maintenance Task Team ("MTT") of approximately 25 frontline TWU and management employees was formed. I was the leading representative of the TWU on the MTT. Working with the Boston Consulting Group, the MTT determined, among other things, that approximately \$170 million in annual maintenance related cost savings could be achieved if the Company improved training, and implemented other improved business procedures. No layoffs were needed to achieve these savings. The Company, however, chose not to implement the key drivers of these cost savings.

16. Notwithstanding management's decision to reject significant cost savings proposals (while at the same time accepting hundreds of millions of dollars in bonuses as described below), M&R employees recognized the need to improve efficiencies and implemented numerous cost savings initiatives which have resulted in

more than \$1 billion in added value since 2004. Among these initiatives is the implementation of a new method for performing “C” checks (a type of overhaul maintenance function) on MD80 aircraft at the Company’s Tulsa Maintenance Base (“TULE”). This efficiency improvement reduced the number of AMTs necessary to perform the work from approximately 770 to approximately 350. This and other efforts at the Tulsa Maintenance Base resulted in value totaling \$500 million. In addition, starting in 2007, the Alliance Fort Worth Overhaul Base (“AFW”) set and reached a goal of achieving \$300 million in added value through procedures designed to improve the deployment of workers and parts. These groundbreaking procedures at AFW allowed the Company to add an entire line of new aircraft modification work without adding any new maintenance or other staff. At the Kansas City Maintenance Base (“MCIE”) employees contributed another \$150 million in value creation. These are just a few of the many initiatives that TWU employees have taken to dramatically improve the efficiency of American’s maintenance operations since 2003.

17. In or about August 2007, the TWU exercised early open provisions of the 2003 CBAs (each of which was amendable as of April 15, 2008) and the parties engaged in bargaining sessions pursuant to Section 6 of the Railway Labor Act on various dates between November 2007 and 2009. These negotiations were conducted in a difficult negotiating environment, especially after American paid approximately \$200 in Performance Share Unit Plan payouts to hundreds of executives in 2006 and subsequent years, while TWU employees were still living under the terms of the deeply concessionary 2003 CBAs.

18. During the Section 6 negotiations American offered proposals to the TWU that aimed at increasing the non-competitive wage rates and related improvements in exchange for certain modifications to work rules and retirement benefits.

19. When negotiations did not lead to agreements, the TWU sought mediation with respect to the M&R, Stock Clerks and MCT groups and the TWU and American jointly sought mediation through the National Mediation Board (“NMB”) pursuant to Section 5 of the Railway Labor Act with respect to the Fleet Service, Dispatch, Instructors and Sim Techs groups. Various mediation sessions took place with respect to each group between October 2008 and July 2011. Those negotiations resulted in a new CBA with (i) the MCT group which became effective May 5, 2010 and (ii) the Instructors which became effective October 1, 2011.

20. In 2010 and 2011, the TWU also reached tentative agreements (“TAs”), which were subject to ratification by the membership of each TWU group, with respect to M&R, Stock Clerks, Fleet Service (on two occasions), Dispatchers and Sim Techs. None of those TAs became effective.

21. The negotiations leading up to the TAs concerned mainly pay increases, improvements to vacation, holiday and sick leave and concessions related to retirement benefits (moving from a defined benefit pension plan to a 401(k) plan for new hires), retiree medical benefits, and certain work rules.

Post-Petition Negotiations

22. On November 29, 2012 (the “**Petition Date**”), the Company filed for bankruptcy and the TWU was told that the Company was going to make proposals for modifications to the CBAs in the future.

23. The nature and extent of the Company's proposals were not disclosed until February 1, 2012, when American presented its new business plan and term sheets containing proposed modifications to the TWU CBAs (the "**February Term Sheets**"). Copies of the February Term Sheets relating to the M&R, Stock Clerks and MCT are marked as Exhibits AA Ex. 1202-1204 to the 1113 Motion.

24. During the initial informational session at which the February Terms Sheets were provided, American informed TWU representatives that it was seeking average annual savings over the six year life of its business plan of \$1.25 billion from all labor groups combined. The Company explained that its proposals to all labor groups sought 20% reductions in each group's respective labor costs regardless of whether a particular group's labor costs were more or less competitive with the labor costs of competitors.

25. Using this allocation methodology, the Company is seeking average annual cost savings of \$390 million from the TWU work groups over the next six years. In particular, the Company is seeking cost savings of approximately \$212 million from M&R, approximately \$20 million from Stock Clerks and approximately \$3.4 million from MCT. *See* AA Exhibits 1205-1207 and 1212-1214. The Company informed the TWU that it would not move off the \$390 million ask-and it has not done so to date.

26. In contrast to the proposals discussed prior to American's bankruptcy, the proposals contained in the February Term Sheets would have a devastating impact on TWU-represented employees and their families. In fact, the proposals the Company made to the M&R employees were designed to eliminate

approximately 4,370 jobs, or nearly 40% of the entire M&R workforce (similar to the elimination of approximately 4,200 jobs, or nearly 40%, of the Fleet Services group). The proposals made to the Stock Clerks group would result in the termination of 270 (or approximately 20%) of its 1,305 members.

27. The Company's proposal to allow it to outsource up to 40% of aircraft related maintenance man-hours of work currently performed "in house," in addition to what is already outsourced, is the most radical proposal that would trigger most of the layoffs of M&R employees. While the Company assumes that outsourcing will result in significant cost savings, it has not provided any data or analysis to support this assumption and, based on my experience, it is unlikely that outsourcing would actually result in material cost savings. *See also*, Roth Decl. It should also be noted that Maintenance Repair Organizations ("MROs") which perform outsourced maintenance functions use far fewer FAA licensed mechanics thereby raising efficiency and safety concerns.

28. American's own experience with having aircraft maintenance performed by third party vendors illustrates that outsourcing is not more efficient and less costly. American has outsourced maintenance on 757 aircraft to TIMCO, a large MRO. The time it took to perform the maintenance functions (or "turn times") proved to be longer than when the work is performed in-house by TWU M&R personnel. This is extremely significant because the longer the turn time the longer the aircraft is out of service and cannot generate revenue.

29. MROs also have an inability to effectively troubleshoot which, like slower turn times, results in longer downtime for the aircraft. We have sent TWU

Technical Crew Chiefs with the test pilots who observed American on-site managers attempting to troubleshoot our airplanes themselves. Data has shown that the reliability of the aircraft leaving TIMCO is poor: increased number of maintenance write-ups.

30. Other airlines are also learning that lower labor costs at MROs do not necessarily translate to overall lower maintenance costs. For example, Continental is working collaboratively with the International Brotherhood of Teamsters and has one of the lowest maintenance costs in the industry while performing all 737 and most 757 heavy airframe work in-house.

31. Terminating approximately 9,000 jobs and causing major upheaval in the lives of the employees and their families in the hope of achieving uncertain cost savings is an untenable proposal especially when credible alternatives exist. *See* Roth Decl. The Company could not, and cannot, in good faith expect that the TWU would ever accept such a draconian and unfair proposal.

32. Another example of the Company's harsh proposals is the modification of the TWU health insurance coverage and the implementation of a plan common to all employees. The TWU already contributes 19% towards member health care coverage, far more than the 9% and 14% paid by other labor groups at American. The Company's proposal contemplates a diminished medical plan design as well as an increased employee contribution level of 21% of the cost of coverage. Under the proposal set forth in its term sheets, the Company will offer a 3-option program with family annual deductibles ranging from \$900 to \$4000 and co-insurance of either 20/80 or 20/70 for in-network services. For the plan with the best coverage the monthly employee contribution for family subscribers is \$460; the lesser plan is \$232; and would

nearly double at \$805 per month for the best plan, \$406 for the lower plan and \$473 for the Standard plan. This one-size fits-all approach creates a disproportionate burden on lower paid workers. For example, at the TWU average rate, the contribution to the Standard plan represents 6% of average wages for the TWU but only 2.2 percent for pilots. *See* Roth Decl. This unaffordable cost of healthcare coverage may prevent many employees from participating in the correct health plan for their family or force them to pay an unduly burdensome price in order to maintain coverage. Given the high cost of healthcare, this proposal is intolerable.

33. Subsequent to the delivery of the February Term Sheets and through March 22, 2012, the date on which American delivered its second round of term sheets to the TWU, each of the three TWU work groups for which I have been acting as lead negotiator delivered a series of proposals to American. Set forth below is a list of the dates of each proposal delivered by each of the three groups:

<u>M&R</u>	<u>Stock Clerks</u>	<u>MCT</u>
<ul style="list-style-type: none"> • February 24, 2012 • February 28, 2012 • March 5, 2012 • March 8, 2012 • March 21, 2012 	<ul style="list-style-type: none"> • February 24, 2012 • February 28, 2012 • March 5, 2012 • March 22, 2012 	<ul style="list-style-type: none"> • February 23, 2012 • February 28, 2012 • February 29, 2012 • March 5, 2012 • March 9, 2012 • March 22, 2012

34. True and accurate copies of the M&R, Stock Clerks and MCT proposals (the “TWU Proposals”) listed in paragraph 33 above are attached hereto as Exhibits A, B and C respectively.

35. As reflected in the TWU Proposals, TWU made counterproposals to the February Term Sheets that included acceptance of several of American’s proposals, including certain provisions that would result in some employee reductions and cost

savings in the range requested by American. For example, the first counterproposal made on behalf of the M&R group dated February 24, 2012, accepted the Company's proposal to (i) outsource some maintenance work, (ii) outsource Title II High Voltage work at the Tulsa maintenance base, and (iii) outsource other maintenance functions. *See* M&R Proposal dated February 24, 2012 attached as part of Exhibit A annexed hereto.

36. In addition to delivering its written proposals, the TWU informed the Company's negotiators that, among other things, the TWU recognized, as it had in the past, the need to make concessions but that proposals designed to eliminate the enormous amount of jobs envisioned by the Company was not and would not be acceptable in light of the fact that other viable options were available to achieve cost savings without causing upheaval to thousands of families. Moreover, the Company's proposals to reduce vacation, sick leave and other benefits is described in the February Term Sheets are additional examples of excessive and overreaching cost cutting measures. M&R employees are already at the bottom of the industry in pay rates, holidays and sick leave. The Company's attempt to reduce these benefits to even lower levels, while keeping its wages at the bottom of the industry, is outrageous and unfair and the TWU made that clear to the Company during negotiations after receipt of the February Term Sheets.

37. On March 22, 2012, the Company delivered new term sheets to the TWU (the "**March Term Sheets**"). The March Term Sheets contain the proposals that are attached to and described in the 1113 Motion. *See* AA Exhibits 1209-1211.

38. Notwithstanding the meaningful TWU counterproposals and the serious concerns and objections raised by the TWU, the March Term Sheets did not alter American's fundamental proposals that would lead to mass layoffs and reduce

compensations to the lowest level in the industry. Moreover, the Company kept to its take-it our leave-it approach and did not make any concessions whatsoever with respect to the \$390 million aggregate cost savings that it was seeking to extract from the TWU.

39. In essence, on March 22, 2012, only days before filing its 1113 Motion, and after nearly two months of discussions and negotiations, the Company presented the TWU with essentially the same proposals that it had made on February 1, 2012. The proposals contained in the March Term Sheets and described in the 1113 Motion do not reflect good faith negotiations and the TWU has good reasons not to accept the CBA modifications sought by American.

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I declare under penalty of perjury that the foregoing is true and correct.

May 4, 2012.



DONALD M. VIDETICH

EXHIBIT A

TWU Statement on counter proposal --February 24, 2012 --Titles I and II

On February 1, 2012 the company gave us an initial partial presentation on its business plan of reorganization---a plan with which we have serious concerns. The last of the Company's initial business presentations to this bargaining unit was on Monday, February 13, 2012.

We have studied your plan. Your plan contemplates some 13,000 pink slips (9000 of which cover employees represented by our union). It seeks to change much in the CBA, including language that the parties have lived by for decades and it calls for ending benefit plans that we designed our lives around. You even propose health insurance changes that will be unaffordable to many of those who remain in AA's employ. It is a monumental "ask", to say the least.

In order to frame our counter proposal we have requested essential documentation and information. Your first omnibus response to our requests came just last Friday, February 17, 2012. While we have received materials and information, much critical information is still outstanding.

Despite the lack of complete information needed to address your proposed concessions, we nonetheless, without waiving rights, will present to you a proposal that addresses the company's financial concerns.

Our counter proposal is based on many factors.

First, since we still lack critical data, including but not limited to the important information on TAESL, as such this counter proposal will necessarily change as more information becomes available. We understand and accept our 1113 obligation and the carrier's need for relief. That is why this counterproposal represents approximately \$112M in concessions.

Second, this counter does not address additional concessions we are contemplating as to those issues involving the across the board "pass through" items. These pass through items include those contractual items that apply to all the TWU title groups such as retiree medical, pension, attendance, active healthcare coverage, and more. One such item, an early out program, was submitted last week on February 15, 2012 and awaits a response from you.

Next, our offer is being made in good faith, and the anticipated good faith of the company, with an expectation that no other bargaining group or employee group will benefit at the expense of or to the detriment of the TWU bargaining groups.

Without waiving our rights that each TWU 1113 proceeding is separate and apart from the other, each of our CBA units will make its across the board proposal after we receive the requisite outstanding information and documents.

Last and importantly, this offer, worth millions in concessions, was based upon your statement that your ask was not a take it or leave it situation----both as to its design and the amount. We have agreed to some of your concessions and offered some concessionary concepts to which we previously agreed, in prior section 6 bargaining. Further, we identified some alternative concessions that are verifiable and that

provide real financial relief, which at the same time mitigate job loss.

We intend that this counter offer underscore good faith negotiations that result in a compromise of your ask while also providing deep concessions that gives AMR the necessary relief contemplated by section 1113.

We look forward to a good faith back and forth discussion that closes our gap. We are confident that we can get to a consensual agreement.

I will now pass our counter proposal, in the form of bullets, with the understanding that the parties must agree on full contractual language if the concepts are accepted. Further, for those contractual areas not addressed in our proposal, it should be understood that we are proposing that our current contractual language remain in place. Lastly, our financial analysts discovered some discrepancies over valuations as well as cost models. We must resolve these issues prior to reaching a final agreement.

Thank you.

TWU/1113 PROPOSAL

Title Group: 1 & II

Proposal#: Maintenance and Related # 1

Date Submitted 2-24-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

Article	Proposal	Notes	T/A Date
Preamble	<p>PREAMBLE Propose we agree to current preamble with proviso to modify per restructuring terms.</p>		
(\$2.3 M)	<p>ARTICLE 1 – Scope Allow current Title II Cabin Cleaners to remain in their positions – add 865 new Title II Cabin Cleaners at the Cabin Cleaner pay rates.</p>		
1 \$11.4M)	<p>ARTICLE 1 – Scope – cont. Per confirmation of the company intent of closing the AFW AO Facility – Accept your proposal to outsource AFW and the associated Title II headcount. (NOTE: would maintain the Title II scope of TAESL and any support facilities work examples CUP and Waste Water) CREDIT SAVINGS (10.5 MILLION for PM MECH) AND (899.000 THOUSAND)</p>		
	<p>Scope: 1(a) 1. Add language to include all aircraft owned and operated by AMR corporation or its subsidiaries to include MD80s; Boeing 737, 757, 767, 777, 787 and Airbus aircraft. In addition any aircraft operated by the APA with a seat configuration of 88 seats or more. (Current and recall stations).</p>		
(\$1.0 M)	<p>Outsource Title II High Voltage (<13,500 volts) work at TULE (need Company Valuation)</p>		

TWU/1113 PROPOSAL

Title Group: 1 & II

Proposal#: Maintenance and Related # 1

Date Submitted 2-24-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

Article	Proposal	Notes	T/A Date
(\$83.9M)	<p>AFW/TUL Outsourcing (see Attachment entitled RESTRUCTURING AGREEMENT REGARDING TULE AND DWH)</p> <p>Modify paragraph (e) sub (1) Outsourcing percentage to allow outsourcing of 757 aircraft heavy checks.</p> <p>The above does not include the following value for the Title 1 currently employed at the TAESL facility: ~352 AMTs, ~53 INSP, ~ 37 CC, ~3 PWCC, ~ 41 P/W, AND ~ 25 OSM. Valued approximately at (\$49.2M)</p>		
(\$1.2M)	<p>Scope</p> <p>Propose a scope change to move the Automotive non powered work to be accomplished by Plant Maintenance Man</p>		
(\$0.8M)	<p>STAFFING:</p> <p>Propose to change the staffing level for Title II from 1460 to 2555.</p> <p>Propose that stations below 7300 departures transitioned to a dual qualified station.</p>		
(\$1.0M)	<p>Accept Companies Proposal to Outsource High Voltage (13,500 volts or more) at TUL (Need company valuation)</p>		

TWU/1113 PROPOSAL

Title Group: 1 & II Proposal#: Maintenance and Related # 1 Date Submitted 2-24-2012

Delivered To: Mark Burdette Delivered by: Don Videtich

Article	Proposal	Notes	T/A Date
(2)	ARTICLE 2 - DEFINITIONS Retain T/A'd Article dated 12-15-10 (With proviso to amend with restructuring language that needs to be defined)		
(3)	ARTICLE 3 - HOURS OF WORK Retain T/A'd Article dated 7-14-11		
(4)	ARTICLE 4 – COMPENSATION 1.5% DOS +12 Months 1.5% DOS +24 Months 1.5% DOS +36 Months <u>Below the line</u> Retain T/A'd Article dated 5-5-10 from DOS, including wage opener. (exclude the SMA pay scale)		

TWU/1113 PROPOSAL

Title Group: 1 & II Proposal#: Maintenance and Related # 1 Date Submitted 2-24-2012

Delivered To: Mark Burdette Delivered by: Don Videtich

Article	Proposal	Notes	T/A Date
(4)	<p>ARTICLE 4 – COMPENSATION cont. Profit Sharing Plan</p> <p>New Profit Sharing (Continental match) 15% of all operating earnings (1st dollar) The above percentage will create a fund from which awards are distributed to all participating employees. Individual awards will be distributed March 15 of the following year. Payments are not pensionable. Each employee's award will be determined by the percentage of his or her earnings relative to overall payroll participants. This plan replaces the existing profit sharing plan.</p> <p>This plan also replaces the financial component of the AIP.</p>		
(4)	<p>Variable compensation plan:</p> <p>Mutually commit to develop a variable compensation plan (Gain sharing) prior to the amendable date.</p>		
(5)	<p>ARTICLE 5 – SHIFT DIFFERENTIAL Current book</p>		

TWU/1113 PROPOSAL

Title Group: 1 & II Proposal#: Maintenance and Related # 1 Date Submitted 2-24-2012

Delivered To: Mark Burdette Delivered by: Don Videtich

Article	Proposal	Notes	T/A Date
(6) (\$1.0M)	ARTICLE 6 – OVERTIME <ul style="list-style-type: none"> • Article 6 - Overtime standardization, for Class I Line Maintenance • In regard to hold over overtime, 'if you are at work, you are available to work'. • We are considering additional alternatives to streamline the overtime policy and reduce OT Bypass pay 		
(7)	ARTICLE 7 – HOLIDAYS (requested information regarding history of overtime for Class 1 cities on holiday for ORD HW letter to assist in valuation)		
(8) (\$0.5M) (\$3.5M)	ARTICLE 8 – VACATIONS Modify attachment 8.3 to add flex vacation language to change the date for bidding by December 15. Eliminate Personal Vacation Days		
(9)	ARTICLE 9 – PROBATIONARY PERIOD Retain T/A'd Article dated 11-13-07		
(10)	ARTICLE 10 – SENIORITY Retain T/A'd Article dated 12-12-07		

TWU/1113 PROPOSAL

Title Group: 1 & II Proposal#: Maintenance and Related # 1 Date Submitted 2-24-2012

Delivered To: Mark Burdette Delivered by: Don Videtich

Article	Proposal	Notes	T/A Date
(11) (\$0.1M)	ARTICLE 11 – CLASSIFICATION AND QUALIFICATIONS Adopt QAM language for Title II regarding qualification testing. Utilize letter of agreement dated February 17, 2010 that currently applies to Title I qualifications testing. *Modify Article 11 to allow OSM classification in DWH		
(11) (\$0.1M)	Overhaul Support Mechanics in Brake Center		
(12)	ARTICLE 12 – PROMOTIONS AND TRANSFERS Retain T/A'd Article dated 8-11-11		
(13)	ARTICLE 13 – SENIORITY LISTS Retain T/A'd Article dated 7-15-09		
(14)	ARTICLE 14 – LOSS OF SENIORITY Retain T/A'd Article dated 12-16-10		
(15)	ARTICLE 15 – REDUCTION IN FORCE Current Book		
(16)	ARTICLE 16 – RECALL Retain T/A'd Article dated 12-15-10		
(17)	ARTICLE 17 – LEAVES OF ABSENCE Retain T/A'd Article dated 12-15-10		
(18)	ARTICLE 18 – MILITARY LEAVE Retain T/A'd Article dated 1-22-08		

TWU/1113 PROPOSAL

Title Group: 1 & II Proposal#: Maintenance and Related # 1 Date Submitted 2-24-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

Article	Proposal	Notes	T/A Date
(19)	ARTICLE 19 – TERMINATION OF EMPLOYMENT Retain T/A'd Article dated 2-28-08		
(20)	ARTICLE 20- BULLETIN BOARDS Retain T/A'd Article dated 11-13-07		
(21)	ARTICLE 21 - ROTATION OF SHIFTS Retain T/A'd Article dated 7-11-11		
(22)	ARTICLE 22 – REGULAR AND RELIEF ASSIGNMENTS Retain T/A'd Article dated 1-15-08		
(23)	ARTICLE 23 – ATTENDANCE AT HEARINGS, INVESTIGATIONS OR TRAINING CLASSES Retain T/A'd Article dated 1-13-09		
(24)	ARTICLE 24 – ABSENCE FROM DUTY Retain T/A'd Article dated 12-4-07		
(25)	ARTICLE 25 – RECALL AND CALL-IN WORK Retain T/A'd Article dated 4-30-10		
(26)	ARTICLE 26 – FIELD TRIPS Propose we Tentatively Agree to T/A we previously agreed to on 6-19-08 (with modification adding paragraph (g) that you proposed on 2-21-12)		
(\$1.0M)	(g) Management has the sole right to determine the location (s) that will support the field trip.		
(27)	ARTICLE 27 – GENERAL Retain T/A'd Article dated 12-16-10		

TWU/1113 PROPOSAL

Title Group: 1 & II

Proposal#: Maintenance and Related # 1

Date Submitted 2-24-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

Article	Proposal	Notes	T/A Date
(28)	ARTICLE 28 – NO DISCRIMINATION AND RECOGNITION OF RIGHTS AND COMPLIANCE Retain T/A'd Article dated 12-16-10		
(29)	ARTICLE 29 – REPRESENTATION Retain T/A'd Article dated 2-11-09		
(30)	ARTICLE 30 – GRIEVANCE PROCEDURE FOR DISMISSAL/CORRECTIVE ACTION Retain T/A'd Article dated 12-16-10		
(31)	ARTICLE 31 – GRIEVANCE PROCEDURE FOR CONTRACTUAL DISPUTES Retain T/A'd Article dated 12-16-10		
(32)	ARTICLE 32 – BOARDS OF ADJUSTMENT Retain T/A'd Article dated 2-20-08		
(33)	ARTICLE 33 – NO STRIKE – NO LOCKOUT Retain T/A'd Article dated 12-11-07		
(34)	ARTICLE 34 – SICK LEAVE/UNUSED SICK LEAVE (Global Issue)		
(35)	ARTICLE 35 – TEMPORARY EMPLOYEES Retain T/A'd Article dated 12-12-07		
(36)	ARTICLE 36 – MEAL PERIODS Retain T/A'd Article dated 7-14-11		
(37)	ARTICLE 37 – SEVERANCE ALLOWANCE Retain T/A'd Article dated 2/22/08		
(38)	ARTICLE 38 – UNION SECURITY Retain T/A'd Article dated 11/13/07		

TWU/1113 PROPOSAL

Title Group: 1 & II

Proposal#: Maintenance and Related # 1

Date Submitted 2-24-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

Article	Proposal	Notes	T/A Date
(39)	ARTICLE 39 – FITNESS FOR DUTY Retain T/A'd Article dated 2/9/11		
(40)	ARTICLE 40 – RETIREMENT BENEFITS (Global Issue)		
(41)	ARTICLE 41 – GROUP INSURANCE CONTRIBUTIONS (Global Issue)		
(42)	ARTICLE 42 – JOB SECURITY Current Book		
(43)	ARTICLE 43 - PART – TIME EMPLOYEES Retain T/A'd Article dated 7-16-09		
(44)	ARTICLE 44 – MOVING EXPENSES/OPTIONAL SEVERANCE FOR PROTECTED EMPLOYEES Retain T/A'd Article dated 12-4-07		
(45)	ARTICLE 45 – EFFECT ON PRIOR AGREEMENTS Retain T/A'd Article dated 12-11-08		
(46)	ARTICLE 46 – ONE STATION COMPLEX AGREEMENTS Retain T/A'd Article dated 12-15-10		
(47)	ARTICLE 47 – DURATION OF AGREEMENT 36 MONTHS FROM DOS		

TWU/1113 PROPOSAL

Title Group: 1 & II

Proposal#: Maintenance and Related # 1

Date Submitted 2-24-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

Article	Proposal	Notes	T/A Date
(LOM'S)	<p>LETTERS OF MEMORANDUM Propose we Tentatively Agree to T/A we previously agreed to on 7-15-11.</p> <p>With proviso to add LOM's on restructuring terms.</p> <p>Also new LOM's on:</p> <p>Transport Workers Union and American Airlines on the objectives, rationale, and character of effort for a process of workplace innovation to be known as the "new work system" for measuring costs, performance and processes. Overhaul Base to operate on a P&L, Finance, Purchasing, Inventory, Planning etc. all within Overhaul Base organization.</p> <p>DFW/DWH One Station Complex</p> <p>LOM to form a Cost of Living Committee created to study high cost of living areas.</p>		
General (\$12M)	Community Funded Wage		

TWU/1113 PROPOSAL

Title Group: 1 & II Proposal#: Maintenance and Related Date Submitted 2-24-
1 2012

Delivered To: Mark Burdette Delivered by: Don Videtich

PROPOSAL TO MODIFY (Title I) DFW & DWH ONE STATION COMPLEX
TWU proposes the following:

Valuation: \$1.2 M

- A. DWH will be comprised of Systems, Structures, Avionics & OSM's (Quantify and establish the cap/agreement on OSM classification).
- B. Hybrid Internal Bid Process at DWH.
- C. As previously discussed, No Base Closure in exchange for line premium.
- D. New hire employees and transfers will be restricted from transfer between DFW and DWH or DWH and DFW for one year, except as a result of an upgrade from OSM to AMT.
- E. Separate overtime rules will be maintained for the DFW Line Maintenance operation and the DWH Line Support & Modification Center.
- F. Movement between the two facilities will be modified, to a transfer per the CBA and an annual exchange of up to a maximum 10% of PREQUALIFIED employees per year (process similar to a Crew Chief Self Demotion).
- G. As a result of a facility closure or reduction-in-force, incumbent Title I employees at DWH & DFW, on DOS, will maintain a transfer protection between the two facilities based on occupational seniority.

Title Group: 1 & II Proposal#: Maintenance and Related # 1 Date Submitted 2-24-2012

Delivered To: Mark Burdette Delivered by: Don Videtich

ATTACHMENT 1.6 – RESTRUCTURING AGREEMENT REGARDING TULE AND DWH

From:
To:
Re:

February 23, 2012

The Transport Workers Union and American Airlines have come to an understanding that changes must be made in order to make our overall aircraft maintenance costs competitive.

Therefore, the following changes have been agreed to:

- AFW 777 AND 767 Airframe Overhaul and related work will be moved to TULE
- B757 Heavy Check work in TULE will be allowed to be outsourced to vendors within the United States. All other work within the TULE will remain status quo.
- B767 Aircraft Power port modifications will be accomplished at DWH
- AFW Slide shop will move to DWH
- TULE and DWH will implement the “One Hangar, One Shop” system for all Airframe Overhaul docks driving an increased AMT efficiency of **20% to 25%**.

Expected AMT headcount impact as follows:

- AFW - AO and shops
 - 554 AMT
 - 215 OSMs
 - 52 AMT CC
 - 46 Inspectors
 - 28 TCC
 - 45 Aircraft Cleaners
 - 3 Aircraft Cleaner CC
 - 9 Parts Washers
 - 4 Parts Washer CC

TWU/1113 PROPOSAL

Title Group: 1 & II Proposal#: Maintenance and Related # 1 Date Submitted 2-24-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

- TULE – Outsourcing B757 Heavy Checks
 - 367 AMT
 - 27 AMT CC
 - 20 Inspectors
- TULE – One Hangar, One Shop
 - 127 AMT in TULE

DWH insourcing of 767 Power Port /Reliability and Slide Shop at
49 AMTs and 28 OSMs

TULE – Insourcing of the B767 and B777 from AFW

 - 351 AMT in TULE
 - 29 AMT CC IN TULE

In exchange for these changes to scope and other work rules, American Airlines must implement the following:

- Develop a process for Transport Workers Union and American Airlines on the objectives, rationale, and character of effort for a process of workplace innovation to be known as the “new work system” for measuring costs, performance and processes.
- Have an Airline Maintenance cost center that contains all costs regardless of work outsource with fleet size determining the cost
- A separate financial entity Base e.g. Production, Inventory, Purchasing, Finance etc.
- Develop a transfer pricing process- between The Base and The Airline.
- Develop fully allocated labor rate to clearly identify cost savings associated with insourcing as well as out-sourcing.
- Implement IT systems with union involvement .
- Bringing in top quality management team to transform the ‘new business’.
- A comprehensive process improvement program.

(Signed original on file)

TWU/1113 PROPOSAL

Title Group: 1 & II Proposal#: Maintenance and Related # 1 Date Submitted 2-24-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

SUMMARY OF TITLE 1 HEADCOUNT LOSS

255 AMT and CC TULE LOSS-

634 AMT and CC AFW LOSS

46 INSP AFW LOSS

215 OSM AFW LOSS

57 PW and AC AFW LOSS

1160 -77 AMT/OSMs to DWH

Total Reduction in Force at AFW and TUL 1083

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: M&R Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
1	<p>RECOGNITION AND SCOPE (Successorship Language)</p> <p>Successorship – (1)Economic concessions shall “snap back” to pre-concession economics at closing of “successor transaction” (Definitions to be further expanded from current CBA—e.g. - spin offs, asset sales or transfers, joint ventures, MRO base sale, etc.).</p> <p>(2)Union recognition and neutrality: It shall be a condition of any successorship transaction that the surviving entity recognizes the Union as the collective bargaining agent for the employees performing work described in this agreement.</p> <p>(3)The Company will assure that any entities that it enters into Successor transactions with involving performance of TWU craft work will retain/hire existing TWU employees and will apply the terms and conditions of the TWU CBA and recognize TWU as the collective bargaining agent.</p>		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: M&R Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
	<p>Defined Benefit Plan (hard freeze) provided it is company-wide, 90 days after DOS contingent upon all employee groups doing the same. Plan to be fully funded.</p> <p>Defined Contribution Plan – effective 90 days after DOS. Following one year of eligibility service, the employee will receive an automatic Company contribution of 3.0% per pay period. The employee may contribute any amount allowed by law. If the employee’s contribution is in excess of 3.0%, the company will match the employee’s contribution up to a maximum Company match of 6.5%. Additional terms of the Defined Contribution plan (DC) will be no less favorable than those offered to management or any other work group unless otherwise agreed to by the TWU.</p>		
(41)	<p>BENEFITS Active Medical</p>	<p>Still under review.</p>	

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: M&R Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(4)	Wage Opener Wage reopeners for increases each year of CBA from DOS, utilizing an agreed upon industry market rates model		
(4)	Variable compensation plan: Mutually commit to develop a variable compensation plan (Gain Sharing).		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: M&R Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(41)	<p>BENEFITS</p> <p>Retiree Medical</p> <p>The following changes to the retiree medical plan:</p> <p>Active Employees:</p> <p>Employee and Company prefunding contributions will cease three (3) months after DOS.</p> <p>The employee's match and the Company's match of the employee's prefunding account, plus investment earnings, will be distributed to the employee within ___ days (TBD) of DOS per terms of the Trust Agreement.</p> <p>For under age 65 coverage, employees who enroll will pay 100% of the cost of pre-65 retiree medical coverage upon retirement.</p> <p>For over age 65 coverage, retirees will be offered access to purchase a guaranteed issue Medicare supplement plan through a third party administrator.</p>		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: M&R Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
	<p>Retiree Medical (CONTINUED) Current Retirees and those that retire within 90 days after DOS:</p> <p>Employee and Company contributions will cease 3 months after DOS.</p> <p>Retiree Medical coverage for current retirees and active TWU employees retiring within 3 months or earlier from DOS:</p> <p>The Retiree Medical Plan will be the same plan design as offered to the TWU retirees today with the following changes: in-network benefits paid at 80% by the Company after the deductible and out-of-network benefits paid at 60% by the Company after the deductible.</p> <p>Retiree medical coverage for New Hires – those hired after DOS.</p> <p>For under age 65 coverage, employees will pay 100% of the cost of pre-65 retiree medical coverage upon retirement.</p>		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: M&R Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: Don Videtich

	<p>For over age 65 coverage, retirees will be offered access to purchase a guaranteed issue Medicare supplement plan through a third party administrator.</p> <p>Retiree Medical Plan will be no less favorable than those offered to management or other work group, unless otherwise agreed to by the TWU.</p> <p>The above plans shall not apply to the current plan for MCT and Instructors, which shall stay in place.</p>		
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CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: M&R Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(47)	DURATION TBD by the parties.		
(LOM)	Early Out Program as agreed to between the parties.		
(LOM)	TWU shall be entitled to a claim in the Chapter 11 case equal to value of concessions.		
(LOM)	Equity in concessions: TWU concessions are contingent upon equitable concessions of all non-TWU groups such that this unit is not disadvantaged. Disputes shall proceed to expedited binding arbitration.		
(LOM)	Agreement to provide equity to TWU employees.		
	*This counter proposal coupled with the earlier counter proposal of this title group represents a complete initial response to the Company's initial ask. Each item offered is contingent upon reaching a full consensual agreement.		

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TWU/1113 PROPOSAL

Title Group: M&R Proposal # 1 A Date Submitted: 3/5/12

Delivered To: Mark Burdette Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
<p>41 Active Medical</p>	<p>Active Medical Plan Design Changes (See attached spreadsheet)</p> <p>Plan 1. Value – Current Value Plus plan offered by AA. Plan 2. Standard – Modify current \$150 deductible contractual plan Plan 3. Core Plan – Replaces current \$1000 deductible contractual plan (Free plan)</p> <p>Proposal:</p> <ol style="list-style-type: none"> 1. Three plans available and have them all contractual plans 2. Keep 3-Tier Structure 3. Same cost for all TWU members (Full-Time and Part-Time) 4. Include wellness program in contract 5. Participation in wellness program 6. Incentives for engagement in wellness program <ol style="list-style-type: none"> a. Funding Health Savings Account (HSA) b. Reduce co-pays/co-insurance amounts c. Reduce monthly contribution amounts 		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: M&R Proposal # 1 A Date Submitted: 3/5/12

Delivered To: Mark Burdette Delivered By: Don Videtich

<p>41 Active Medical Cont.</p>	<p>Active Medical (Continued)</p> <p>7. Members that elect the HSA Compatible HDHP (Dollar for Dollar match by AA)</p> <ul style="list-style-type: none"> a. Employee -- \$ 500 b. Employee and Spouse -- \$ 1000 c. Employee and Child(ren) -- \$ 2000 d. Employee and Family -- \$ 3000 <p>All plan changes will be reviewed by the TWU prior to implementation and the TWU would maintain a right of appeal prior to any plan change implementations.</p> <p>Current language on inflation: The number of "benefit dollars" Provided by the Company to each employee will increase by the percentage increase in the Company's average annual cost per covered employee, for the period July 1 through June 30 immediately preceding the enrollment year over the previous period July 1 through June 30 up to a maximum of 5%. In this way, the Company pays for the first 5% of cost increases.</p> <p>The Company agrees, if necessary, to reduce the option price of any Medical or Dental Plan currently offered in the Flexible Benefits Enrollment to the same contribution level set by the Cafeteria Plan for Pilots and Flight Attendants for equivalent plans.</p>		
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TWU PROPOSAL

	Plan 1 (Value)	Plan 2 (Standard)	Plan 3 (Core)
All Plans are Contractual			
Plan Design Features			
Spending Accounts	Not HSA Compatible	Not HSA Compatible	HSA Compatible
In Network Deductible (Single/Family)	\$100/\$300	\$500/\$1200	\$1500/\$3000
Out of Network Deductible (Single/Family)	\$750/\$2250	\$1000/\$2400	\$3000/\$6000
Coinsurance (In/Out)	15%/35%	20%/40%	20%/40%
In Network Out of Pocket Max (Single/Family)	\$1750/\$5250	\$2000/\$3250	\$4000/\$8000
Out of network Out of pocket max (Single/Family)	\$3500/\$10500	\$4000/\$6500	\$8000/\$16000
Primary Care Physician Copay (In/Out)	\$20	20%	20%
Specialist Copay (In/Out)	\$40	20%	20%
Retail Clinics Copay (In/Out)	\$40	20%	20%
Preventive Care (In Network Only)*	\$0	\$0	\$0
Pharmacy (Retail)*			
Generic	\$10	Subject to deductibles and coinsurance (Applies to deductible and Out of Pocket)	subject to deductible and coinsurance
Formulary Brand	30% \$20 min/\$75 max		
Non-Formulary Brand	50% \$35 min/\$90 max		
Pharmacy (Mail Order)*			
Generic	20% \$0 min/\$80 max	25 % of cost (does not go toward your deductible or out of pocket max)	subject to deductible and coinsurance
Formulary Brand	30% \$50 min/\$150 max		
Non-Formulary Brand	50 % \$70 min/\$180 max		
2012 Monthly Contributions			
Employee Only	\$92.50	\$59.42	\$0
Employee Plus 1	\$185.00	\$118.84	\$0
Employee Plus 2	\$277.50	\$178.27	\$0
Proposed Premium Increases			
\$10 Increase	\$102.50	\$69.42	
\$20 Increase	\$205.00	\$138.84	
\$30 Increase	\$307.50	\$208.27	

TWU PROPOSAL

	Plan 1 (Value)	Plan 2 (Standard)	Plan 3 (Core)
All Plans are Contractual			
Plan Design Features	Not HSA Compatible	Not HSA Compatible	HSA Compatible
Spending Accounts			
In Network Deductible (Single/Family)	\$100/\$300	\$500/\$1200	\$1500/\$3000
Out of Network Deductible (Single/Family)	\$750/\$2250	\$1000/\$2400	\$3000/\$6000
Coinsurance (In/Out)	15%/35%	20%/40%	20%/40%
In Network Out of Pocket Max (Single/Family)	\$1750/\$3250	\$2000/\$3250	\$4000/\$8000
Out of network Out of pocket max (Single/Family)	\$3500/\$10500	\$4000/\$6500	\$8000/\$16000
Primary Care Physician Copay (In/Out)	\$20	20%	20%
Specialist Copay (In/Out)	\$40	20%	20%
Retail Clinics Copay (In/Out)	\$40	20%	20%
Preventive Care (In Network Only)*	\$0	\$0	\$0
Pharmacy (Retail)*			
Generic	\$10	Subject to deductibles and coinsurance (Applies to deductible and Out of Pocket)	subject to deductible and coinsurance
Formulary Brand	30% \$20 min/\$75 max		
Non-Formulary Brand	50% \$35 min/\$90 max		
Pharmacy (Mail Order)*			
Generic	20% \$0 min/\$80 max	25 % of cost (does not go toward your deductible or out of pocket max)	subject to deductible and coinsurance
Formulary Brand	30% \$50 min/\$150 max		
Non-Formulary Brand	50 % \$70 min/\$180 max		
2012 Monthly Contributions			
Employee Only	\$92.50	\$59.42	\$0
Employee Plus 1	\$185.00	\$118.84	\$0
Employee Plus 2	\$277.50	\$178.27	\$0
Proposed Premium Increases			
\$10 Increase	\$102.50	\$69.42	
\$20 Increase	\$205.00	\$138.84	
\$30 Increase	\$307.50	\$208.27	

TWU/1113 PROPOSAL

Title Group: 1 & II

Proposal#: Maintenance and Related # 1.2

Date Submitted 3-8-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

Article	Proposal	Notes	T/A Date
(1) (\$63M)	<p>ARTICLE 1 –</p> <ul style="list-style-type: none"> TULE Alternative. Previous proposed, recalculated. 		
(1)	<p>ARTICLE 1 - SCOPE</p> <p>Propose to “reset” the Attachment 1.8 floor and add a local (20%) Plant Maintenance Man cap.</p> <ul style="list-style-type: none"> Propose inserting updated Title II WER process letter to Art 1, PMM to get journeyman credit for time and required training as a PMM. 		

TWU/1113 PROPOSAL

Title Group: 1 & II

Proposal#: Maintenance and Related # 1.2

Date Submitted 3-8-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

Article	Proposal	Notes	T/A Date
<p>(4) (\$3.5)</p>	<p>ARTICLE 4 – COMPENSATION</p> <ul style="list-style-type: none"> • Propose Plant Maintenance Mechanic (adjusted (7) year pay scale) for new hires. • Propose Plant Maintenance Man (adjusted (10) year pay scale) for new hires. • Propose Plant Maintenance Mechanic TCC Masters License letter. • Propose that all dual qualified stations recognize the dual qualified Plant Maintenance Mechanics with the license premium. • Propose that Plant Maintenance Mechanics holding a license be compensated for the license. 		
<p>(6) (\$0.8M) (\$1.9M)</p>	<p>ARTICLE 6 – OVERTIME</p> <ul style="list-style-type: none"> • Article 6 - Overtime standardization, for Class I Line Maintenance • (Previously proposed) In regard to hold over overtime, 'if you are at work, you are available to work'. • Add language to have terminal and hangar operations in Class I stations solicited from separate overtime lists for holdover overtime to help reduce transition time. 		

TWU/1113 PROPOSAL

Title Group: 1 & II Proposal#: Maintenance and Related # 1.2 Date Submitted 3-8-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

Article	Proposal	Notes	T/A Date
<p>(7) (\$1.0M)</p>	<p>ARTICLE 7 – HOLIDAYS In exchange for terminating the ORD Holiday Work agreement we propose to:</p> <ul style="list-style-type: none"> • Maintain current book with the exception of increasing the number and pay rate multiplier for Holidays to no less than hourly non-union and management employees. 		

TWU/1113 PROPOSAL

Title Group: 1 & II

Proposal#: Maintenance and Related # 1.2

Date Submitted 3-8-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

Article	Proposal	Notes	T/A Date
(11) (\$5.3 M)	<p>ARTICLE 11 – CLASSIFICATIONS</p> <ul style="list-style-type: none"> • Streamline and standardize the utilization of Avionic Trained mechanics in Class I Stations by focusing the scope by ATA chapters. • Ensuring that the Avionic tasks are performed by utilizing a 'cradle to grave' approach to assignments (within reason, exceptions such as engine, apu removal or aircraft jacking where insufficient avionics technicians are available to support an operation safely) • When general mechanics are fully encumbered, Avionic mechanics will be available to assist in general duties, and vice versa. 		
(11)	<p>ARTICLE 11</p> <ul style="list-style-type: none"> • Propose updated PMM scope of work. 		
(\$0.6M)	<p>ARTICLE 21 – ROTATION OF SHIFTS</p> <ul style="list-style-type: none"> • Agree to allow a maximum of 3 bids per year. 		

TWU/1113 PROPOSAL

Title Group: 1 & II

Proposal#: Maintenance and Related # 1.2

Date Submitted 3-8-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

Article	Proposal	Notes	T/A Date
(34) (\$1.7M)	ARTICLE 34 – SICK LEAVE/UNUSED SICK LEAVE <ul style="list-style-type: none"> Propose to reduce sick time use and overtime paid, by eliminating the half pay for the first 16 hr. Since implementation, SK time off (both paid and unpaid) has increased in M&E. 		
(\$5.5)	LOM – PRODUCTIVITY ENHANCEMENTS <ul style="list-style-type: none"> Propose savings through less holdover overtime by implementing various incentives that include reinstating penalty hours, paid lunches, Taxi/LMP premiums 		
LOM	<ul style="list-style-type: none"> Propose new LOM that would put Title II under one budget line for increased efficiencies. Savings to include one CMMS (Computerized Maintenance Management System) One training department. 		
	<ul style="list-style-type: none"> Cost of Living LOM 		
	<ul style="list-style-type: none"> LOM for a system Plant Maintenance Mechanic audit team. 		

Title Group: 1 & II

Proposal#: Maintenance and Related # 1.2

Date Submitted 3-8-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

Letter of Agreement # ___ : Cost of Living Committee

DRAFT

DOS

Robert F. Gless
International Representative
Assistant ATD Director
AA System Coordinator
Transport Workers Union of America, AFL-CIO
1791 Hurstview Drive
Hurst, TX 76054

RE: Cost of Living Committee

Dear Robert,

The parties agree that within thirty (30) days of ratification of agreement there will be a joint Union/Company Cost of Living Committee formed. This committee will, with the aid of an independent outside economic consultant firm, mutually agreeable to the Union and the company, determine the cost of living in each of the cities in which mechanics and related are based.

The joint Committee will report back to the parties within six (6) months of ratification of the Agreement. The Company agrees to provide adequate funding and support for the study and for the Committee to conduct meetings.

The results of the report will be made available to all members within thirty (30) days after submission of the report to the parties.

The committee will reconvene prior to any subsequent negotiations concerning compensation and the results will be considered for the formation of a Market Adjustment Premium to bring our mechanics and related in line with market standards at those cities where they are employed.

Sincerely,
{Original Signed on file}

Agreed to:
{Original Signed on file}

James B. Weel
Managing Director
Employee Relations
American Airlines Inc.

Robert F. Gless
International Representative
AA System Coordinator
Transport Workers Union of America, AFL-CIO

TWU/1113 PROPOSAL

Title Group: 1 & II

Proposal#: Maintenance and Related # 1.2

Date Submitted 3-8-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

Attachment 1.9 - WORK INSPECTION AUDIT TEAM

From: Bobby Gless

To: Jim Weel

Re: Plant Maintenance Mechanic Audit team

During the course of negotiations the parties agreed to implement a work inspection audit team.

The team would identify the scope of that work that would need to be accomplished by a contractor for AA at locations not presently staffed by Title II is actually work/repairs that need to be done.

Also, to inspect the work performed by a contractor after the completion of work/repairs for quality assurance. This team would be made up of equal parties of the TWU representatives and AA management.

(Signed original on file)

TWU/1113 PROPOSAL

Title Group: 1 & II

Proposal#: Maintenance and Related # 1.2

Date Submitted 3-8-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

Attachment

DOS

Jim Weel
{address heading}

RE: Avionics Trained AMTs

Dear Jim,

During our recent negotiations, the issue was raised regarding the Company position on the following outlines the criteria discussed by the parties with respect to utilization of the Avionic trained technicians;

The following areas were identified to improve and focus the Avionics trained technicians.

- Streamline and standardize the utilization of Avionic Trained mechanics by focusing the scope by ATA chapters.
- Ensuring that the Avionic tasks are performed by utilizing a 'cradle to grave' approach to assignments (within reason, exceptions such as engine, apu removal or aircraft jacking where insufficient avionics technicians are available to support an operation safely)
- When general mechanics are fully encumbered, Avionic mechanics will be available to assist in general duties, and vice versa.

Sincerely,
{Original Signed on file}

Agreed to:
{Original Signed on file}

James B. Weel
Managing Director
Employee Relations
American Airlines Inc.

Robert F. Gless
International Representative
AA System Coordinator
Transport Workers Union of America, AFL-CIO

TWU Proposal --- M&R March 21, 2012

Value of Proposed Terms

	Issue	Jobs Lost	Total	Per Year
1	General Wage Increases DOS		\$66.6	\$11.1
1	Title II Line	43	-\$3.9	-\$0.6
1	Title II PMT Mechs AFW	91	-\$40.6	-\$6.8
1	Title II PMT MAN AFW	11	-\$3.4	-\$0.6
1	Title II - Cross Training Productivity	10	-\$4.5	-\$0.7
1	Title II Utility Abolished	43	-\$15.4	-\$2.6
1	Title II - Cabin Cleaner Outsourced	20	-\$1.2	-\$0.2
1	Title II - Bid Cleaner Outsourced	85	-\$5.9	-\$1.0
1	Scenario 1 - AMT Abolished	208	-\$108.5	-\$18.1
1	Scenario 1 - OSM Abolished	98	-\$40.5	-\$6.8
1	Scenario 1 - CC/Insp Abolished	45	-\$24.3	-\$4.1
1	Scenario 1 - AC Abolished	39	-\$8.6	-\$1.4
1	Scenario 1 - PW Abolished	17	-\$4.2	-\$0.7
1	Scenario 1 - AMT Outsourced	823	-\$183.3	-\$30.6
1	Scenario 1 - OSM Outsourced	170	-\$65.6	-\$10.9
1	Scenario 1 - CC/Insp Outsourced	149	-\$33.2	-\$5.5
1	One-Time Savings Inventory etc.	0	-\$16.2	-\$2.7
1	One Seventh Rule — Base		-\$45.0	-\$7.5
1	Automotive Non-Power		-\$1.8	-\$0.3
1	Title II - PMT Art. 4 Package		-\$21.0	-\$3.5
1	Title II QAM		-\$0.9	-\$0.2
1	Title II - One Shop Letter		-\$12.0	-\$2.0
1	Pension DCP		-\$173.7	-\$28.9
1	Sick Leave Usage	16	-\$10.1	-\$1.7
1	Health Ins - Actives		-\$15.7	-\$2.6
1	Health Ins - Retirees		-\$149.7	-\$24.9
1	DWH One Station		-\$9.1	-\$1.5
1	Community Funded Wage Related		-\$72.0	-\$12.0
1	Avionics AMT Efficient	41	-\$24.2	-\$4.0
1	OSMs In Wheel and Brake Center	8	-\$0.6	-\$0.1
1	Separate Hang/Term	31	-\$17.8	-\$3.0
1	Standard OT Policy / Field Trips	10	-\$5.9	-\$1.0
1	Holdover Eligibility	10	-\$5.9	-\$1.0
1	Electronic Bidding Transfers	9	-\$5.3	-\$0.9
1	Fewer Shift Bids - Line	6	-\$3.5	-\$0.6
1	Overtime Grievances - Line	0	-\$5.7	-\$1.0
1	DFW Operational Improvements	50	-\$29.6	-\$4.9
1	Personal Vac	33	-\$20.8	-\$3.5
1	Flex Vacation Bidding	6	-\$3.1	-\$0.5
1	Chicago Holiday Letter	0	-\$5.7	-\$1.0
1	Productivity Enhancements/pay penal	0	-\$39.8	-\$6.6
		0	\$0.0	\$0.0
Total Savings		2,072	-\$1,171.6	-\$195.3

TWU/1113 PROPOSAL

Title Group: I & II

Proposal#: M and R # 2.0

Date Submitted 3-21-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

Article	Proposal	Notes	T/A Date
Preamble	<p>PREAMBLE Propose we agree to current preamble with proviso to modify per restructuring terms.</p>		
(1)	<p>ARTICLE 1 - Scope Scope: 1(a) 1. Add language to include all aircraft owned and operated by AMR corporation or its subsidiaries to include MD80s; Boeing 737, 757, 767, 777, 787 and Airbus aircraft. In addition any aircraft operated by the APA with a seat configuration of 51 to 100 seats or more.</p> <ul style="list-style-type: none"> • Current and recall stations. 		
(1)	<p>ARTICLE 1 - Scope AFW/TUL Outsourcing (New LOM RESTRUCTURING AGREEMENT REGARDING TULE AND DWH to be written) Modify paragraph (e) sub (1) Outsourcing percentage to allow outsourcing percentage to be determined. The above does not include the following value for the Title 1 currently employed at the TAESL facility: ~352 AMTs, ~53 INSP, ~ 37 CC, ~3 PWCC, ~ 41 P/W, AND ~ 25 OSM. Valued approximately at (\$49.2M)</p>		

TWU/1113 PROPOSAL

Title Group: I & II

Proposal#: M and R # 2.0

Date Submitted 3-21-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

Article	Proposal	Notes	T/A Date
(1)	ARTICLE 1 -- SCOPE <ul style="list-style-type: none"> ASM Cap 15% with no exclusions. 		
(1)	ARTICLE 1 - STAFFING: Propose to change the staffing level for Title II from 1460 to 3650. Propose that stations below 7300 departures transitioned to a dual qualified station.		
	Company's Proposal to Outsource High Voltage (13,500 volts or more) at TUL (Need company valuation)	(After reviewing company valuation; No longer an active proposal)	
(1)	ARTICLE 1 - SCOPE <ul style="list-style-type: none"> Out sourcing of Title II at AFW, credit for 91 Plant Maintenance Mechanics and 11 Plant Maintenance Men (note if TAESL, cup & waste water treatment is staffed it will require 25 PM MECH [PM-92] plus 4 PMMs.) All remaining facilities maintenance mechanics will be PM-92 		

REDACTED

TWU/1113 PROPOSAL

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Article	Proposal	Notes	T/A Date
(1)	<p>ARTICLE 1 – SCOPE</p> <ul style="list-style-type: none"> • Reduction of 20 Cabin Cleaners • Reduction of 36 Utility Men • Tule outsource 85 building cleaners • Outsource TULE 7 Utility Crew Chiefs • TULE 13 PMMs Performing water Treatment. • TULE 3 PMMs Performing Fire Extinguisher Maintenance 		
(1)	<p>ARTICLE 1 - SCOPE</p> <p>Propose to "reset" the Attachment 1.8 floor and add a local (20%) Plant Maintenance Man cap. (NEW LETTER)</p> <p><i>(TWU Previously Proposed)</i></p> <ul style="list-style-type: none"> • Propose inserting updated Title II WER process letter to Art 1, PMM to get journeyman credit for time and required training as a PMM • Automotive non power Currently 38 mechanics doing this work would drop down 2 pay steps on the new mechanic pay scale @ 23.70 <p>Compare to the vender cost of [REDACTED]</p>	(Proposal, letter changed)	

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Article	Proposal	Notes	T/A Date
(2)	ARTICLE 2 – DEFINITIONS (TWU Previously Proposed) <ul style="list-style-type: none"> • Add definitions specific to Bankruptcy • (Clean –Up for AFW and DWH) 		
(3)	ARTICLE 3 - HOURS OF WORK <ul style="list-style-type: none"> • 1/7 Rule Change (Stipulated on 7.5M value from previous negotiations) 		
(4)	ARTICLE 4 – COMPENSATION (TWU Previously Proposed) 1.5% DOS 1.5% DOS +12 Months 1.5% DOS +24 Months 1.5% DOS +36 Months 1.5% DOS +48 Months <ul style="list-style-type: none"> • Add Taxi/LMP Pay (see Productivity LOM for cost Savings) • Wage reopener 30 months after DOS 		

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Article	Proposal	Notes	T/A Date
(4)	<p>ARTICLE 4 – COMPENSATION</p> <p>(TWU Previously Proposed)</p> <ul style="list-style-type: none"> • Propose Plant Maintenance Mechanic (adjusted (7) year pay scale) for new hires. • Propose Plant Maintenance Man (adjusted (10) year pay scale) for new hires. • Propose Plant Maintenance Mechanic TCC Masters License letter. • Propose that all dual qualified stations recognize the dual qualified Plant Maintenance Mechanics with the license premium. • Propose that Plant Maintenance Mechanics holding license be compensated for license 		

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Article	Proposal	Notes	T/A Date
(4)	<p>ARTICLE 4 – COMPENSATION cont. Profit Sharing Plan (Previously Proposed)</p> <ul style="list-style-type: none"> • New Profit Sharing (Continental match) • 15% of all operating earnings (1st dollar) <p>The above percentage will create a fund from which awards are distributed to all participating employees. Individual awards will be distributed March 15 of the following year. Payments are not pensionable. Each employee's award will be determined by the percentage of his or her earnings relative to overall payroll participants. This plan replaces the existing profit sharing plan.</p> <p>This plan also replaces the financial component of the AIP.</p>		
(4)	<p>Variable compensation plan: (TWU Previously Proposed)</p> <p>Mutually commit to develop a variable compensation plan (Base Gain sharing) prior to the amendable date.</p> <p>(New Proposal) Mutually commit to develop a Line Maintenance Performance Pay</p>		
(5)	<p>ARTICLE 5 – SHIFT DIFFERENTIAL Current book</p>	<p>Previous Date 11/30/07</p>	<p>3/21/12</p>

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Article	Proposal	Notes	T/A Date
(6)	<p>ARTICLE 6 – OVERTIME</p> <ul style="list-style-type: none"> (New Proposal) Reinstating the penalty hour as productivity enhancement 	(See the attached LOM on Productivity)	
(6)	<p>ARTICLE 6 – OVERTIME</p> <ul style="list-style-type: none"> (TWU Previously proposed) Common rule for overtime sign-up to reduce OT bypass Allow separate work areas for Holdover overtime Terminal , hangar operations Add language to have Terminal and hangar operations in class I stations asked from separate overtime lists for holdover overtime to help reduce transition time. *(Previous proposed 1.9M, 0.9 M associated with DFW Productivity Improvement below). 	<p>(Company previously proposed)</p> <ul style="list-style-type: none"> One set of rules for the entire System utilizing the Ramp manager program 	
(7)	<p>ARTICLE 7 : HOLIDAY WORK (TWU Previously proposed) In exchange for terminating the ORD Holiday Work agreement we propose</p> <ul style="list-style-type: none"> Current book OR share in the amount of Holiday and Pay Rate of the Management and non-union hourly workers; whichever is greater 	AA Has not responded	
(8)	<p>ARTICLE 8: VACATIONS (TWU previously Agreed)</p> <ul style="list-style-type: none"> Modify attachment 8.3 to add flex vacation language to change the date for bidding by December 15. Eliminate Personal Vacation Days 	AA Has not responded	

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Article	Proposal	Notes	T/A Date
(9)	ARTICLE 9 – PROBATIONARY PERIOD Retain T/A'd Article dated 11-13-07	Previous T/A 11/13/07	3/21/12
(10)	ARTICLE 10 – SENIORITY Retain T/A'd Article dated 12-12-07	Previous T/A 12/11/07	3/21/12
(11)	ARTICLE 11- CLASSIFICATION AND QUALIFICATIONS <i>(TWU previously proposed)</i> <ul style="list-style-type: none"> • Adopt QAM language for Title II regarding qualification testing. Utilize letter of agreement dated February 17, 2010 that currently applies to Title I qualifications testing. • Overhaul Support Mechanics in Brake Center • NEW - TULE FSC function to be converted to OSM through attrition. <p>*Modify Article 11 to allow OSM classification in DWH</p>	AA Has not responded	

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Article	Proposal	Notes	T/A Date
(11)	<p>ARTICLE 11 – CLASSIFICATIONS AND QUALIFICATION.</p> <p><i>(TWU Previously Proposed)</i> Streamline and standardize the utilization of Avionic Trained mechanics in Class I Stations by focusing the scope by ATA chapters.</p> <p>Ensuring that the Avionic tasks are performed by utilizing a ‘cradle to grave’ approach to assignments (within reason, exceptions such as engine, apu removal or aircraft jacking where insufficient Avionics Technicians are available to support an operation safely)</p> <p>When General Mechanics are fully encumbered, Avionic mechanics will be available to assist in general duties, and vice versa.</p> <ul style="list-style-type: none"> • NEW – Reducing DFW 31 and LAX 10 Avionics department to 16% Total HC, (currently at 20% and 19% respectively) 	<p>The Avionics Proposal is an alternative to the company’s proposal to eliminate Avionics.</p> <p>Also, an alternative to eliminating the Avionics CC</p>	
(11)	<p>ATTACHMENT 11.7 –NEW CLASSIFICATION OF PLANT MAINTENANCE MAN DUTIES (Attached)</p>		

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Article	Proposal	Notes	T/A Date
(12)	ARTICLE 12 – PROMOTIONS AND JOBS TO BE POSTED (Modified T/A'd Article dated 8-11-11) <ul style="list-style-type: none"> Changes to electronic system bid / transfer. 72hr acceptance. Adding the following: <ul style="list-style-type: none"> Tule Title II work rule changes that allows year over year savings. (See Title II One Shop LOM attached) 		
(13)	ARTICLE 13 – SENIORITY LISTS Retain T/A'd Article dated 7-15-09	Previously T/A 7/15/09	3/21/12
(14)	ARTICLE 14 – LOSS OF SENIORITY Retain T/A'd Article dated 12-16-10	AA Has not responded	
(15)	ARTICLE 15 – REDUCTION IN FORCE Previously T/A'd version 07/14/11	New Proposal	
(16)	ARTICLE 16 – RECALL Retain T/A'd Article dated 12-15-10	AA Has not responded	
(17)	ARTICLE 17 – LEAVES OF ABSENCE Retain T/A'd Article dated 12-15-10	AA Has not responded	
(18)	ARTICLE 18 – MILITARY LEAVE Retain T/A'd Article dated 1-22-08	Previous T/A 1/22/08	3/21/12
(19)	ARTICLE 19 – TERMINATION OF EMPLOYMENT Retain T/A'd Article dated 2-28-08	Previous T/A 2/28/08	3/21/12
(20)	ARTICLE 20- BULLETIN BOARDS Retain T/A'd Article dated 11-13-07	Previous T/A 11/13/07	3/21/12

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Article	Proposal	Notes	T/A Date
(21)	ARTICLE 21 – ROTATION OF SHIFTS <i>(TWU previously proposed)</i> <ul style="list-style-type: none"> Agree to allow a maximum of 3 bids per year 	(AA Proposed 2 or less bids per year)	
(22)	ARTICLE 22 – REGULAR AND RELIEF ASSIGNMENTS Retain T/A'd Article dated 1-15-08	Previous T/A 1/15/08	3/21/12
(23)	ARTICLE 23 – ATTENDANCE AT HEARINGS, INVESTIGATIONS OR TRAINING CLASSES Retain T/A'd Article dated 1-13-09	Previous T/A 1/13/09	3/21/12
(24)	ARTICLE 24 – ABSENCE FROM DUTY Retain T/A'd Article dated 12-4-07	Previous T/A 12/04/07	3/21/12
(25)	ARTICLE 25 – RECALL AND CALL-IN WORK Retain T/A'd Article dated 4-30-10	Previous T/A 04/30/10	3/21/12
(26)	ARTICLE 26 – FIELD TRIPS (Previously proposed) That we Tentatively Agree to T/A we previously agreed to on 6-19-08 (with modification adding paragraph (g) that you proposed on 2-21-12) (g) Management has the sole right to determine the location (s) that will support the field trip.	AA Has not responded	
(27)	ARTICLE 27 – GENERAL Retain T/A'd Article dated 12-16-10	Previous T/A 05/05/10	3/21/12
(28)	ARTICLE 28 – NO DISCRIMINATION AND RECOGNITION OF RIGHTS AND COMPLIANCE Retain T/A'd Article dated 12-16-10	Previous T/A 12/16/10	3/21/12

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Article	Proposal	Notes	T/A Date
(29)	ARTICLE 29 – REPRESENTATION Retain T/A'd Article dated 2-11-09	Previous T/A 02/11/08	3/21/12
(30)	ARTICLE 30 – GRIEVANCE PROCEDURE FOR DISMISSAL/CORRECTIVE ACTION Retain T/A'd Article dated 12-16-10	Previous T/A 12/16/10	3/21/12
(31)	ARTICLE 31 – GRIEVANCE PROCEDURE Retain T/A'd Article dated 12/16/10	Previous T/A 12/16/10	3/21/12
(32)	ARTICLE 32 – BOARDS OF ADJUSTMENT Retain T/A'd Article dated 02/20/08	Previous T/A 02/20/08	3/21/12
(33)	ARTICLE 33- NO STRIKE NO LOCK OUT Retain T/A'd Article dated 12/11/07	Previous T/A 12/11/07	3/21/12
(34)	ARTICLE 34 – SICK LEAVE/UNUSED SICK LEAVE (TWU Previously Proposed) <ul style="list-style-type: none"> • Propose to reduce sick time use and overtime paid, by eliminating the half pay for the first 16 hr. Since implementation, SK time off (both paid and unpaid) has increased in M&E. • AA Costing model does not make an assumption for backfilling sick calls this is equating to 18PH. 		
(35)	ARTICLE 35 – TEMPORARY EMPLOYEES Retain T/A'd Article dated 12-12-07	Previous T/A 12/12/07	3/21/12

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Article	Proposal	Notes	T/A Date
(36)	ARTICLE 36 – MEAL PERIODS <ul style="list-style-type: none"> Propose reinstating paid lunch as part of the Productivity enhancement 	(see Productivity LOM)	3/21/12
(37)	ARTICLE 37 – SEVERANCE ALLOWANCE Retain T/A'd Article dated 2/22/08	Previous T/A 02/22/08	3/21/12
(38)	ARTICLE 38 – UNION SECURITY Retain T/A'd Article dated 11/13/07	Previous T/A 11/13/07	3/21/12
(39)	ARTICLE 39 – FITNESS FOR DUTY Retain T/A'd Article dated 2/9/11	Previous T/A 02/09/11	3/21/12
(40)	ARTICLE 40 – RETIREMENT BENEFITS (Global Issue)		
(41)	ARTICLE 41 – GROUP INSURANCE CONTRIBUTIONS (Global Issue)		
(42)	ARTICLE 42 – JOB SECURITY Current Book	AA Has not responded	
(43)	ARTICLE 43 - PART – TIME EMPLOYEES Retain T/A'd Article dated 7-16-09	Previous T/A 04/10/08	3/21/12
(44)	ARTICLE 44 – MOVING EXPENSES/OPTIONAL SEVERANCE FOR PROTECTED EMPLOYEES Retain T/A'd Article dated 12-4-07	AA Has not responded	
(45)	ARTICLE 45 – EFFECT ON PRIOR AGREEMENTS Retain T/A'd Article dated 12-11-08	Previous T/A 2/11/08	3/21/12

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Article	Proposal	Notes	T/A Date
(46)	ARTICLE 46 – ONE STATION COMPLEX AGREEMENTS Retain T/A'd Article dated 12-15-10 With the exception of DFW/ DWH See the Attached LOM		
(47)	ARTICLE 47 – DURATION OF AGREEMENT 48 MONTHS FROM DOS		
General	Community Funded Wage		
(LOM)	PROPOSE NEW LOM Propose new LOM that would put Title II under one budget line for increased efficiencies. Savings to include—one CMMS (Computerized Maintenance Management System) One training department.		
	Attached to 1113/Proposal		
Attach	NEW ATTACHMENT for Art 1 – PLANT MAINTENANCE MAN CAP		
Attach	ATTACHMENT 11.7 –NEW CLASSIFICATION OF PLANT MAINTENANCE MAN DUTIES		
LOM	RE: Title II Work Experience Review – update from original agreement of 2/18/00		

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Article	Proposal	Notes	T/A Date
LOM	LETTER OF MEMORANDUM PRODUCTIVITY IMPROVEMENTS		
Attach	Attachment 4.2- Process Improvement - Base Employee Gain Sharing Plan		
Attach	Attachment 4.3- Process Improvement – Line Maintenance Performance Pay		
LOM	Title II at the Tulsa Maintenance Base, EVS, CRC, WBC, APU, Hangar 80 under (1) shop		
LOM	Proposed Title II QAM language		
	LOM's See Additional Attached Documents package		
(LOM)	LOM #1 ENHANCED PROFIT SHARING	(NEW)	
(LOM)	LOM #2 OVERTIME ASSIGNMENTS	(CURRENT) WITH NOTE STATING *Applicable in TULE ONLY	
(LOM)	LOM #3 EMPLOYEES ASSIGNED TO DFW	UPDATING CURRENT BOOK	
(LOM)	LOM# 4 DFW OPERATIONAL PROCESS IMPROVEMENTS (Value also attributed to DFW Employee LOM#3)	(NEW)	
(LOM)	LOM# 5 COPE DEDUCTIONS	(CURRENT)	
(LOM)	LOM# 6 REINSTATED CLASSIFICATION OF PLANT MAINTENANCE MAN	(CURRENT)	
(LOM)	LOM # 7 TULE CHRISTMAS BASE CLOSING	(CURRENT – UPDATED)	
(LOM)	LOM # 8 TITLE I EMPLOYEES ASSIGNED TO THE DFW COMPLEX	(NEW TO BOOK)	
(LOM)	LOM # 9 SMS- ASAP AND JUST POLICY CLARIFICATION	(NEW TO BOOK)	

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Article	Proposal	Notes	T/A Date
(LOM)	LOM # 10 CLASS I STATION AVIONICS TECHNICIAN UTILIZATION	(NEW TO BOOK)	
(LOM)	LOM # 11 COST OF LIVING COMMITTEE	(NEW TO BOOK)	
(LOM)	LOM # 12 NEW WORK SYSTEM	(NEW TO BOOK)	
(LOM)	LOM # 13 BASE MAINTENANCE RESTRUCTURE	(NEW TO BOOK)	
(LOM)	LOM # 14 M&E BUSINESS IMPROVEMENT PROCESS	(NEW TO BOOK)	
(LOM)	LOM # 15 DISPOSITION OF LETTERS OF AGREEMENT	(NEW TO BOOK)	
(LOM)	LOM # 16 WORK INSPECTION AUDIT TEAM	(NEW TO BOOK)	

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NEW ATTACHMENT for Art 1 – PLANT MAINTENANCE MAN CAP

To: Bob Gless

From: James Weel

DOS

During these negotiations, the Company and the Transport Workers Union recognized the need for a sustainable cost savings for the Title II work group. In an effort to accomplish this, the parties agreed to change the tenants of the existing Plant Maintenance Man program to allow the PMM's to attain credit for time and required training spent as a Plant Maintenance Man to be credited for Journeyman experience as outlined in the Title II Work Experience Review procedures.

It is further agreed to "reset" the Plant Maintenance Mechanic floor from (1649) to reflect adjusted number of mechanics jobs agreed to be outsourced. $1649 - 137 = 1512$ (AFW 91, daily departure cities adjustment 46) new floor.

It was also agreed to institute a 20% station Plant Maintenance Man Cap. (The number of Plant Maintenance Men would not exceed 20% of the total of the Title II Mechanics, Crew Chiefs and Tech Crew Chiefs at any station)

The parties further agree to form a local panel consisting of Management and the TWU to determine and ensure that the Plant Maintenance Man work scope is not exceeded. In the event that any location is not able to come to a resolution, it would be forwarded to the System Level Title II Oversight Committee for a determination.

Sincerely,
{Original Signed on file}

Agreed to:
{Original Signed on file}

James B. Weel
Managing Director
Employee Relations
American Airlines Inc.

Robert F. Gless
International Representative
AA System Coordinator
Transport Workers Union of America, AFL-CIO

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ATTACHMENT 11.7 –NEW CLASSIFICATION OF PLANT MAINTENANCE MAN DUTIES

From: Jane G. Allen
To: Edward R. Koziatek
Re: New Classification of Plant Maintenance Man Duties

August 15, 1995

This will confirm our discussions and understandings reached during the negotiations leading to the agreement effective August 15, 1995. We agreed to institute a new classification of employee titled "Plant Maintenance Man" into the agreement covering mechanics and related employees. This classification of employee will be assigned to Title II and perform the less than journeyman jobs in facilities and automotive maintenance.

The following list of work functions as outlined below is not intended to be all inclusive or exclusive of the work of this new classification, but is intended to reflect the parties' general concept of the scope of this classification's duties when performing individually or alone. The parties do not envision this classification of employee to get into the repair and/or overhaul of baggage systems, jet bridges, state of the art automotive equipment, building construction, engine overhauls, welding, automotive spray painting etc. However, when this classification is assisting a journeyman mechanic, they can perform any function of the trade with the journeyman's oversight.

Time and experience will dictate the need to further refine this conceptual list and the parties have agreed to promptly meet if such need should arise and review the parameters of the scope of the new classification.

GENERAL DUTIES

Shop Functions:

- Pick-up and delivery of equipment
- Tire build-up and repairs
- Battery servicing and replacements (up to 12 volts)
- Towing equipment (only when assisting a mechanic)
- Parts chasing
- Shop Work (changing of lubricant barrels, shop cleaning, etc.)

Equipment Functions:

- Non-powered
- Wash equipment
- Lubricate equipment
- Fluids and filter changes
- Minor electrical component replacement; e.g., light bulbs, reflectors, etc.
- Minor engine component replacement; e.g., expendable stock items

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- Pintle hook replacement except for those that are welded.
- Seat repairs and replacements

Preventive Maintenance Checks/Inspections (auto and facilities)

- Those PM checks/inspections not requiring disassembly, troubleshooting or repair

Facilities Maintenance:

- Light bulb replacement (relamping)/fixture cleaning
- Minor basic plumbing repairs (leaks, etc.) (restrooms)
- Masonry repair work (concrete block, etc.)
- Minor/semi-skilled carpentry and repair work (crating, drywall)
- Painting - facilities and ramp-brushes, rollers and walk behind paint striping
- Filter changes (Hvac)
- Fencing Repairs (gates, blast fences)
- Ceiling/flooring tile repairs
- PCA hose/cart repairs and replacement
- Minor non-powered repairs - wheelchairs, dollies, bicycles etc.
- Furniture repairs
- Fire bottle inspection/repair/servicing
- Battery operated lighting and components service/maintenance
- Tire build up and repair
- Lubrication and fluid checks
- Assist in clean-up, storage, and removal of hazardous waste
- Ramp escort

(Signed Original on File)

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(DOS)

Robert Gless
AA System Coordinator
Transport Workers Union of America
1791 Hurstview Drive
Hurst, Texas 76054

RE: Title II Work Experience Review – update from original agreement of 2/18/00

Dear Robert,

This letter will summarize our discussions concerning the determination of experience credit toward the minimum thirty-six (36) month Journeyman experience requirement for the classification of Mechanic-Plant Maintenance. This letter will also clarify the minimum twenty-four (24) months related experience requirement for the classification of Plant Maintenance Man (PMM).

In accordance with the April 2, 1996 letter of agreement, after exhausting Article 12(l) transfers, vacancies may be awarded to 12(m) transfers that meet the necessary qualifications for the classification of Mechanic-Plant Maintenance. If, upon verification of the necessary qualifications, it is determined the employee meets the requirements of the job, in accordance with Article 12(m); the employee will transfer to the Mechanic-Plant Maintenance classification. If unable to verify the necessary qualifications, the employee will be deemed not qualified and "by-passed" without penalty.

Those qualifications are: minimum thirty-six (36) months of actual working experience as a Journeyman Mechanic Automotive, Carpenter, Electrician, Electronics Technician, HVAC Technician, Millwright, Painter, Plumber, Stationary Operating Engineer, or Welder in the Type of Work assigned.

The following are clarifications of issues discussed regarding the experience credit required for the Mechanic-Plant Maintenance and Plant Maintenance Man (PMM) classifications.

1. Plant Maintenance Man (PMM) clarifications: Plant Maintenance Man (PMM) vacancies will be filled in accordance with the April 2, 1996, Filling of Full Time Vacancies letter of agreement and in accordance with the June 26, 1996, Plant Maintenance Man Procedures Company memorandum.

The following are clarifications of the June 26, 1996 memorandum:

- ❖ An incumbent employee must possess a minimum twenty-four (24) months of verifiable creditable working experience related to the type of work assigned to an employee in the PMM classification. An incumbent employee who does not have the prerequisite prior experience will be subject to a PMM Skills Assessment Test (in lieu of experience – FSA-1 or ASA-1 – Appendix F) prior to transfer, not at the end of six months.

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- ❖ Upon successful completion of the PMM Skills Assessment Test an incumbent employee will be awarded twenty-four (24) months related experience (not Journeyman) and deemed qualified for the PMM classification (not Mechanic-Plant Maintenance).
- ❖ An incumbent employee with the required minimum experience (twenty-four (24) months related) will not be required to pass the PMM Skills Assessment Test.
- ❖ A new hire employee must possess a minimum twenty-four (24) months of verifiable working experience related to the type of work assigned to an employee in the PMM classification and pass the PMM Skills Assessment Test prior to employment.
- ❖ In accordance with Article 9(a), 9(b) new hire employees, and Article 12(m) incumbent employees will be required to demonstrate mechanical ability and pass the Skills Qualifying Test (practical test PMM-1 or PMM-2) prior to the end of the first six months.

2. Work Experience Reviews clarifications:

- ❖ Work Experience Review panels will consist of members whom the Managing Director/Employee Relations and the TWU AA System Coordinator, or their designees have approved as qualified reviewers (Appendix E). There must always be one approved Company representative and one approved TWU representative, and may include subject matter experts as necessary.

❖ Experience working as a PMM with completion of mutually agreed upon annual required training will be credited toward the minimum thirty-six (36) months of Journeyman experience required for the Mechanic-Plant Maintenance classification. *(every 2 years of accredited service would equate to 1 year of journeyman experience)* (effective DOS) discussion needed
Contingent on successful completion of required training.

- ❖ Experience reviewed for the required minimum twenty-four (24) months related experience for the PMM classification determined to be Journeyman experience, as outlined by this letter, may be credited toward the minimum thirty-six (36) months requirement for Mechanic-Plant Maintenance.
- ❖ Work Experience reviews and awards will be performed using a review award form. See Appendix C and other attachments. Work Experience reviews awards will include time credited toward the Mechanic-Plant Maintenance classification and the PMM classification experience credit requirements.
- ❖ Work Experience reviews for transfers / upgrades or new hires into the Mechanic-Plant Maintenance or PMM classifications will be completed before or at the time of transfer or hire.
- ❖ Work Experience awards will be granted for verifiable work and/or school from ten (10) years prior to an employee's date of hire to present. Former TWA employee's work experience will be granted for the period ten (10) years prior to the AA acquisition of 4/10/01.

TWU/1113 PROPOSAL

Title Group: I & II

Proposal#: M and R # 2.0

Date Submitted 3-21-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

3. Testing requirements and clarifications:

- ❖ No work experience will be awarded for the completion of any test required for the Mechanic-Plant Maintenance and/or PMM classifications with the exception of the test in lieu of experience provision for incumbent employees clarified in Section 1 of this agreement. (discussion needed)
- ❖ Employees transferring or hiring into the PMM classification, in the areas of Automotive or Facilities maintenance, prior to the date of the original agreement of February 18, 2000 will not be required to take and pass the PMM Skills Qualifying Test for the type of work to which they are currently assigned.
- ❖ All transfers, 12(L) and shop to shop, between classifications and Job/Test Areas require successful completion of the applicable Skill Qualifying Test prior to transfer. The Mechanic-Plant Maintenance classification requires the applicable mechanical skill test. The PMM classification requires the applicable PMM-1 (Facilities) or PMM-2 (Automotive) skill test.
- ❖ The Administrator of QAM (TUL) will maintain a list of Test Examiners qualified to administer the PMM Skills Assessment and/or Skills Qualifying Tests. Only tests given by these Examiners will be approved and entered into an employee's test record. The approved Examiner list will be made a part of the QAM.
- ❖ An incumbent employee who fails the PMM Skills Assessment Test will not be eligible to retest for six months from the date of test failure.

4. Schooling and experience credit:

- ❖ Local management, in cooperation with local TWU representatives will maintain a list of approved schools. Approved schools may include, but may not be limited to those found in Appendix A. Additions and/or updates to the list of approved schools will be forwarded to the Administrator of QAM (TUL).
- ❖ HVAC, carpentry, electrical, electronics, millwright, plumbing, automotive maintenance, mechanical maintenance, steam fitting, welding, or other approved courses taken at approved schools will be credited toward the Mechanic-Plant Maintenance and Plant Maintenance Man experience credit requirement.
- ❖ Credit hours (recognized from school transcripts only) in approved or applicable courses at approved schools will be converted into months of Journeyman experience credit in accordance with the attached conversion chart. (See Appendix B.) High School courses in trades will not be considered as experience, unless part of a Vo-Tech curriculum.
 - ❖ Possession of a 6G Test Steam Card or equivalent will count as twelve (12) months experience towards schooling

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- ❖ No more than twenty-four (24) months experience credit for schooling can be credited toward the Mechanic-Plant Maintenance experience requirement.
- ❖ Fulfillment of the twenty-four (24) months experience requirement for PMM may be accomplished via schooling.

5. Licenses and experience credit:

- ❖ Possession of any one of the following licenses obtained through the successful completion of an approved apprenticeship program or other approved means, will constitute the fulfillment of the minimum thirty-six (36) month Journeyman experience requirement: Journeyman and/or Master Electrician, Plumber, High Pressure Boiler, Stationary Operating Engineer, Refrigeration or other approved license.
- ❖ Completion of an approved apprenticeship program in Automotive maintenance will constitute the fulfillment of the minimum thirty-six (36) month Journeyman experience requirement. Automotive Society of Excellence certification (ASE) will not be recognized.
- ❖ All licenses used to gain experience credit must be valid and verifiable. Verification through appropriate agencies for authenticity, validity and status will be required.
 - In accordance with the letter dated October 17, 2005, "Title II Experience Credit for A&P License", each license will count toward twelve (12) months of credited related experience.

6. Military experience clarifications:

- ❖ Verification of military experience credit must include official US government documents such as a DD214. The timeframe for military experience will have no limit. Applicable military mechanical experience can be considered as apprenticeship. For military reservist duty, each year of service will be credited as one (1) month. All active duty time will be credited month for month.

7. Increments:

- ❖ A base of 2080 hours will be used to determine the number of months of work experience granted in a calendar year. This constitutes an average of 173 hours per month.
- ❖ Month for month credit will be granted toward work experience requirements. (e.g., an employee with 4 months Journeyman experience would require an additional 32 months experience to qualify for Mechanic-Plant Maintenance.)
- ❖ Part time work will equal partial credit. Full time work will equal full credit. Standard rounding accounting practices will apply after calculating accumulative months of experience (e.g., 14.5 months of experience rounds up to 15.)

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8. Quantification of Journeyman experience: A person who has successfully served a formal apprenticeship or equivalent experience in a building trade or craft and who is thereby qualified to work at that trade in another's employ. A journeyman's license (earned through a combination of education, supervised experience, and examination) is required in many locales for those employed at an intermediate level in certain trades, such as plumbing, mechanical work, and electrical work. Journeyman work experience credit will be granted for verifiable work experience in any or all of the following: lay-out, planning and execution of complex maintenance assignments including, among others, the necessary sequence of operations to trouble shoot, disassemble, clean, check, repair, rework, replace, fabricate, assemble, install and adjust any building component, plant equipment, automotive and ground equipment machinery, accessories, parts, etc., and explaining work procedures to personnel assigned to assist in such work. Journeyman work experience credit will also be granted for verifiable work experience, which may include, but is not limited to the following:

❖ **Automotive**

Actual time spent repairing, maintaining, trouble shooting, overhauling, installing and/or demonstrating practical knowledge of diesel engines, gas engines, electric motors, transmission systems, drive train systems, brake systems, hydraulic systems, pneumatic systems, fuel / fuel injection systems, KVA units and generators. Hands on experience trouble shooting and diagnosing using automotive diagnostic equipment, schematics (e.g., hydraulic, pneumatic, electrical, etc) and performing automotive related electronics trouble shooting and repairs.

❖ **Carpentry**

Actual time spent reading blue prints and interpreting construction drawings. Hands on experience performing cabinet making, trim finishing, framing for residential and/or commercial construction, wood refinishing procedures and techniques.

❖ **Electrical**

Actual time spent working in the repair, maintenance, overhaul, installation and trouble shooting using testers, meters, schematics and related test equipment of motor control centers/circuits, electrical motors, electrical circuits, lighting systems and automated systems. Hands on experience repairing, maintaining, overhauling or installing AC/DC motors, 480volt three phase circuits, three phase transformer systems, primary and secondary voltages, currents and/or other characteristics appropriate to each. Working knowledge of the National Electric Code.

❖ **Electronics**

Actual time spent repairing, maintaining, trouble shooting, overhauling of machine tools (i.e. CNC machines), PLCs, fire alarm systems, security systems and VFDs. A practical working knowledge of all aspects of an oscilloscope, TDR, DVM, computer hardware, software systems and programming and calibration of plant automated instrumentation.

❖ **HVAC**

Actual time spent repairing, maintaining, overhauling, installing, trouble shooting and practical knowledge of refrigeration and air conditioning units, blower motors, fan motors, pneumatic controls, coils, compressors, soldering and brazing. Hands on experience using the principles of operation of refrigeration and air-conditioning units

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and cycles of refrigeration theory. Hands on experience maintaining, repairing, overhauling, installing, trouble shooting and/or practical knowledge of various systems including piston driven, centrifugal, rotary, motor driven, steam driven and absorption systems and the refrigerants used in each.

❖ **Millwright**

Actual time spent repairing, maintaining, overhauling and setting up and leveling machines. Hands on experience repairing, maintaining, overhauling or installing sump pumps, conveyor systems, jetbridges, motors, overhead cranes, large roll-up and mechanical doors, air driven and electrical driven pumps and airplane hangar doors.

❖ **Painter**

Actual time spent using layout skills for painting (e.g., gate parking, warehouses, parking lots, etc) using stencils, interpreting painting and layout drawings and operating striping and/or spraying equipment. (This does not include the repainting of lines already laid out or stenciled). Must have a working knowledge of proper surface preparation and the painting of interior and exterior surfaces using industrial painting applications.

❖ **Plumbing**

Actual time spent soldering, brazing, cutting, threading and installing pipe. Hands on experience repairing, maintaining, overhauling and installing and practical knowledge of chilled water systems, fire sprinkler systems, steam lines, plumbing schematics, oxygen acetylene torch brazing, domestic water and waste lines and major plumbing fixtures.

❖ **Stationary Operating Engineer**

Actual time spent working in the repair, maintenance, trouble shooting, overhaul and operation of boilers, chillers, water cooled air systems, energy management systems, boiler distribution and gas line plumbing valves, large air compressors, exhaust controls, indoor airspace heating systems, climate controls and all other ancillary equipment associated with Central Utility Plant operations.

❖ **Welding**

Actual time spent performing gas, oxygen acetylene, wire-feed, electric spot, TIG, MIG and arc welding of high pressure pipe, aluminum, iron, steel and other ferrous and non ferrous metals. Hands on experience welding as a certified welder to MIL STD1595 or equivalent.

9. Dispute Panel

A Dispute Panel (Appendix D, page 3) consisting of Company and TWU representatives agreed upon by the Managing Director of Employee Relations and TWU AA System Coordinator or their designees will, on an as needed basis, convene to discuss and resolve disputes arising from the application of this agreement. Employees desiring to dispute the work experience review award must complete the dispute form (Appendix D, page 1&2) and submit through the local shop steward. Employee must submit notice of appeal with his local union office within 14 days of receipt of this Experience Credit

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Title Group: I & II

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Award form. If unable to resolve at the local level, this appeal will be forwarded from the local union office to the TWU International for scheduling the Dispute Panel. Decisions issued by this panel are final and binding and are not subject to further grievance procedures. In the event this Dispute Panel cannot reach a decision and is "deadlocked", the issue may be submitted to the System Board of Adjustment.

By way of your signature below, please indicate your acceptance of these clarifications and express your full understanding of these discussions.

Sincerely,

James B. Weel
Managing Director
Employee Relations

Robert F. Gless
TWU AA System Coordinator
Transport Workers Union

cc: J. Weel
M. Waldron
A. Gannon
Dan Procknow
L. Valiente
M. Tinsman
Dispute Panel Members
Review Panel Members
Facilities & Automotive Maintenance Mangers
General Managers – Domestic GM's
J. Conley
A. McCoy
All AA TWU Local Presidents
G. Bird
M. Morse
B. VanZant
A. Patton
D. Tabar

TWU/1113 PROPOSAL

Title Group: I & II

Proposal#: M and R # 2.0

Date Submitted 3-21-2012

Delivered To: Mark Burdette

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LETTER OF MEMORANDUM – XX – PRODUCTIVITY IMPROVEMENTS

DOS

**Robert F. Gless
International Representative
Deputy ATD Director
AA System Coordinator
Transport Workers Union of America, AFL-CIO
1791 Hurstview Drive
Hurst, TX 76054**

RE: PRODUCTIVITY IMPROVEMENTS

Dear Robert,

During our recent negotiations, the issue was raised regarding the Company position on the following outlines the criteria discussed and agreed to by the parties with respect to utilization of these employees;

PRODUCTIVITY IMPROVEMENTS

As a result of the pre1113c discussion held on 3/14/2012, it is understood between the parties the following changes are in consideration of achieving cost savings of 6.6 million dollars annually by reducing overtime and improving operational performance.

- 1. Line Maintenance - Employees covered by this Agreement who are Taxi/ Run Up/LMP certified on at least two (2) of the Company's aircraft types shall receive a Taxi/Run Up/LMP premium of one dollar (\$1.00) per hour for eight (8) or ten (10) hours, whichever is applicable, for each shift in which they perform an aircraft Taxi or Engine Run Up or LMP. This Taxi/Run/LMP premium will be added to the employee's base rate of pay for all pay purposes.**
- 2. Line Maintenance - Job Continuance up to 1 hour @ 1.5 hour's pay**
- 3. Line Maintenance - Employees working through the 3rd to the 5th hour lunch period : 30 minutes @ 1.5 hour's pay or at the option of the employee, may leave work 30 minutes prior to the end of his scheduled shift**

**Sincerely,
{Original Signed on file}**

**Agreed to:
{Original Signed on file}**

**James B. Weel
Managing Director
Employee Relations
American Airlines Inc.**

**Robert F. Gless
International Representative
Deputy ATD Director
AA System Coordinator
Transport Workers Union of America, AFL-CIO**

TWU/1113 PROPOSAL

Title Group: I & II

Proposal#: M and R # 2.0

Date Submitted 3-21-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

Attachment 4.2- Process Improvement - Base Employee Gain Sharing Plan

DOS

Robert F Gless
International Representative
AA System Coordinator
Transport Workers Union of America, AFL-CIO
1791 Hurstview Drive
Hurst, TX 76054

RE: Process improvement - Base Employee Gain Sharing Plan

Dear Robert,

During the recent negotiations, the parties committed to jointly develop a variable compensation plan that will be applicable for TWU employees in the Maintenance and Engineering department. The parties agree that capitalizing on the value of our people's knowledge, experience, and skill serves to improve American Airlines Maintenance and Engineering's ability to compete and win in the global marketplace. In order to keep our people – union and management – engaged there must be a risk/reward system in place.

The following will be used to track improvements to the M&E Operations:

- Base Maintenance
- AO turn times/DNARS within 1% of plan
- Budgeted to Actual MHs does not exceed 3% over budget
- System PIREPS 30 days out of check
- Training requirement completion
- 3rd Party Revenue

The Company and TWU will share the annual improvement value in agreed upon initiatives on a 50/50 percentage basis after administrative costs of the gain sharing program. The parties agree to assemble a Gain Share Committee consisting of leadership from the following departments:

- Production
- Finance
- Employee Relations
- TWU leadership

The parties agree to finalize a set of metrics and the associated variable compensation as soon as possible after date of signing. Gain sharing will be monitored and distributed as determined by the Committee.

Sincerely,

{Original Signed on file}

TWU/1113 PROPOSAL

Title Group: I & II

Proposal#: M and R # 2.0

Date Submitted 3-21-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

James B. Weel
Managing Director
Employee Relations
American Airlines Inc.

Agreed to:
{Original Signed on file}

Robert F. Gless
International Representative
AA System Coordinator
Transport Workers Union of America, AFL-CIO

TWU/1113 PROPOSAL

Title Group: I & II

Proposal#: M and R # 2.0

Date Submitted 3-21-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

Attachment 4.3- Process Improvement – Line Maintenance Performance Pay

DOS

**Robert F Gless
International Representative
AA System Coordinator
Transport Workers Union of America, AFL-CIO
1791 Hurstview Drive
Hurst, TX 76054**

RE: Process Improvement - Line Maintenance Performance Pay (LMPP)

Dear Robert,

During the recent negotiations, the parties committed to jointly develop a variable compensation plan that will be applicable for TWU employees in the Maintenance and Engineering department at the Line Stations. The parties agree that capitalizing on the value of our people's knowledge, experience, and skill serves to improve American Airlines Maintenance and Engineering's ability to compete and win in the global marketplace. In order to keep our people – union and management – engaged there must be a performance reward system in place therefore the company has agreed to implement a quarterly wage incentive program (LMPP) based on agreed upon performance parameters:

- **System open items**
- **Station MEL deferral versus removal percentage**
- **B check schedule goals**
- **Code 46 delays**
- **Maintenance aircraft moves**

The LMPP is applicable to employees in the following Line Maintenance TWU job classifications:

- 1. Inspector**
- 2. Crew Chief Aircraft Maintenance Technician**
- 3. Technical Crew Chief – Aircraft Maintenance Technician**
- 4. Aircraft Maintenance Technician**

LMPP payments:

- 1. LMPP is in addition to, but not included in, each covered employee's base hourly rate of pay.**
- 2. LMPP is not compounded in the computation of overtime, holiday, or any other type of premium pay.**
- 3. LMPP is paid on the basis of an employee's paid hours in any given month, including paid sick, paid IOD, overtime, and holiday paid hours.**

TWU/1113 PROPOSAL

Title Group: I & II

Proposal#: M and R # 2.0

Date Submitted 3-21-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

Attachment

DOS

**Robert F. Gless
International Representative
Assistant ATD Director
AA System Coordinator
Transport Workers Union of America, AFL-CIO
1791 Hurstview Drive
Hurst, TX 76054**

RE: Title II at the Tulsa Maintenance Base, EVS, CRC, WBC, APU, Hangar 80 under (1) shop

Dear Robert,

During our recent negotiations, the issue was raised regarding the Company position on the following outlines the criteria discussed by the parties with respect to utilization of these employees;

Title II at the Tulsa Maintenance Base, EVS, CRC, WBC, APU, Hangar 80 under (1) shop:

- **Change selected crews to 5/8s schedule**
- **Change selected 24/7 Coverage for Tulsa Maintenance Base, CRC, WBC, APU and Hangar 80**
- **Millwrights/Plumbers/PMs perform limited functions in Central Plant**
- **TULE Automotive /Painters/Carpenters/ Base Utilities performs all applicable maintenance at TUL**
- **Environmental Services (EVS) perform checks/test and provide maintenance on:**
 - **all spray/paint/ blast booths**
 - **minor IH duties, check air quality, air velocity, etc...**

Automotive Mechanic (8) hours a week X (52) X \$ 43.43 = \$18,066.88 (Mechanic driving Trash Truck to dump. Equivalent lost time of 416 man hours' worth of automotive work).

Sincerely,
{Original Signed on file}

Agreed to:
{Original Signed on file}

James B. Weel
Managing Director
Employee Relations
American Airlines Inc.

Robert F. Gless
International Representative
AA System Coordinator
Transport Workers Union of America, AFL-CIO

TWU/1113 PROPOSAL

Title Group: I & II

Proposal#: M and R # 2.0

Date Submitted 3-21-2012

Delivered To: Mark Burdette

Delivered by: Don Videtich

Attachment

DOS

Robert F. Gless
International Representative
Assistant ATD Director
AA System Coordinator
Transport Workers Union of America, AFL-CIO
1791 Hurstview Drive
Hurst, TX 76054

RE: Proposed Title II QAM language

Dear Robert,

During our recent negotiations, the issue was raised regarding the Company position on the following outlines the criteria discussed by the parties with respect to utilization of these employees;

Proposed Title II QAM language

Any employee transferring into the Plant Maintenance Mechanic (Automotive/Facilities) classification must meet the work experience requirements as defined in the (new letter) (Feb 17, 2010 template).

An employee who fails the applicable qualification test will not be eligible to test again for a period of six (6) months from the date of test failure. If failed on the second attempt, an employee will not be eligible to test again for one (1) year.

Failure on the third attempt will require an employee to demonstrate his efforts to gain the required knowledge/skill enabling him to pass the test, e.g., school, CBT, or other training, prior to a fourth test attempt. The fourth and subsequent retests may only occur on an annual basis, and each requires the described demonstrated effort by the employee.

Sincerely,
{Original Signed on file}

James B. Weel
Managing Director
Employee Relations
American Airlines Inc.

Agreed to:
{Original Signed on file}

Robert F. Gless
International Representative
AA System Coordinator
Transport Workers Union of America, AFL-CIO

EXHIBIT B

TWU/1113 PROPOSAL

Title Group: V

Proposal # Material Logistic Specialist 1

Date Submit: 2/24/12

Delivered To: Mark Burdette

Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
Preamble	<p>PREAMBLE Propose we retain the current preamble with proviso to modify per restructuring terms.</p>		
1 (6.45m)	<p>ARTICLE 1 – RECOGNITION AND SCOPE Modify Eagle ASM Letter outlined in Attachment</p> <p>Modify 6% to 18% with the current counting methodology, no exclusions, report and measurement period will remain as is provided under the current letter of agreement.</p> <p>AFW Closure of AO- 96 Stock Clerks impacted.</p> <p>*Impact to Warehouse and TAESL still undetermined by management- value will increase if it is determined to reduce operations.</p>		

TWU/1113 PROPOSAL

Title Group: V

Proposal # Material Logistic Specialist 1

Date Submit: 2/24/12

Delivered To: Mark Burdette

Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(4)	ARTICLE 4 – COMPENSATION cont. Variable compensation plan: Mutually commit to develop a variable compensation plan (Gain sharing) prior to the amendable date.		
(5)	ARTICLE 5 – SHIFT DIFFERENTIAL Current Book		
(6)	ARTICLE 6 – OVERTIME Current Book		
(7)	ARTICLE 7 – HOLIDAYS (Validating Cost out)		

TWU/1113 PROPOSAL

Title Group: V

Proposal # Material Logistic Specialist 1

Date Submit: 2/24/12

Delivered To: Mark Burdette

Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(8)	ARTICLE 8 – VACATIONS		
(1.3m)	Modify attachment 8.3 to add flex vacation language		
(0.5m)	Modify paragraph (k) remove PV's		
(9)	ARTICLE 9 – PROBATIONARY PERIOD Retain T/A'd Article dated 11/13/07		
(10)	ARTICLE 10 – SENIORITY Retain T/A'd Article dated 12/11/07		
(11)	ARTICLE 11 – CLASSIFICATION AND QUALIFICATIONS Retain T/A'd Article dated 6/10/09		
(12)	ARTICLE 12 – PROMOTIONS AND TRANSFERS Retain T/A'd Article dated 1/14/11		
(13)	ARTICLE 13 – SENIORITY LISTS Retain T/A'd Article dated 7/16/09		

TWU/1113 PROPOSAL

Title Group: V

Proposal # Material Logistic Specialist 1

Date Submit: 2/24/12

Delivered To: Mark Burdette

Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(14)	ARTICLE 14 – LOSS OF SENIORITY Retain T/A'd Article dated 12/16/10		
(15)	ARTICLE 15 – REDUCTION IN FORCE Retain T/A'd Article dated 8/22/08		
(16)	ARTICLE 16 – RECALL Retain T/A'd Article dated 12-15-10		
(17)	ARTICLE 17 – LEAVES OF ABSENCE Retain T/A'd Article dated 12-15-10		
(18)	ARTICLE 18 – MILITARY LEAVE Retain T/A'd Article dated 1/22/08		

TWU/1113 PROPOSAL

Title Group: V

Proposal # Material Logistic Specialist 1

Date Submit: 2/24/12

Delivered To: Mark Burdette

Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(19)	ARTICLE 19 – TERMINATION OF EMPLOYMENT Retain T/A'd Article dated 1/31/08		
(20)	ARTICLE 20- BULLETIN BOARDS Retain T/A'd Article dated 11/15/07		
(21)	ARTICLE 21 - ROTATION OF SHIFTS Retain T/A'd Article dated 1/23/08		
(22)	ARTICLE 22 – REGULAR AND RELIEF ASSIGNMENTS Left Blank		
(23)	ARTICLE 23 – REGULAR AND RELIEF ASSIGNMENTS Retain T/A'd Article dated 12/11/07		

TWU/1113 PROPOSAL

Title Group: V

Proposal # Material Logistic Specialist 1

Date Submit: 2/24/12

Delivered To: Mark Burdette

Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(24)	ARTICLE 24 – ABSENCE FROM DUTY Retain T/A'd Article dated 12/03/07		
(25)	ARTICLE 25 – RECALL AND CALL-IN WORK Retain T/A'd Article dated 4/8/08		
(26)	ARTICLE 26 – FIELD TRIPS Retain T/A'd Article dated 1/15/08		
(27)	ARTICLE 27 – GENERAL Retain T/A'd Article dated 12/16/10		

TWU/1113 PROPOSAL

Title Group: V

Proposal # Material Logistic Specialist 1

Date Submit: 2/24/12

Delivered To: Mark Burdette

Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(28)	ARTICLE 28 – NO DISCRIMINATION AND RECOGNITION OF RIGHTS AND COMPLIANCE Retain T/A'd Article dated 12/16/10		
(29)	ARTICLE 29 – REPRESENTATION Retain T/A'd Article dated 7/7/08		
(30)	ARTICLE 30 – GRIEVANCE PROCEDURE FOR DISMISSAL/CORRECTIVE ACTION Retain T/A'd Article dated 12-16-10		
(31)	ARTICLE 31 – GRIEVANCE PROCEDURE FOR CONTRACTUAL DISPUTES Retain T/A'd Article dated 12-16-10		
(32)	ARTICLE 32 – BOARDS OF ADJUSTMENT Retain T/A'd Article dated 12-21-08		

TWU/1113 PROPOSAL

Article Group: V

Proposal # Material Logistic Specialist 1

Date Submit: 2/24/12

Delivered To: Mark Burdette

Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(33)	ARTICLE 33 – NO STRIKE – NO LOCKOUT Retain T/A'd Article dated 12-06-07		
(34)	ARTICLE 34 – SICK LEAVE/UNUSED SICK LEAVE (Global Issue)		
(35)	ARTICLE 35 – TEMPORARY EMPLOYEES Retain T/A'd Article dated 12-12-07		
(36)	ARTICLE 36 – MEAL PERIODS Retain T/A'd Article dated 10/13/11		
(37)	ARTICLE 37 – SEVERANCE ALLOWANCE Retain T/A'd Article dated 4/1/08		

TWU/1113 PROPOSAL

Article Group: V

Proposal # Material Logistic Specialist 1

Date Submit: 2/24/12

Delivered To: Mark Burdette

Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(38)	ARTICLE 38 – UNION SECURITY Retain T/A'd Article dated 11/13/07		
(39)	ARTICLE 39 – FITNESS FOR DUTY Retain T/A'd Article dated 2/9/11		
(40)	ARTICLE 40 – RETIREMENT BENEFITS (Global Issue)		
(41)	ARTICLE 41 – GROUP INSURANCE CONTRIBUTIONS (Global Issue)		
(42)	ARTICLE 42 – JOB SECURITY Propose we tentatively agree to current book.		
(43)	ARTICLE 43 - PART – TIME EMPLOYEES Retain T/A'd Article dated 7-7-08		
(44)	ARTICLE 44 – MOVING EXPENSES/OPTIONAL SEVERANCE FOR PROTECTED EMPLOYEES Retain T/A'd Article dated 12-12-07		

TWU/1113 PROPOSAL

Title Group: V

Proposal # Material Logistic Specialist 1

Date Submit: 2/24/12

Delivered To: Mark Burdette

Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(45)	<p>ARTICLE 45 – EFFECT ON PRIOR AGREEMENTS</p> <p>Retain T/A'd Article dated 2-27-08</p>		
(46)	<p>ARTICLE 46 – ONE STATION COMPLEX AGREEMENTS</p> <p>Retain T/A'd Article dated 12-15-10 (modification of LOM 3 addressing DWH and DFW incumbents – place holder)</p>		
(47)	<p>ARTICLE 47 – DURATION OF AGREEMENT</p> <p>36 MONTHS FROM DOS</p>		

TWU/1113 PROPOSAL

Title Group: V

Proposal # Material Logistic Specialist 1

Date Submit: 2/24/12

Delivered To: Mark Burdette

Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(LOM'S)	<p>LETTERS OF MEMORANDUM Retain T/A'd LOM's.</p> <p>New LOM's</p> <p>DFW/DWH One Station Complex</p> <p>Variable Compensation Plan</p> <p>*LOM to form a cost of living committee created to study high cost of living areas</p>		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: STORES (V) Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
1	<p>RECOGNITION AND SCOPE (Successorship Language)</p> <p>Successorship - (1)Economic concessions shall "snap back" to pre-concession economics at closing of "successor transaction" (Definitions to be further expanded from current CBA—e.g. - spin offs, asset sales or transfers, joint ventures, MRO base sale, etc.). (2)Union recognition and neutrality: It shall be a condition of any successorship transaction that the surviving entity recognizes the Union as the collective bargaining agent for the employees performing work described in this agreement. (3)The Company will assure that any entities that it enters into Successor transactions with involving performance of TWU craft work will retain/hire existing TWU employees and will apply the terms and conditions of the TWU CBA and recognize TWU as the collective bargaining agent.</p>		

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TWU/1113 PROPOSAL

Title Group: STORES (V) Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(4)	Wage Opener Wage reopener for increases each year of CBA from DOS, utilizing an agreed upon industry market rates model		
(4)	Variable compensation plan: Mutually commit to develop a variable compensation plan (Gain Sharing).		

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TWU/1113 PROPOSAL

Title Group: STORES (V) Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
	<p>Defined Benefit Plan (hard freeze) provided it is company-wide, 90 days after DOS contingent upon all employee groups doing the same. Plan to be fully funded.</p> <p>Defined Contribution Plan – effective 90 days after DOS. Following one year of eligibility service, the employee will receive an automatic Company contribution of 3.0% per pay period. The employee may contribute any amount allowed by law. If the employee’s contribution is in excess of 3.0%, the company will match the employee’s contribution up to a maximum Company match of 6.5%. Additional terms of the Defined Contribution plan (DC) will be no less favorable than those offered to management or any other work group unless otherwise agreed to by the TWU.</p>		
(41)	<p>BENEFITS Active Medical</p>	<p>Still under review.</p>	

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: STORES (V) Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(41)	<p>BENEFITS</p> <p>Retiree Medical</p> <p>The following changes to the retiree medical plan:</p> <p>Active Employees:</p> <p>Employee and Company prefunding contributions will cease three (3) months after DOS.</p> <p>The employee's match and the Company's match of the employee's prefunding account, plus investment earnings, will be distributed to the employee within ___ days (TBD) of DOS per terms of the Trust Agreement.</p> <p>For under age 65 coverage, employees who enroll will pay 100% of the cost of pre-65 retiree medical coverage upon retirement.</p> <p>For over age 65 coverage, retirees will be offered access to purchase a guaranteed issue Medicare supplement plan through a third party administrator.</p>		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: STORES (V) Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
	<p>Retiree Medical (CONTINUED) Current Retirees and those that retire within 90 days after DOS:</p> <p>Employee and Company contributions will cease 3 months after DOS.</p> <p>Retiree Medical coverage for current retirees and active TWU employees retiring within 3 months or earlier from DOS:</p> <p>The Retiree Medical Plan will be the same plan design as offered to the TWU retirees today with the following changes: in-network benefits paid at 80% by the Company after the deductible and out-of-network benefits paid at 60% by the Company after the deductible.</p> <p>Retiree medical coverage for New Hires – those hired after DOS.</p> <p>For under age 65 coverage, employees will pay 100% of the cost of pre-65 retiree medical coverage upon retirement.</p>		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: STORES (V) Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(47)	DURATION TBD by the parties.		
(LOM)	Early Out Program as agreed to between the parties.		
(LOM)	TWU shall be entitled to a claim in the Chapter 11 case equal to value of concessions.		
(LOM)	Equity in concessions: TWU concessions are contingent upon equitable concessions of all non-TWU groups such that this unit is not disadvantaged. Disputes shall proceed to expedited binding arbitration.		
(LOM)	Agreement to provide equity to TWU employees.		
	*This counter proposal coupled with the earlier counter proposal of this title group represents a complete initial response to the Company's initial ask. Each item offered is contingent upon reaching a full consensual agreement.		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: STORES Proposal # 1 A Date Submitted: 3/5/12

Delivered To: Mark Burdette Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
<p>41 Active Medical</p>	<p>Active Medical Plan Design Changes (See attached spreadsheet)</p> <p>Plan 1. Value – Current Value Plus plan offered by AA. Plan 2. Standard – Modify current \$150 deductible contractual plan Plan 3. Core Plan – Replaces current \$1000 deductible contractual plan (Free plan)</p> <p>Proposal:</p> <ol style="list-style-type: none"> 1. Three plans available and have them all contractual plans 2. Keep 3-Tier Structure 3. Same cost for all TWU members (Full-Time and Part-Time) 4. Include wellness program in contract 5. Participation in wellness program 6. Incentives for engagement in wellness program <ol style="list-style-type: none"> a. Funding Health Savings Account (HSA) b. Reduce co-pays/co-insurance amounts c. Reduce monthly contribution amounts <p>Active Medical (Continued)</p>		

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TWU/1113 PROPOSAL

Title Group: STORES Proposal # 1 A Date Submitted: 3/5/12

Delivered To: Mark Burdette Delivered By: Don Videtich

<p>41 Active Medical Cont.</p>	<p>7. Members that elect the HSA Compatible HDHP (Dollar for Dollar match by AA)</p> <ul style="list-style-type: none"> a. Employee -- \$ 500 b. Employee and Spouse -- \$ 1000 c. Employee and Child(ren) -- \$ 2000 d. Employee and Family -- \$ 3000 <p>All plan changes will be reviewed by the TWU prior to implementation and the TWU would maintain a right of appeal prior to any plan change implementations.</p> <p>Current language on inflation: The number of "benefit dollars" Provided by the Company to each employee will increase by the percentage increase in the Company's average annual cost per covered employee, for the period July 1 through June 30 immediately preceding the enrollment year over the previous period July 1 through June 30 up to a maximum of 5%. In this way, the Company pays for the first 5% of cost increases.</p> <p>The Company agrees, if necessary, to reduce the option price of any Medical or Dental Plan currently offered in the Flexible Benefits Enrollment to the same contribution level set by the Cafeteria Plan for Pilots and Flight Attendants for equivalent plans.</p>		
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TWU Proposal --- STORES March 22, 2012

Value of Proposed Terms

	Issue	Jobs	Total	Per Year
1	General Wage Increases		\$5.146	\$0.858
1	Skill Premium		\$13.943	\$2.324
1	AFW WB	96	-\$27.891	-\$4.789
1	AFW Warehouse	30	-\$8.716	-\$1.496
1	Pension DCP		-\$13.435	-\$2.239
1	Health Ins - Actives		-\$1.789	-\$0.298
1	Health Ins - Retirees		-\$16.703	-\$2.784
1	Fewer Bids	2	-\$0.678	-\$0.113
1	Local OT Policy		-\$0.438	-\$0.073
1	Baker	6	-\$0.804	-\$0.134
1	Vacation Bidding Flexibility		-\$6.440	-\$1.073
1	PV Days		-\$2.022	-\$0.337
1	One Seventh Rule		-\$6.523	-\$1.087
1	Pulling Parts		-\$19.801	-\$3.300
Total Savings		134	-\$86.1	-\$14.54

TWU/1113 PROPOSAL

Title Group: V Proposal # Material Logistic Specialist 1 Date Submit: 3/22/12

Delivered To: Mark Burdette

Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
Preamble	PREAMBLE Propose we retain the current preamble with proviso to modify per restructuring terms.	Previously Proposed	
1 (4.64m) (1.5m) (??M)	ARTICLE 1 – RECOGNITION AND SCOPE ASM Cap 15% with no exclusions. AFW Closure of AO- 96 Stock Clerks impacted. AFW Warehouse closure 30 SC's 27 Stock Clerks to DWH for kitting/shops/hardware/transportation/VC relief. AFW/TUL Outsourcing (New LOM RESTRUCTURING AGREEMENT REGARDING TULE AND DWH to be written)	Previously proposed 18% New Proposal to be consistent with M&R *Impact to Warehouse still undetermined by management- value will increase if it is determined to reduce operations ***Stores proposal pending dependent on M&R proposal on aircraft in Tulsa.	

TWU/1113 PROPOSAL

Title Group: V Proposal # Material Logistic Specialist 1 Date Submit: 3/22/12

Delivered To: Mark Burdette

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Article	Proposal	Notes	T/A Date
(2)	ARTICLE 2 - DEFINITIONS Retain T/A'd Article dated 12/15/10 (With proviso to amend with restructuring language that needs to be defined)	ARTICLE 2 – DEFINITIONS (TWU Previously Proposed) • Add definitions specific to Bankruptcy (Clean –Up for AFW and DWH)	
(3) (1.1m)	ARTICLE 3 – HOURS OF WORK New Proposal 1/7 Rule (Stipulated on 1.1M value from previous negotiations)	TWU Previously Proposed to retain T/A'd Article dated 10/13/11 New Proposal to be consistent with M&R.	
(4)	ARTICLE 4 – COMPENSATION 1.5% DOS 1.5% DOS + 12 Months 1.5% DOS + 24 Months 1.5% DOS + 36 Months 1.5% DOS + 48 Months Wage reopener 30 months after DOS New Proposal Skill premium .75 cents per hour.	Cost (.858m) YR Cost (2.32m) YR	
(4)	Profit Sharing Plan New Profit Sharing (Continental match) 15% of all operating earnings (1 st dollar) as previously proposed.		

TWU/1113 PROPOSAL

Title Group: V Proposal # Material Logistic Specialist 1 Date Submit: 3/22/12

Delivered To: Mark Burdette

Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(4)	<p>ARTICLE 4 – COMPENSATION cont. Variable compensation plan: (TWU Previously Proposed)</p> <p>Mutually commit to develop a variable compensation plan (Base Gain sharing) prior to the amendable date.</p>		
(5)	<p>ARTICLE 5 – SHIFT DIFFERENTIAL Current Book</p>		
(6) (.073m)	<p>ARTICLE 6 – OVERTIME New Proposal</p> <ul style="list-style-type: none"> • Common rule for overtime sign-up to reduce OT bypass • New Proposal Remove 40 hour rule. 	<p>TWU previously proposed current book new proposal to be consistent with M&R.</p>	
(7)	<p>ARTICLE 7 – HOLIDAYS</p> <ul style="list-style-type: none"> • Current book OR share in the amount of Holiday and Pay Rate of the Management and non-union hourly workers; whichever is greater 		

TWU/1113 PROPOSAL

Title Group: V Proposal # Material Logistic Specialist 1 Date Submit: 3/22/12

Delivered To: Mark Burdette

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Article	Proposal	Notes	T/A Date
(8)	ARTICLE 8 – VACATIONS Previously proposed		
(1.1m)	Modify attachment 8.3 to add flex vacation language		
(0.337m)	Modify paragraph (k) remove PV's New proposal-Line Station Floating Vacation Letter. (see attachment)		
(9)	ARTICLE 9 – PROBATIONARY PERIOD Retain T/A'd Article dated 11/13/07		
(10)	ARTICLE 10 – SENIORITY Retain T/A'd Article dated 12/11/07		
(11)	ARTICLE 11 – CLASSIFICATION AND QUALIFICATIONS Retain T/A'd Article dated 6/10/09		
(12)	ARTICLE 12 – PROMOTIONS AND TRANSFERS Retain T/A'd Article dated 1/14/11		
(13)	ARTICLE 13 – SENIORITY LISTS Retain T/A'd Article dated 7/16/09		

TWU/1113 PROPOSAL

Title Group: V Proposal # Material Logistic Specialist 1 Date Submit: 3/22/12

Delivered To: Mark Burdette

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Article	Proposal	Notes	T/A Date
(14)	ARTICLE 14 – LOSS OF SENIORITY Retain T/A'd Article dated 12/16/10		
(15)	ARTICLE 15 – REDUCTION IN FORCE Retain T/A'd Article dated 8/22/08		
(16)	ARTICLE 16 – RECALL Retain T/A'd Article dated 12-15-10		
(17)	ARTICLE 17 – LEAVES OF ABSENCE Retain T/A'd Article dated 12-15-10		
(18)	ARTICLE 18 – MILITARY LEAVE Retain T/A'd Article dated 1/22/08		

TWU/1113 PROPOSAL

Title Group: V Proposal # Material Logistic Specialist 1 Date Submit: 3/22/12

Delivered To: Mark Burdette

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Article	Proposal	Notes	T/A Date
(19)	ARTICLE 19 – TERMINATION OF EMPLOYMENT Retain T/A'd Article dated 1/31/08		
(20)	ARTICLE 20- BULLETIN BOARDS Retain T/A'd Article dated 11/15/07		
(21) (.113m)	ARTICLE 21 - ROTATION OF SHIFTS New proposal. • Agree to allow a maximum of 3 bids per year	Previously proposed to retain T/A'd Article dated 1/23/08	
(22)	ARTICLE 22 – REGULAR AND RELIEF ASSIGNMENTS Left Blank		
(23)	ARTICLE 23 – REGULAR AND RELIEF ASSIGNMENTS Retain T/A'd Article dated 12/11/07		

TWU/1113 PROPOSAL

Title Group: V Proposal # Material Logistic Specialist 1 Date Submit: 3/22/12

Delivered To: Mark Burdette

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Article	Proposal	Notes	T/A Date
(24)	ARTICLE 24 – ABSENCE FROM DUTY Retain T/A'd Article dated 12/03/07		
(25)	ARTICLE 25 – RECALL AND CALL-IN WORK Retain T/A'd Article dated 4/8/08		
(26)	ARTICLE 26 – FIELD TRIPS Retain T/A'd Article dated 1/15/08		
(27)	ARTICLE 27 – GENERAL Retain T/A'd Article dated 12/16/10		

TWU/1113 PROPOSAL

Title Group: V Proposal # Material Logistic Specialist 1 Date Submit: 3/22/12

Delivered To: Mark Burdette

Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(28)	ARTICLE 28 – NO DISCRIMINATION AND RECOGNITION OF RIGHTS AND COMPLIANCE Retain T/A'd Article dated 12/16/10		
(29)	ARTICLE 29 – REPRESENTATION Retain T/A'd Article dated 7/7/08		
(30)	ARTICLE 30 – GRIEVANCE PROCEDURE FOR DISMISSAL/CORRECTIVE ACTION Retain T/A'd Article dated 12-16-10		
(31)	ARTICLE 31 – GRIEVANCE PROCEDURE FOR CONTRACTUAL DISPUTES Retain T/A'd Article dated 12-16-10		
(32)	ARTICLE 32 – BOARDS OF ADJUSTMENT Retain T/A'd Article dated 12-21-08		

TWU/1113 PROPOSAL

Title Group: V Proposal # Material Logistic Specialist 1 Date Submit: 3/22/12

Delivered To: Mark Burdette

Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(33)	ARTICLE 33 - NO STRIKE - NO LOCKOUT Retain T/A'd Article dated 12-06-07		
(34)	ARTICLE 34 - SICK LEAVE/UNUSED SICK LEAVE (Global Issue)		
(35)	ARTICLE 35 - TEMPORARY EMPLOYEES Retain T/A'd Article dated 12-12-07		
(36)	ARTICLE 36 - MEAL PERIODS New Proposal		
(??m)	<ul style="list-style-type: none"> Propose reinstating paid lunch as part of the Productivity enhancement (AOG, Truck driver performance, OTS) 	Previously proposed to retain T/A'd Article dated 10/13/11. New proposal to be consistent with M&R.	
(37)	ARTICLE 37 - SEVERANCE ALLOWANCE Retain T/A'd Article dated 4/1/08		

TWU/1113 PROPOSAL

Title Group: V Proposal # Material Logistic Specialist 1 Date Submit: 3/22/12

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Article	Proposal	Notes	T/A Date
(38)	ARTICLE 38 – UNION SECURITY Retain T/A'd Article dated 11/13/07		
(39)	ARTICLE 39 – FITNESS FOR DUTY Retain T/A'd Article dated 2/9/11		
(40) (2.24m)	ARTICLE 40 – RETIREMENT BENEFITS (Global Issue)		
(41) (.3m) (2.8m)	ARTICLE 41 – GROUP INSURANCE CONTRIBUTIONS Active medical Retiree medical (Global Issue)		
(42)	ARTICLE 42 – JOB SECURITY Propose we tentatively agree to current book.		
(43)	ARTICLE 43 - PART - TIME EMPLOYEES Retain T/A'd Article dated 7-7-08		
(44)	ARTICLE 44 – MOVING EXPENSES/OPTIONAL SEVERANCE FOR PROTECTED EMPLOYEES Retain T/A'd Article dated 12-12-07		

TWU/1113 PROPOSAL

Title Group: V Proposal # Material Logistic Specialist 1 Date Submit: 3/22/12

Delivered To: Mark Burdette

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Article	Proposal	Notes	T/A Date
(45)	<p>ARTICLE 45 – EFFECT ON PRIOR AGREEMENTS</p> <p>Retain T/A'd Article dated 2-27-08</p>		
(46)	<p>ARTICLE 46 – ONE STATION COMPLEX AGREEMENTS</p> <p>Retain T/A'd Article dated 12-15-10 (modification of LOM 3 addressing DWH and DFW incumbents – place holder)</p>		
(47)	<p>ARTICLE 47 – DURATION OF AGREEMENT</p> <p>New Proposal</p> <p>48 months from DOS</p>	<p>TWU previously proposed 36 MONTHS FROM DOS</p>	

TWU/1113 PROPOSAL

Title Group: V Proposal # Material Logistic Specialist 1 Date Submit: 3/22/12

Delivered To: Mark Burdette

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Article	Proposal	Notes	T/A Date
<p>(.14m)</p> <p>(LOM'S)</p>	<p>Accept the company's proposal to eliminate Baker letter.</p> <p>LETTERS OF MEMORANDUM</p> <p>Retain T/A'd LOM's.</p> <p>New LOM's</p> <p>DFW/DWH One Station Complex</p> <p>Variable Compensation Plan</p> <p>*LOM to form a cost of living committee created to study high cost of living areas</p>		
<p>(3.3m)</p>	<p>New LOM's</p> <p>FVP Floating Vacation Procedures.</p> <p>Kitting A&B checks Line Stations.</p>	<p>LOM being written.</p>	

TWU/1113 PROPOSAL

Title Group: V Proposal # Material Logistic Specialist 1 Date Submit: 3/22/12

Delivered To: Mark Burdette

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STORES LINE SUPPLY- FLOATING VACATION PROCEDURES

FVP requests can be made 30 days in advance through Staff Admin.
However, final FVP request approvals will be done 7 days prior to date
requested.

FVP requests submitted with less than 7 days will be granted on a "first
come, first serve" basis, if available.

Emergency FVP's must be approved by the Supervisor/Manager on Duty.
Remember:

FVP's will not be approved for an employee's Holiday.
No more than 3 FVP's may be taken at one time.
FVP's are granted based on Company seniority.

EXHIBIT C

TWU Statement on counter proposal --February 23, 2012 --MCT

On February 1, 2012 the company gave us an initial partial presentation on its business plan of reorganization---a plan with which we have serious concerns. The last of the Company's initial business presentations to this bargaining unit was on Monday, February 13, 2012.

We have studied your plan. Your plan contemplates some 13,000 pink slips (9000 of which cover employees represented by our union). It seeks to change much in the CBA, including language that the parties have lived by for decades and it calls for ending benefit plans that we designed our lives around. You even propose health insurance changes that will be unaffordable to many of those who remain in AA's employ. It is a monumental "ask", to say the least.

In order to frame our counter proposal we have requested essential documentation and information. Your first omnibus response to our requests came just last Friday, February 17, 2012. While we have received materials and information, much critical information is still outstanding.

Despite the lack of complete information needed to address your proposed concessions, we nonetheless, without waiving rights, will present to you a proposal that addresses the company's financial concerns.

Our counter proposal is based on many factors.

First, since we still lack critical data, this counter proposal will necessarily change as more information becomes available. We understand and accept our 1113 obligation and the carrier's need for relief. That is why this counterproposal represents approximately \$1.6M in concessions.

Second, this counter does not address additional concessions we are contemplating as to those issues involving the across the board "pass through" items. These pass through items include those contractual items that apply to all the TWU title groups such as retiree medical, pension, attendance, active healthcare coverage, and more. One such item, an early out program, was submitted last week on February 15, 2012 and awaits a response from you.

Next, our offer is being made in good faith, and the anticipated good faith of the company, with an expectation that no other bargaining group or employee group will benefit at the expense of or to the detriment of the TWU bargaining groups.

Without waiving our rights that each TWU 1113 proceeding is separate and apart from the other, each of our CBA units will make its across the board proposal after we receive the requisite outstanding information and documents.

Last and importantly, this offer, worth over a million in concessions, was based upon your statement that your ask was not a take it or leave it situation----both as to its design and the amount. We have agreed to some of your concessions and offered some concessionary concepts to which we previously agreed, in prior section 6 bargaining. Further, we identified some alternative concessions that are verifiable and that provide real financial relief, which at the same time mitigate job loss.

We intend that this counter offer underscore good faith negotiations that result in a compromise of your ask while also providing deep concessions that gives AMR the necessary relief contemplated by section 1113.

We look forward to a good faith back and forth discussion that closes our gap. We are confident that we can get to a consensual agreement.

I will now pass our counter proposal, in the form of bullets, with the understanding that the parties must agree on full contractual language if the concepts are accepted. Further, for those contractual areas not addressed in our proposal, it should be understood that we are proposing that our current contractual language remain in place. Lastly, our financial analysts discovered some discrepancies over valuations as well as cost models. We must resolve these issues prior to reaching a final agreement.

Thank you.

TWU/1113 PROPOSAL

Title Group: MCT Proposal #: 1 Date
 Submitted: 2/23/12

Delivered To: Mark Burdette Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
1	Current Current Book, except attachment 1.1 and preamble.	The company has placed no specific monetary value to Art 1 proposals except attachment 1.1.	
2	Current Current Book	No proposals from company	
3	Allow option for 5/2 base schedule Allow option for 6/3 8.2 hour day Allow option for 3/4-3/4-4/4 12 hour day (hereto referred to as 778) Allow revision of paragraph 3(a) to account for variable work and pay weeks.	The 6/3 and 778 net approx 90 hours worked per year per man less than 2080, we expect pay leveling up to 2080 hours to cost \$284,000.00/year, the resultant net value of Article 3 changes: \$1,491,000.00.	
4	Revise to be paid a bi-weekly salary based on 2080 hours a year. Maintain 5/5/2012 step increase Modify Article 4 to increase base pay rates as follows: -effective DOS - 1.5%	This is necessary because Article 3(a) revision removes definition of pay week. We need a guarantee on paid hours per year. In previous iterations of 6/3 schedule the company changed employee hours of work and shorted us pay. Per Current Current Book Per Company proposal	

	-effective DOS + 12 months- 1.5% -effective DOS +24 months -- 1.5% -effective DOS + 36 months - 1.5%		
5	Current Book	No proposals from company	
6	Current Book		
7	Current Book		
8	Current Book		
9	Current Book	No proposals from company	

10	Current Book	No proposals from company	
11	Current Book	No proposals from company	
12	Current Book	No proposals from company	
13	Current Book	No proposals from company	
14	Current Book	No proposals from company	
15	The Union is willing to tentatively accept the company proposal to move work units as a group provided the option to select work schedule is included. The union additionally proposes that the work units select the schedule before the move takes place in order to	Net Value: \$102,000 per year.	

	become effective upon arrival at SOC. We will also tentatively accept the company proposal on MCT relocation to SOC as complete, intact work units PROVIDED previously discussed incentives included on 7/15/2010 LOA are maintained.		
16	Current Book	The company stated there was no monetary value to the proposal.	
17	Current Book	The company has not provided a monetary value for this proposal.	
18	Current Book	No proposals from company	
19	Current Book	No proposals from company	
20	Current Book	No proposals from company	

22	Current Book	No proposals from company	
23	Current Book	No proposals from company	
24	Current Book	No proposals from company	
25	Current Book	No proposals from company	
24	Current Book	No proposals from company	
25	Current Book	No proposals from company	

26	Current Book	No proposals from company	
27	Revise PDO LOA to reflect 8 and 12 hour days.	Necessary due to Article 3 changes.	
28	Current Book	No proposals from company	
29	Current Book	No proposals from company	
30	Current Book	No proposals from company	
31	Current Book	No proposals from company	

32	Current Book	No proposals from company	
33	Current Book	No proposals from company	
35	Current Book	No proposals from company	
36	Current Book	No proposals from company	
37	Current Book	No proposals from company	
38	Current Book	No proposals from company	

39	Current Book	No proposals from company	
43	Current Book	No proposals from company	
45	Current Book	No proposals from company	
46	Current Book	No proposals from company	

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: MCT Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: Don Videtich

Article	Proposal	Notes	I/A Date
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TWU/1113 PROPOSAL

Title Group: MCT Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
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(41)	BENEFITS Active Medical	Still under review.	

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TWU/1113 PROPOSAL

Title Group: MCT Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(41)	<p>BENEFITS</p> <p>Retiree Medical</p> <p>The following changes to the retiree medical plan:</p> <p>Active Employees:</p> <p>Employee and Company prefunding contributions will cease three (3) months after DOS.</p> <p>The employee's match and the Company's match of the employee's prefunding account, plus investment earnings, will be distributed to the employee within ___ days (TBD) of DOS per terms of the Trust Agreement.</p> <p>For under age 65 coverage, employees who enroll will pay 100% of the cost of pre-65 retiree medical coverage upon retirement.</p> <p>For over age 65 coverage, retirees will be offered access to purchase a guaranteed issue Medicare supplement plan through a third party administrator.</p>		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: MCT Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
	<p>Retiree Medical (CONTINUED) Current Retirees and those that retire within 90 days after DOS:</p> <p>Employee and Company contributions will cease 3 months after DOS.</p> <p>Retiree Medical coverage for current retirees and active TWU employees retiring within 3 months or earlier from DOS:</p> <p>The Retiree Medical Plan will be the same plan design as offered to the TWU retirees today with the following changes: in-network benefits paid at 80% by the Company after the deductible and out-of-network benefits paid at 60% by the Company after the deductible.</p> <p>Retiree medical coverage for New Hires -- those hired after DOS.</p> <p>For under age 65 coverage, employees will pay 100% of the cost of pre-65 retiree medical coverage upon retirement.</p>		

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TWU/1113 PROPOSAL

Title Group: MCT Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: Don Videtich

	<p>For over age 65 coverage, retirees will be offered access to purchase a guaranteed issue Medicare supplement plan through a third party administrator.</p> <p>Retiree Medical Plan will be no less favorable than those offered to management or other work group, unless otherwise agreed to by the TWU.</p> <p>The above plans shall not apply to the current plan for MCT and Instructors, which shall stay in place.</p>		
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TWU/1113 PROPOSAL

Title Group: MCT Proposal # 1 Date Submitted: 2/28/12

Delivered To: Jim Weel Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
(47)	DURATION TBD by the parties.		
(LOM)	Early Out Program as agreed to between the parties.		
(LOM)	TWU shall be entitled to a claim in the Chapter 11 case equal to value of concessions.		
(LOM)	Equity in concessions: TWU concessions are contingent upon equitable concessions of all non-TWU groups such that this unit is not disadvantaged. Disputes shall proceed to expedited binding arbitration.		
(LOM)	Agreement to provide equity to TWU employees.		
	*This counter proposal coupled with the earlier counter proposal of this title group represents a complete initial response to the Company's initial ask. Each item offered is contingent upon reaching a full consensual agreement.		

TWU/1113 PROPOSAL

Title Group: MCT Proposal #: 2 Date Submitted: 2/29/12

Delivered To: Mark Burdette Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
1	Current Book, except attachment 1.1 and preamble (for date changes).	The company has placed no specific monetary value to Art 1 proposals except attachment 1.1.	
2	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
3	Allow for 6/3 8.2 hour day or 3/4-3/4-4/4 12 hour day (hereto referred to as 778) as determined by work unit. Allow revision of paragraph 3(a) to account for variable work and pay weeks.	The 6/3 and 778 net approx 90 hours worked per year per man less than 2080, we expect pay leveling up to 2080 hours to cost \$284,000.00/year, the resultant net value of Article 3 changes: \$1,491,000.00. 778 necessary to accommodate commuters TUL/SOC, 778 also similar to Delta Tech ops schedule. Also removed reference to 5/2 to better accommodate company proposal.	

TWU/1113 PROPOSAL

Title Group: MCT Proposal #: 2 Date Submitted: 2/29/12

Delivered To: Mark Burdette Delivered By: Don Videtich

4	<p>Revise to be paid a bi-weekly salary based on 2080 hours a year.</p> <p>Maintain 5/5/2012 structural increase</p> <p>Modify Article 4 to increase base pay rates as follows: -effective DOS – 1.5% -effective DOS + 12 months– 1.5% -effective DOS +24 months – 1.5% -effective DOS + 36 months – 1.5%</p>	<p>This is necessary because Article 3(a) revision removes definition of pay week. We need a guarantee on paid hours per year. In previous iterations of 6/3 schedule the company changed employee hours of work and shorted us pay.</p> <p>Per Current Book</p> <p>Per Company proposal</p> <p>If the total value of company imposed ask value of 2.4 million is exceeded, the excess will be applied to the MCT premium.</p>	
5	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
6	Current Book		
7	Current Book		

TWU/1113 PROPOSAL

Title Group: MCT Proposal #: 2 Date Submitted: 2/29/12

Delivered To: Mark Burdette Delivered By: Don Videtich

8	Current Book		
9	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
10	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
11	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
12	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes

TWU/1113 PROPOSAL

Title Group: MCT

Proposal #: 2

Date Submitted: 2/29/12

Delivered To: Mark Burdette

Delivered By: Don Videtich

13	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
14	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
15	The Union is willing to tentatively accept the company proposal to move work units as a group provided the option to select work schedule is included. The union additionally proposes that the work units select the schedule before the move takes place in order to become effective upon arrival at SOC. We will also tentatively accept the company proposal on MCT relocation to SOC as complete, intact work units since the company has acknowledged previously discussed incentives included on 7/15/2010 LOA are maintained.	Net Value: \$102,000 per year.	
16	Current Book	The company stated there was no monetary value to the proposal.	
17	Current Book	The company has not provided a monetary value for this proposal.	

TWU/1113 PROPOSAL

Title Group: MCT Proposal #: 2 Date Submitted: 2/29/12

Delivered To: Mark Burdette Delivered By: Don Videtich

18	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
19	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
20	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
21	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
22	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes

TWU/1113 PROPOSAL

Title Group: MCT Proposal #: 2 Date Submitted: 2/29/12

Delivered To: Mark Burdette Delivered By: Don Videtich

23	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
24	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
25	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
26	Current Book	No proposals from company	
27	Revise PDO LOA to reflect 8 and 12 hour days.	Necessary due to Article 3 changes.	

TWU/1113 PROPOSAL

Title Group: MCT Proposal #: 2 Date Submitted: 2/29/12

Delivered To: Mark Burdette Delivered By: Don Videtich

28	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
29	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
30	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
31	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
32	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes

TWU/1113 PROPOSAL

Title Group: MCT Proposal #: 2 Date Submitted: 2/29/12

Delivered To: Mark Burdette Delivered By: Don Videtich

33	Current Book	No proposals from company	
35	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
36	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
37	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
38	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes

TWU/1113 PROPOSAL

Title Group: MCT Proposal #: 2 Date Submitted: 2/29/12

Delivered To: Mark Burdette Delivered By: Don Videtich

39	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
40	Per TWU Global Proposal, 401k with 3% auto contribution and up to 3.5% match, not to exceed 6.5% total.	TWU valuation \$318,000.00	
41	Current Book, per TWU Global Proposal MCT Retiree Medical does not change.	Active Medical still being reviewed.	
43	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
45	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes

TWU/1113 PROPOSAL

Title Group: MCT Proposal #: 2 Date Submitted: 2/29/12

Delivered To: Mark Burdette Delivered By: Don Videtich

46	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	Yes
Totals		Total value 1 st proposal: \$1,593,000.00 Total value 2 nd proposal: \$1,911,000.00	

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TWU/1113 PROPOSAL

Title Group: MCT Proposal # 1 A Date Submitted: 3/5/12

Delivered To: Mark Burdette Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
<p>41 Active Medical</p>	<p>Active Medical Plan Design Changes (See attached spreadsheet)</p> <p>Plan 1. Value – Current Value Plus plan offered by AA. Plan 2. Standard – Modify current \$150 deductible contractual plan Plan 3. Core Plan – Replaces current \$1000 deductible contractual plan (Free plan)</p> <p>Proposal:</p> <ol style="list-style-type: none"> 1. Three plans available and have them all contractual plans 2. Keep 3-Tier Structure 3. Same cost for all TWU members (Full-Time and Part-Time) 4. Include wellness program in contract 5. Participation in wellness program 6. Incentives for engagement in wellness program <ol style="list-style-type: none"> a. Funding Health Savings Account (HSA) b. Reduce co-pays/co-insurance amounts c. Reduce monthly contribution amounts 		

CONFIDENTIAL

TWU/1113 PROPOSAL

Title Group: MCT Proposal # 1 A Date Submitted: 3/5/12

Delivered To: Mark Burdette Delivered By: Don Videtich

<p>41 . Active Medical Cont.</p>	<p>Active Medical (Continued)</p> <p>7. Members that elect the HSA Compatible HDHP (Dollar for Dollar match by AA)</p> <ul style="list-style-type: none"> a. Employee -- \$ 500 b. Employee and Spouse -- \$ 1000 c. Employee and Child(ren) -- \$ 2000 d. Employee and Family -- \$ 3000 <p>All plan changes will be reviewed by the TWU prior to implementation and the TWU would maintain a right of appeal prior to any plan change implementations.</p> <p>Current language on inflation: The number of "benefit dollars" Provided by the Company to each employee will increase by the percentage increase in the Company's average annual cost per covered employee, for the period July 1 through June 30 immediately preceding the enrollment year over the previous period July 1 through June 30 up to a maximum of 5%. In this way, the Company pays for the first 5% of cost increases.</p> <p>The Company agrees, if necessary, to reduce the option price of any Medical or Dental Plan currently offered in the Flexible Benefits Enrollment to the same contribution level set by the Cafeteria Plan for Pilots and Flight Attendants for equivalent plans.</p>	
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TWU/1113 PROPOSAL

Title Group: MCT Proposal #: 3 Date Submitted: 3/9/12

Delivered To: Mark Burdette Delivered By: Don Videtich

Article	Proposal	Notes	T/A Date
1	Current Book, except attachment 1.1 and preamble (for date changes).		
2	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
3	Allow for 6/3 8.5 hour day and 4/4 11.5 hour day hybrid schedule based on company proposed (see attached). Allow revision of paragraph 3(a) to account for variable work and pay weeks.	Company value: \$1,776,000.00	

4	<p>Revise to be paid a bi-weekly salary based on 2080 hours a year.</p> <p>Maintain 5/5/2012 structural increase</p> <p>Modify Article 4 to increase base pay rates as follows: -effective DOS – 1.5% -effective DOS + 12 months– 1.5% -effective DOS +24 months – 1.5% -effective DOS + 36 months – 1.5%</p>	<p>This is necessary because Article 3(a) revision removes definition of pay week. We need a guarantee on paid hours per year.</p> <p>Per Current Book</p> <p>Per Company proposal</p> <p>If the total value of company imposed ask value of 2.4 million is exceeded, the excess will be applied to the MCT premium.</p>	
5	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
6	Current Book		
7	Current Book		

14	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
15	The Union is willing to tentatively accept the company proposal to move work units as a group provided the option to select work schedule is included. The union additionally proposes that the work units select the schedule before the move takes place in order to become effective upon arrival at SOC. We will also tentatively accept the company proposal on MCT relocation to SOC as complete, intact work units since the company has acknowledged previously discussed incentives included on 7/15/2010 LOA are maintained.	Company value: \$102,000 per year.	
16	Current Book	The company stated there was no monetary value to the proposal.	
17	Current Book		
18	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012

19	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
20	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
21	Current Book		
22	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
23	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
24	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012

25	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
26	Current Book	No proposals from company	
27	Revise PDO LOA to reflect 8 and 12 hour days.	Necessary due to Article 3 changes.	
28	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
29	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
30	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012

31	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
32	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
33	Current Book	No proposals from company	
34	Current Book		
35	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
36	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012

37	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
38	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
39	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
40	Per TWU Global Proposal, 401k with 3% auto contribution and up to 3.5% match, not to exceed 6.5% total.	TWU value: \$318,000.00	
41	Retiree Medical, Current Book. Per TWU Global Proposal on Active Medical	Per TWU Global Proposal MCT Retiree Medical does not change. TWU value: \$20,000.00	
43	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012

45	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
46	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
LOAs/ LOMs	Baker Letter	Company value: \$193,000.00	
Totals	The TWU MCT title group has met the company stated target value of \$2,400,000.00.	Total value 1 st proposal: \$1,593,000.00 Total value 2 nd proposal: \$1,911,000.00 Total value 3 rd proposal: \$2,409,000.00	

TWU/1113 PROPOSAL

Title Group: MCT Proposal #: 4 Date Submitted: 3-22-2012

Delivered To: _____ Delivered By: _____

Article	Proposal	Notes	T/A Date
Preamble	Revise dates.		
1	Current Book, except union agrees to remove attachment 1.1.	The company has proposed changes and alleges the changes do not change intent and only serve to clarify intent and reduce grievances. The union contends that the proposed changes do change the intent and will not prevent grievances (in fact nothing can prevent future grievances). In reviewing our records from the 2001 negotiation we have determined that the "Only Maintenance Control Technicians will write and update all ATBTs for all MEL, CDL, TAC, TFIs, TIIs, and NEF items" language was actually proposed by Lee Kremers.	
2	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
3	TA on Art 3 allows 5/2-5/3 8.5 hour day, 6/3 8.5 hour day and for 6/3 8.5 hour day, 4/4 11.5 hour day hybrid schedule based on company proposal.	The company stated value on 3-9-2012 "American Airlines Section 1113(c) Proposal to the Transport Workers Union (MCT) Valuation Model (2.22.12)" is \$1,776,000.00 per year; the Union claims that full value.	3/15/2012

4	Revised Art 4 to be paid a bi-weekly salary based on 2080 hours per year as per company offer. All other contractual Articles are applied as required in addition to the base 2080 hours per year.	This is necessary because Article 3(a) revision removes definition of pay week.	
5	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
6	Current Book on 1.5X and 2.0X rates, revised to address administrative changes due to 8.5 and 11.5 hour days.	The Union believes this is not a flow through article. The union has reached its target value of \$2,400,00.00 without revising Art 6.	
	Current Book	The Union believes this is not a flow through article. The union has reached its target value of \$2,400,00.00 without revising Art 7.	
8	Current Book	The Union believes this is not a flow through article. The union has reached its target value of \$2,400,00.00 without revising Art 8.	
9	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012

10	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
11	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
12	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
13	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
14	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
15	The company has TA'd the Union proposed LOA to move work units as a group. The company has agreed to honor the 7/15/2010 LOA on the SOC move.	The company stated value on 3-9-2012 "American Airlines Section 1113(c) Proposal to the Transport Workers Union (MCT) Valuation Model (2.22.12)" is \$102,000.00 per year, the Union claims that full value.	3/15/2012

16	Current Book	The Union believes this is not a flow through article. The union has reached its target value of \$2,400,00.00 without revising Art 16.	
17	Current Book	The Union believes this is not a flow through article. The union has reached its target value of \$2,400,00.00 without revising Art 17.	
18	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
19	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
20	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
21	The Company and the Union have reached a TA.	The company stated value on 3-9-2012 "American Airlines Section 1113(c) Proposal to the Transport Workers Union (MCT) Valuation Model (2.22.12)" is \$58,000.00 per year, the Union claims that full value.	3/15/2012

22	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
23	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
24	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
25	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
26	Current Book		
27	Revise PDO LOA to reflect 8.5 and 11.5 hour days.	Necessary due to Article 3 changes.	

28	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
29	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
30	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
31	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
32	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
33	Current Book	TA	3/6/2012

34	Current Book	The Union believes this is not a flow through article. The union has reached its target value of \$2,400,00.00 without revising Art 34.	
35	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
36	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
37	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
38	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
39	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012

40	Per TWU Global Proposal, 401k with 3% company auto contribution and up to an additional 3.5% match, company contribution not to exceed 6.5% total.	TWU value: \$318,000.00	
41	Retiree Medical, Current Book. Per TWU Global Proposal on Active Medical	Per TWU Global Proposal MCT Retiree Medical does not change. TWU value: \$20,000.00	
42	Current Book	Move system protection date forward to 9/1/2008.	
43	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
44	Current Book		
45	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012

46	Current Book	On 2/24/2012 the company proposed no changes, the Union will accept this as a TA.	3/6/2012
47	Article 47, accept company proposal for 6 year agreement. Attachment 47.1, extend wage re-opener for 10 years from DOS		
LOAs/ LOMs	Baker Letter	The company stated value on 3-9-2012 "American Airlines Section 1113(c) Proposal to the Transport Workers Union (MCT) Valuation Model (2.22.12)" is \$193,000.00 per year, the Union claims that full value.	
Totals	<p>The TWU MCT title group has met the company stated target value of \$2,400,000.00.</p> <p>The Union reserves the right to modify these proposals as necessary to remain as close as possible to the company stated target value of \$2,400,000.00.</p>	<p>Value of TAs:</p> <ul style="list-style-type: none"> • Art 3, \$1,776,00.00 • Art 15, \$102,00.00 • Art 21, \$58,000.00 <p>Total TAs:</p> <ul style="list-style-type: none"> • \$1,936,000.00 <p>Value of additional proposals not TA'd</p> <ul style="list-style-type: none"> • Art 40, 401K, \$318,000.00 • Art 41, Active Medical, \$20,000.00 • Eliminate Baker LOA, \$193,000.00 <p>Total Proposals:</p> <ul style="list-style-type: none"> • \$531,000.00 <p>Total Proposals and TAs</p> <ul style="list-style-type: none"> • \$2,467,000.00 <p>Additional Considerations: The Active Medical, Defined Contribution and Retiree Prefunding will likely change and add considerably to the MCT total value number.</p>	

ARTICLE 4 - COMPENSATION

(a) During the period of this Agreement, the rates of pay for the classifications of work covered in this Agreement will be in accordance with the Wage Schedules shown in this Article.

The Hourly Rate for the ~~Technical Specialists~~ Maintenance Control Technicians will be as follows:

MAINTENANCE CONTROL TECHNICIAN

	5/5/2012	5/5/2013	5/5/2014	5/5/2015	5/5/2016	5/5/2017
1st 12 Mos	\$27.46	\$27.87	\$28.29	\$28.71	\$29.15	\$29.58
2nd 12 Mos	\$27.91	\$28.33	\$28.75	\$29.18	\$29.62	\$30.07
3rd 12 Mos	\$28.32	\$28.74	\$29.18	\$29.61	\$30.06	\$30.51
4th 12 Mos	\$28.89	\$29.32	\$29.76	\$30.21	\$30.66	\$31.12
Thereafter	\$32.99	\$33.48	\$33.99	\$34.50	\$35.01	\$35.54

The Bi-Weekly Pay Rate for Maintenance Control Technicians will be as follows:

	5/5/2012	5/5/2013	5/5/2014	5/5/2015	5/5/2016	5/5/2017
1st 12 Mos	\$2924.80	\$2957.75	\$2991.20	\$3025.15	\$3059.60	\$3094.58
2nd 12 Mos	\$2960.80	\$2994.40	\$3028.29	\$3062.79	\$3097.81	\$3133.36
3rd 12 Mos	\$2993.61	\$3027.58	\$3062.08	\$3097.09	\$3132.63	\$3168.69
4th 12 Mos	\$3039.20	\$3073.87	\$3109.60	\$3144.77	\$3181.02	\$3217.82
Thereafter	\$3367.20	\$3406.79	\$3446.97	\$3487.75	\$3529.15	\$3571.20

Bi-Weekly Rates Above Include: Hourly Pay, License Pay, Line Premium, and MCT Premium. All other contractual pay obligations will be added to the above chart rates as applicable.

(b) For employees hired into the Maintenance Control Technician classification progression from one step to the next will be based on twelve (12) months of service in the classification in each step. At the amendable date, the final step of the chart rate above will have a 1.5% pay increase applied to each step annually. These rates of pay and the progression are subject to the provision of paragraph (c) below.

(c) Flexible Starting Rates

(1) In the event that the Company, in its sole discretion, finds that any or all of its starting pay rates (Step 1) as specified in paragraph (a) above, are non-competitive with local market starting rates for similarly situated jobs, the Company may hire applicants in the classification at any station/base/location at rates of pay higher (Step 2 through the maximum hourly rate in the applicable pay scale) than those starting rates specified in paragraph (a) above. As market conditions change, the Company may, in its sole discretion, change its designated starting rate. The designated starting rate may be higher or lower than previous designated starting rates. The starting rate may not be lower than Step 1 nor higher than the maximum hourly rate in the applicable pay scale.

(2) In those stations/base/locations where higher starting rates of pay are designated in accordance with paragraph (c)(1) above, all employees in that classification at that station/base/location who are receiving less than the new designated starting rate of pay

will have their rate of pay concurrently increased to the new designated higher starting rate for that classification in that station/base/location.

(3) An employee who transfers to or from a station/base/location which has an adjusted starting rate of pay for his classification will have his rate of pay adjusted upward or downward to conform to the rate of pay received by an employee with the same classification seniority as his at his new station/base/location. The adjusted rate may not be less than Step 1 nor higher than the maximum hourly rate in the applicable pay scale.

(4) It is understood and agreed that the effective dates of step increases and other changes in pay rates are determined by the employee's classification seniority as defined by Company policy.

(d) LONGEVITY PREMIUM

(1) Each employee in a job classification under this Agreement will have longevity premium added to his regular rate per hour following completion of the years of accredited service as indicated below:

17 years	.21 cents
18 years	.24 cents
19 years	.27 cents
20 years	.30 cents

(2) Longevity premiums will be effective the date the employee completes the required amount of accredited service. Longevity premiums will be compounded in the calculation of overtime rates and will be part of the employee's base pay calculations for pension purposes.

(3) Accredited service with the Company, for determining longevity premiums will be defined as: active service on the Company's payroll in any capacity, except the service prior to resignation, discharge, or layoff when recall rights have expired; the entire duration of Military or Union Business Leave of Absence; and Injury-on-Duty Leave of Absence, up to a maximum of five (5) years; for those employees with over six (6) months of service with the Company, a Sick Leave of Absence up to a maximum of five (5) years, and Family, Personal, or Maternity Leave of Absence up to a maximum of ninety (90) calendar days.

(e) LICENSE PREMIUM

(1) Employees in the Maintenance Control Technician classification will receive the following license premium for holding both FAA Airframe and FAA Power Plant Licenses:

(a) Effective March 01, 2003, the employee will receive \$5.00 per hour.

(2) Effective March 01, 2001 License premium pay will be compounded in the computation of overtime rates and for those employees retiring, license premium pay will be included in the pensionable earnings of those employees.

(f) LINE PREMIUM

(1) Effective May 5, 2010 all Maintenance Control Technicians will receive a line premium of \$2.55 per hour, which will be compounded in the computation of overtime rates. The Line premium will also be included in the pensionable earnings of retiring Maintenance Control Technicians.

(g) MAINTENANCE CONTROL TECHNICIAN (MCT) PREMIUM

- (1) Effective May 05, 2010 all Maintenance Control Technicians will receive a premium of \$1.55 per hour, which will be compounded in the computation of overtime rates. The MCT premium will also be included in the pensionable earnings of retiring Maintenance Control Technicians.

ARTICLE 6 - OVERTIME

(a) Daily Overtime: Overtime rates will be paid on a daily basis as follows:

(1) One and one-half times (1.5X) the regular hourly rate for each hour or fraction thereof worked in excess of eight (8) and less than twelve (12) hours.

After 1/1/2013

(1) For an eight and one half hour day, one and one-half times (1.5X) the regular hourly rate for each hour or fraction thereof worked in excess of eight and half (8 ½) and less than twelve (12) hours. For an eleven and one half hour day, one and one-half times (1.5X) the regular hourly rate for each hour or fraction thereof worked in excess of eleven and half (11 ½) and less than twelve (12) hours.

(2) Two times (2X) the regular hourly rate for each hour worked in excess of twelve (12) hours.

(3) An employee will not be required to suspend work during his regular shift to avoid the payment of overtime nor will he be entitled to overtime rates until he has worked eight (8) hours in the work day.

After 1/1/2013

(3) An employee will not be required to suspend work during his regular shift to avoid the payment of overtime nor will he be entitled to overtime rates until he has worked eight and one half (8 ½) hours in the work day.

(4) When an employee works overtime, he will be compensated for actual time worked.

(b) Weekly Overtime: Time worked on an employee's regularly scheduled days off will be considered overtime and will be paid as follows:

(1) First day off at one and one half times (1.5X) the regular hourly rate of pay for the first eight (8) hours worked and two times (2X) the regular hourly rate thereafter. Two times (2X) the regular hourly rate for time worked on an employee's second day off, provided he has worked his first day off.

After 1/1/2013

(1) First day off at one and one half times (1.5X) the regular hourly rate of pay for the first eight and one half (8 ½) hours worked and two times (2X) the regular hourly rate thereafter. Two times (2X) the regular hourly rate for time worked on an employee's second day off, provided he has worked his first day off.

(2) When an employee works on his second scheduled day off without having worked his first scheduled day off, he will be compensated for the day as though it were the first scheduled day off in accordance with subparagraph (1) of this paragraph (b).

(3) When an employee is required to work on his scheduled day or days off, he will be entitled to at least eight (8) hours of work unless he consents to less time.

(c) Shift differentials will be compounded in the calculation of overtime rates.

(d) Overtime work will be distributed among the employees eligible to perform the work necessitating overtime within the appropriate work unit as equitably as practicable.

(1) An employee, when available, who is lowest on overtime and does not work the overtime, will be charged with the overtime missed for equalization purposes, as though it had been worked.

(2) In the event of an emergency and when there are insufficient available employees, the Company may then assign employees who are lowest on overtime to perform the work.

(3) The supervisor's record of overtime worked, or charged to employees for equalization purposes, will be made available to the employees affected by posting or other appropriate methods.

(4) Except in emergencies, employees who are to work overtime will be given two (2) hours notice of the overtime.

(5) (N/A)

(e) (N/A)

(f) An employee whose overtime working period continues into the following day will continue to receive overtime rates for all overtime worked.

(g) If any work period continues so that its termination is less than seven and one-half (7.5) hours prior to the commencement of the employee's regular shift in the succeeding workday, he will receive pay for all time worked during his regular shift and up to twelve (12) hours at the rate of one and one-half times (1.5X) his regular hourly rate.

(h) No overtime will be worked except by direction of the proper supervisory personnel of the Company, except in cases of emergency and when prior authority cannot be obtained.

(i) Overtime compensation will be computed on the basis of the nearest six-minute unit of work.

(j) If overtime on any workday or any workweek is due to an authorized exchange of days off or shifts by employees, (which must be approved in advance by the appropriate supervisor), that time will be compensated for at straight-time rates; provided, however, any continuous work, in excess of eight (8) hours on any shift or tour of duty, will be paid for at the overtime rates provided in paragraphs (a) and (b) of this Article.

(k) In no event will any employee receive more than two times (2X) the regular hourly rate under this Agreement.

(l) (N/A)

(m) The existing Overtime Guidelines currently in use at TUL/AFW on March 1st, 2001 (or as revised) will be used unless the Union and the Company agree otherwise. A copy of the Guidelines will be distributed to each employee for his personal reference.

(o) The attachment on the following page is agreed to by the parties and is incorporated as part of the Agreement:

Attachment 6.1 - Overtime Assignments

MEMORANDUM

Re: Overtime Assignments

During the negotiations, which led to the signing of the Agreements between the parties effective September 16, 1956, considerable discussion took place regarding administrative and procedural application of the rules governing overtime assignments under Articles 6(d) of said Agreements.

It is recognized that in selecting and assigning employees to overtime, strict equity cannot be maintained on a daily or individual assignment basis. Therefore, in the assignment of overtime, the Company will initially go to the employees relatively lowest on overtime, i.e., the lowest within a sixteen-hour spread. The Company may offer the overtime to employees actually on duty, on day off, or by recall, at its option.

The parties will make an effort to apply these procedures in the application of Articles 6(d). The parties further agree that upon the request of either party they shall review the overtime distribution practices about six (6) months from the date hereof. If changes are suggested or desired, the parties will discuss same and incorporate any changes as an amendment to this Memorandum, if by mutual agreement.

Dated: September 15, 1956

James F. Horst
Int'l. Vice President
Transport Workers Union
of America,
International-AFL-CIO

A. Di Pasquale
Director-Labor Relations
American Airlines, Inc.

ARTICLE 42 - JOB SECURITY

SYSTEM PROTECTION:

(a) The Company will guarantee employment (full time based on employee's status on March 1, 2001) and pay to any employee covered by this Agreement who was hired under this Agreement by the Company prior to ~~March 1, 2004~~ **September 1, 2008** and who was on the Company's active payroll on ~~March 1, 2004~~ **September 1, 2008**, or on a Union leave of absence, or on an approved leave of absence for other reasons in accordance with the following provisions of this Article.

STATION PROTECTION:

(b) (NA)

(c) Notwithstanding the above provisions, the Company may lay off, in accordance with Article 15, employees protected by paragraph (a) or by paragraphs (a) and (c) or by paragraphs (a) and (d) above when the layoff is necessitated by any one or more of the following conditions:

- (1) An act of God,
- (2) A strike, picketing, work stoppage, slowdown, or other labor dispute by Company or outside employees resulting in a reduction of work,
- (3) A national war emergency,
- (4) Revocation of the Company's operating certificate or certificates,
- (5) Grounding of a substantial number of Company's aircraft for safety reasons,
- (6) A reduction in the Company's operations resulting from a decrease in available fuel supply or other critical materials caused either by governmental action or commercial suppliers being unable to meet the Company's demands.

(d) This Article does not in any way limit the Company's right to terminate or discipline a protected employee for just cause or disqualify a protected employee under the provisions of Article 39.

(e) An employee covered by paragraph (a) above (protected employee) and who is affected by a reduction in force will be afforded the provisions of Article 15(b)(1), (2), (4-local city only). He will also be afforded the provisions of Article 15(b)(3), (4-other than local city), provided the employee(s) to be displaced are not protected employees. No protected employee will be subject to displacement by employees not covered by paragraph (a) above (unprotected employee). A protected employee who is affected by a reduction in force and who fails to exercise his options under Article 15 will be laid off, and forfeit his protected status. The seniority restrictions appearing in Article 15(b)(3) will not apply to protected employees.

(f) (N/A)

ARTICLE 47 - DURATION OF AGREEMENT

THIS AGREEMENT will become effective as of May 5 7, 2010 2012 and will continue in full force and effect until and including, May 5 7, 2013 2018 and will renew itself until each succeeding May 5th 7th thereafter, except that written notice of intended change may be served in accordance with Section 6, Title I, of the Railway Labor Act, as amended, by either party. However, either the Company or the TWU may elect to reopen this Agreement by the service of written notices in accordance with section 6, Title I of Railway Labor Act as amended pursuant to Section 6, on or after November 5 7, 2012 2017 [6 months prior to amendable date].

(NA)

The parties acknowledge that during the negotiations which resulted in this Agreement each had the unlimited right and opportunity to make demands and proposals with respect to any subject or matter not removed by law from the area of collective bargaining, and that the understandings and agreements arrived at by the parties after the exercise of that right and opportunity are set forth in this Agreement. It is agreed by the parties that the other will not be obligated to bargain collectively with respect to any subject or matter referred to, or covered in this Agreement, or with respect to any subject or matter not specifically referred to or covered in this Agreement, even though such subjects or matters may not have been within the knowledge or contemplation of either or both of the parties at the time that they negotiated or signed this Agreement, without serving written notice as provided for in the above paragraph.

The attachment on the following page is agreed to by the parties and is incorporated as part of the Agreement.

IN WITNESS WHEREOF, the parties have entered this Agreement on the 5th 7th day of May, 2010 2012 and have signed this Agreement on ~~October 3, 2011~~:

**For the Transport Workers
Union of America**

James C. Little
International President

Garry Drummond
Director, Air Transport Division

Robert F. Gless
Deputy Director, Air Transport Division
AA System Coordinator

Donald M. Videtich
International Representative
Air Transport Division

WITNESS:
Howard McKinney - TWU
Gary Moffitt - TWU

For American Airlines Inc

~~Mark Burdette~~
Vice President Employee Relations

James B. Weel
Managing Director Employee
Relations

WITNESS:
Bob DuBreuil - AA
Mark Nelson - AA

Attachment 47.1 - Wage Adjustment Provision

April 1, 2013

Robert F. Gless
Deputy Director, ATD
AA System Coordinator
Transport Workers Union, AFL-CIO
1791 Hurstview Drive
Hurst, TX 76054

Wage Adjustment Provision ("Wage Opener")

Dear Robert,

This letter is a follow up to our conversation regarding the Company recognizing the TWU's request to incorporate a provision to provide additional protection for your members regarding their hourly compensation contained in this agreement. This letter will expire on May 04, 2023.

Upon ratification of this agreement the parties will validate the current standing of compensation in the industry for a Maintenance Control Technicians. (See Attached chart.) Compensation includes: chart rate, longevity pay, license premium, line premium, MCT premium and shift differential.

In the event workers at comparable airlines (UA, US) amend their collective bargaining agreements, prior to the amendable date of this agreement, and these amendments lower the current standing in compensation of the TWU classifications listed above, the TWU will notify the company in writing of its intent to 'open' compensation negotiations limited to the following areas:

Chart Rate or Base rate
Longevity Pay
Line Premium
MCT premium
Shift Differential
All other premiums

It is understood between the parties that the purpose of this 'wage adjustment' provision is to ensure that the TWU classifications mentioned above, maintain their compensation standing with the industry comparators up until the amendable date of this agreement. In addition, it is intended to provide a percentage based form of internal equity for all other classifications, within the respective Title Group, covered by the AATWU Maintenance Control Technician agreement.

If you are in agreement with above, please indicate by signing below.

Sincerely,

Agreed to:

Mark Burdette
Vice President
Employee Relations

Mr. Robert F. Gless
Deputy Director, ATD
American Airlines System Coordinator
Transport Workers Union, AFL-CIO

Technical Specialists				
Wages + Premiums	AA YR1	US	AA Curr	UA
MAX RATES	\$32.02	\$33.14	\$31.09	\$36.39
LICENSE	\$5.00	\$3.50	\$5.00	\$0.00
LONGEVITY	\$0.30	\$0.00	\$0.30	\$0.00
LINE	\$2.55	\$0.00	\$0.55	\$0.00
SHIFT DIFF	\$0.03	\$0.61	\$0.03	\$0.00
OTHER PREMIUM	\$1.55	\$1.00	\$0.00	\$0.00
TOTAL	\$41.45	\$38.25	\$36.97	\$36.39
Ranking				

Technical Specialist				
Wages + Premiums	AA YR 1,2,3	US	AA Curr	UA
Base Wages	\$32.02	\$33.14	\$31.09	\$36.39
Premiums	\$9.43	\$5.11	\$5.88	\$0.00
TOTAL YR1	\$41.45	\$38.25	\$36.97	\$36.39
TOTAL YR2	\$41.93			
TOTAL YR3	\$42.42			
TOTAL YR4				
TOTAL YR5				
TOTAL YR6				
TOTAL YR7				
TOTAL YR8				
TOTAL YR9				
TOTAL YR10				
RANKING	1	2	3	

Attachment 27.1- Personal Days Off

Robert F. Gless
Deputy Director, ATD
AA System Coordinator
Transport Workers Union of America, AFL-CIO
1791 Hurstview Drive
Hurst, TX 76054

Re: Personal Days Off

Dear Robert,

This will confirm our understanding reached during the negotiations leading up to the agreement on May 5, 2010. During these discussions, the Company agreed to provide two (2) PDOs (Personal Days Off) to be effective immediately following ratification. These days are provided as a means to address the interest of TWU represented employees to increase paid time off, while granting greater flexibility.

The paid time off will be granted in such a way that minimizes any disruption to the operation and/or has an adverse impact to staffing for any particular day. Therefore the following application will apply:

- PDOs must be requested in writing a minimum of seven (7) days in advance, a maximum of thirty (30) day(s) in advance of the day(s) desired. Emergency requests will be handled on a local basis.
- PDOs will be requested by AOI, company email, or other locally agreed upon method.
- PDOs cannot be taken on the employee's scheduled holiday, or after December 16th each year.
- PDOs will be granted based on Occupational seniority
- Employee must have one year of company service as of December 31st for use in the following year.
- Unused days will be paid out as at a rate equivalent to the employees normally scheduled day of work, eight (8) hours, or ten (10) as applicable, for full time and four (4) hours for part time as determined by the employee's status as of 12/31 of each year. Payment for unused PDOs will be made the first pay period after January 31st of the following year.

Additional procedures may be jointly developed within ninety (90) days from date of signing.

Sincerely,

Agreed To:

Jim Weel
Managing Director
Employee Relations
American Airlines

Robert F. Gless
Deputy Director, ATD
AA System Coordinator
Transport Workers Union of America, AFL-CIO