

**American Airlines  
TWU Settlement Proposal Q&A  
5.10.12**

**General**

**Q. Is it true that the Company will implement the 1.5% annual salary increases if the proposal is not ratified?**

No, the 1.5% increases, along with Profit Sharing, the 401(k) match, the gain sharing proposal, and the Early Out are all contingent upon achieving a consensual, ratified agreement. That has been made very clear at the bargaining table from day one.

**Q. Are we voting on an agreement reached between the company and TWU?**

No, the two parties did not reach a tentative agreement, but the TWU is asking members to vote on the company's settlement proposal.

**Q. Is it true the Mechanic & Related workgroup has the best chance of keeping the current collective bargaining agreement intact during the 1113 process?**

We cannot speculate on this topic, as the judge would make any final determinations.

**Q. Do American management employees think the Mechanic & Related proposal is a good offer?**

Given the current circumstances, especially restructuring and increased fuel prices, we believe this is a better proposal for employees than the alternative in the March 22 term sheet.

**Q. Is the company really trying to save jobs?**

Yes, American's proposal aims to preserve as many jobs as possible. While the industry is changing, and along with it, the way airlines complete their maintenance work, we hope to keep as much work in-house as financially feasible.

**Scope**

**Q. Under the proposed Scope changes, how much of the proposed outsourcing will be permanent?**

The settlement proposal states up to 35 percent of aircraft maintenance work can be outsourced, in addition to the work that is outsourced today (which today represents about 10 percent). The 35 percent of maintenance we have proposed outsourcing is based on man-hours. **In the March 22 term sheet, the company proposed outsourcing 40 percent of all maintenance man-hours currently performed in-house, in addition to the amount of work already outsourced.**

**Q. How will outsourcing affect line maintenance?**

The company proposes outsourcing up to 15 percent of line maintenance man-hours (which counts toward the total 35 percent aircraft maintenance outsourcing). **In the March 22 term sheet, the company proposed outsourcing 40 percent of all maintenance man-hours, with no limit on line maintenance.**

**Q. Is there any protection for making sure the amount of work outsourced doesn't increase in the future?**

The amount of work the company can outsource would be governed by the AA/TWU collective bargaining agreement. If the proposal is ratified, the company can only outsource the amount of work identified in the settlement proposal. **In the March 22 term sheet, the amount of work that can be outsourced is greater – 40% of the total currently done in house, versus the 35% in the proposal.**

**Q. Does the current System Protection language keep the company from outsourcing?**

No. The contract language in Article 1 (e) is what limited the amount of work being outsourced.

**Q. Are there any outsourcing restrictions on the A320 and 787 fleets?**

Any future maintenance will be subject to the proposed scope changes. We have stated throughout our discussions that aircraft flown under the AA certificate are covered in the TWU scope clause, which will include the new fleets.

**Q. Isn't it true the company will allow APA pilots to fly the A320 aircraft under the American Eagle banner so the maintenance work can be outsourced?**

No. All aircraft identified and defined in the labor agreement under scope refer to American Airlines aircraft operating under the AA certificate.

**Q. Is it true that AMTs will be able to pull aircraft parts without Stores personnel?**

No. AMTs will be able to request parts from Stores personnel using an electronic means (e.g. Galaxy Tablet), which will not affect the Stores headcount, but this process would be in line with best practices and would allow a more efficient and timely delivery of the part to the AMT.

**Work Rules**

**Q. Can 4/10s be taken away or authorized without the union's involvement?**

The existing collective bargaining agreement language allows the company to establish 4/10 schedules to best meet operational needs. The 4/10 language was removed because the settlement proposal covers any schedule between eight and 12 hours.

**Q. Can shift bids be scheduled at any time without restrictions?**

Yes, however, bids are limited to no more than three per year. The bids at the bases will go to a 12-week rotation in lieu of four weeks. This allows us to have flexibility to change shift bids based on operational needs.

**Overtime**

**Q. What happens to overtime policies?**

We have proposed new overtime rules, including electronic signup, qualification requirements and Crew Chief overtime. Local overtime and field trip rules at line stations will be null and void and will be replaced with other governing work rules.

**Compensation**

**Q. If the proposal is turned down and we go through the 1113 process, will we still get the raises associated with the term sheet?**

No. If a workgroup does not ratify the latest settlement proposal, the implementation would not include the Early-Out package, profit sharing plan, pay increases, 401(k) company match, a refund of the company prefunding contributions, or the job savings from the settlement proposals.

If the settlement proposal fails ratification, the 1113 process would continue based on the Company's March 22 term sheet, which does not provide for pay increases, profit sharing, or the 401(k) company match unless the parties reach a consensual agreement.

**Q. Why doesn't the company compare our wages to mechanics at UPS or Southwest?**

In our ongoing analysis of American Airlines' labor costs, competitive strengths and competitive disadvantages in the industry, we have focused our comparisons on the other legacy network carriers..

We do not include low cost carriers like Southwest in our comparisons because their business models are very different from AA's. We also exclude shipping companies like UPS and FedEx in gauging our labor costs and competitive standing in the passenger airline industry. From the standpoint of a competitive analysis, there is no direct comparison between two vastly different industries. Also, UPS and FEDEX outsource all their heavy maintenance.

**Q. Why does this proposal still have us lagging the industry in pay?**

The majority of U.S. airlines complete far less heavy maintenance work in-house than American and, instead, focus on line maintenance operations. Thus, other airlines employ far fewer mechanics, outsourcing heavy maintenance to third-party providers that can perform the work at lower cost.

We need to achieve the targeted savings which are dictated by the business plan for the long term sustainability of the company. Since American will continue to conduct at least 65% of maintenance work in-house, we need to offer pay rates that allow us to complete the work at a sustainable cost.

As part of the settlement proposal, we included Wage Adjustment language for 36 months and 48 months from date of signing that was not part of the March 22 term sheet

**Q. How much of our cuts can we make up for through the proposed profit sharing plan?**

The proposal provides for a first-dollar profit sharing plan that will align American with the most generous plan in the industry. This gives employees an uncapped plan that sets aside 15 percent of the company's pre-tax income to pay out to all eligible employees, proportional to their earnings.

**Q. What sort of annual profits is the company expecting after the restructuring process?**

The business plan contemplates a profitable company, but there are many external factors that can influence what actually occurs, so it would not be appropriate to speculate on future profits.

**Q. Why do APA and APFA get the highest pay and not TWU?**

American's pilots and flight attendants are not the highest paid in the industry. American aims to provide all of our employees, both unionized and independent, competitive rates when compared to the industry.

**Vacation**

**Q. Why does the company us to give back our Personal Vacation days?**

PVD's don't exist at other carriers, and are an additional expense to the company, since they are unscheduled and unplanned, and generally must be covered with additional headcount or overtime.

**Q. Why do we have to give back one week of vacation when this is not the industry standard?**

Reducing the maximum vacation accrual by one week allowed us to avoid other changes that would have affected employees more, like cutting more work, reducing pay, or proposing more outsourcing.

Employees who have accrued thirty days for use in 2012 will be able to take that this year. The cap of 25 days will become effective for vacation taken in 2013 and beyond.

**Classification**

**Q. What changes were made concerning job classifications?**

American proposed combining the Aircraft Cleaners and Parts Washers into one classification, and also proposed outsourcing building and cabin cleaning work.

**Q. What will be included in the QAM tests?**

The company is aiming to get away from the multiple choice questions and incorporate a practical test to ensure the employee is prepared for the job. The company has committed to review tests with the union prior to implementation, and provided a dispute resolution mechanism if the TWU disagrees with a test or qualification.

**Q. Why does the company want thousands of AMTs to downgrade to OSM positions?**

The proposal allows more maintenance work to be done in-house by establishing a maintenance organization that more closely aligns with MROs. This will give approximately 430 AMTs in Tulsa the option to move to an OSM position or, alternately, to bump into another AMT position during the reduction in force process.

**Q. Are there restrictions on the work OSMs can complete?**

Yes. As stated in Article 11 the OSM scope is limited to certain areas, including those at bases. At TULE and AFW for example, American proposed capping the number of OSM positions to 25 percent of total Title I workforce at the base and restricting OSM work on the docks to the interior of the aircraft.

**Q. Will Plant Maintenance Mechanics have to downgrade to the new Maintenance Support Person (MSP) classification?**

Approximately 250 Plant Maintenance Mechanics in the system will have the ability to move to a MSP position or bump into the system during the reduction in force process.

**Crew Chief Selection Process**

**Why does the company get to control the Crew Chief selection panel, without considering seniority?**

The Crew Chief selection panel will still have both company and union representatives, and was modeled after the Tech Crew Chief selection process, where the employee's qualifications are taken into account.

**Q. Can the company demote Crew Chiefs it doesn't like because of the evaluation panel?**

While it is true that the company has an evaluation process for Crew Chiefs, the process will be fair and performance-based.

**Transfer Process**

**Q. Can another employee interfere with one employee's transfer on a computer?**

The only way an employee can interfere would be if an employee leaves the computer and doesn't properly sign out. The company will apply the same security policies with respect to this process as it does with any other.

**Q. Can an employee change their mind after accepting a transfer?**

There is no right of refusal once an employee agrees to a transfer. Once a transfer has accepted a transfer, the employee can't refuse, and likewise, the company can't rescind the transfer.

**Reduction in Force**

**Q. What is the RIF timeline?**

Once an employee has accepted a relocation as their option during a reduction in force, the employee will have a minimum of 14 days to report.

**Field Trips**

**Q. Is it true Visas can cost hundreds of dollars, and an employee doesn't have to be reimbursed by the company?**

No. It is the company's policy not to give advances for this expense, but the employee can expense the associated cost, per policy, and be reimbursed.

**Pension**

**Q. Why is overtime not included in the eligible earnings for the 401(k)?**

Eligible earnings for the 401(k) matching contribution are identical to the eligible earnings for the defined benefit plan. Under the defined benefit plan, overtime is not included in eligible earnings.

**Medical Benefits**

**Q. Can the company increase our premiums without restrictions?**

No. The proposed medical changes for active employees set the employees' contributions for the Standard and Core medical options at an aggregate of 21 percent of total projected healthcare costs.

**Q. Why is the refunding of the company's portion of our retiree medical prefunding contingent on the 1114 process?**

The prefunding trust has strict terms that allow American to only use the funds for costs related to employees' retiree healthcare.

Since this trust is also used to fund costs related to current retirees' healthcare, the 1114 process must be successfully resolved before the refund can be made.

**Q. What retiree medical program will be available to TWU retirees if the company's proposal is ratified?**

There will be two plans offered to Retirees to select from at their expense: The Retiree Standard Medical Option and the Retiree Value Plus Option. The key plan design features are in the chart below. There will be a modification to the plan design which will implement a network provider scheme, and a cost differential for services used in-network (retiree pays 20% co-insurance) versus out of network (retiree pays 40% co-insurance). The costs currently shown on Jetnet for agents and management will not be the costs going forward under the company's proposals, as they represent subsidized rates, which will be discontinued. The 2012 premiums for the Retiree Standard Medical Option without subsidy will be \$462 per month for employee only, \$923 per month for employee plus one, and \$1386 per month for employee plus 2 or more.

<b>Retiree Medical Options Summary - Current Design for 2012</b>		
	<b>Retiree Value Plus</b>	<b>Retiree Standard</b>
Individual Medical Maximum Benefit	\$1,000,000	\$300,000
In Network Deductible	\$250 per person	\$150 per person / \$400 family
Out of Network Deductible	\$750 per person	\$150 per person / \$400 family
Coinsurance (In/Out)	15%/35%	20%/40%
In Network Out of Pocket Max (Single/Family)	\$1,750 per person	\$1,000 / \$3,000
Out of Network Out of Pocket Max (Single/Family)	Unlimited	\$1,000 / \$3,000
Primary Care Physician Copay (In/Out)	\$30*	20%/40%
Specialist Copay (In/Out)	\$40*	20%/40%
Pharmacy (Retail)		
Generic	\$10	20% in-network
Formulary Brand	30% (\$20 min/\$75 max)*	Medco Drug Card
Non-Formulary Brand	50% (\$35 min/\$90 max)*	Required
Pharmacy (Mail)*		
Generic	20% (no min/\$80 max)	\$25 co-pay
Formulary Brand	30% (\$40 min/\$150 max)	25% when no generic is avail
Non-Formulary Brand	50% (\$70 min/\$180 max)	\$25 when no generic plus cost difference
<b>2012 Monthly Premiums</b>		
Retiree Only	\$667.94	\$461.96
Retiree + 1	\$1,335.87	\$923.93
Retiree + 2 or more dependents	\$2,003.81	\$1,385.89
This chart provides an overview of the retiree medical benefit options. The complete provisions of the plans are set forth in the plan documents and insurance contracts. If the information in this chart is inconsistent with the plan documents, the plan documents will govern. The plan sponsor(s) reserve the right to amend or terminate each plan at any time.		

**Early-Out Incentive** – *Please see the Early-Out Q&A document for more details.*

**Q. Will the company really offer employees the early-out, or is this just a ploy to get employees to accept the proposal?**

The underlying intent in offering this Early-Out is to mitigate involuntary furloughs. Therefore, at stations and locations where there are expected furloughs, the company will set the number of Early-Out options based on the number of furloughs within each classification and status. With respect to requests above the number of furloughs, the requests will be assessed on the basis of the number of requests on a company-wide basis.

**Q. Is it true that former TWA employees won't be eligible for the \$12,500 special severance?**

Employees who do not have system or station protection are not eligible for the \$12,500 special severance. There are approximately 1,600 M&R employees without these protections, including those who are former TWA. These employees are eligible for their normal severance and an additional \$10,000 Early-Out incentive if they are at least 45 years of age and have 15 or more years of company seniority.

**Duration of Agreement**

**Q. Is this a 10-year deal?**

No, it's a six-year contract proposal, going forward from date of signing.

**Q. Why is the duration six years from date of signing?**

This duration is consistent with the needs of our business plan and with the experiences of other airlines that have undergone the 1113 process.

**Q. Did the company insert language without the negotiations committee's approval?**

The company and TWU negotiated in good faith. American exchanged both bullet point and full text proposals with the TWU negotiating committee, and there was a full opportunity to discuss both intent and actual language.