

American Airlines Q&A for the TWU Mechanic & Related and Stores Tentative Agreements August 2, 2012

The company is responding to these questions based on its interpretation of the various plans, however, nothing in this document modifies the actual plan documents and in the event of a conflict, the plan documents will supersede this Q&A.

General

What happens if this agreement fails ratification again?

A. The judge has indicated that he will rule on the company's motion to abrogate the current collective bargaining agreement no later than August 15. If the current collective bargaining agreement is then abrogated, the company is free to impose terms and conditions based on the March 22 term sheet.

Is it true that the company will implement the salary increases if the agreement is not ratified?

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

Were there any true improvements added?

Yes. Since American was able to reduce the cost savings target as part of its tentative agreement with APA, we reduced the target for our TWU-represented employee groups. The reduction in targeted savings from 20 percent to 17 percent, in combination with a restructured profit sharing plan, gives employees greater compensation. The more than \$50 million in additional funds available for M&R and Stores allowed us to make a number of improvements to our original proposal, as we did with the other five ratified TWU agreements.

Compensation

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

In our ongoing analysis of American Airlines' labor costs and competitive strengths and disadvantages, the company has focused 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. Further, UPS and FedEx outsource all of their heavy maintenance.

Why does this agreement still have us lagging the industry in pay?

The majority of U.S. airlines complete far less heavy maintenance work in-house than American. They focus on line maintenance operations and achieve savings by more outsourcing of heavy maintenance to third-party providers that can perform the work at lower cost.

We must achieve the targeted savings which are dictated by the business plan for the company's long term sustainability. Because American has committed to conducting 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 TA, we included Wage Adjustment language to meet our legacy competitors 36 months after the date of signing. This was not part of the March 22 term sheet.

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Why do the pay raises differ between the tentative agreements for Stores and Mechanic & Related, at 3% and 3.5%, respectively?

The details of each group's TA were decided on the basis of how the group preferred to reach its savings target. We negotiated with each group to strategically meet their needs. Stores elected to move their percentage increases around to fund improvements in another area of the agreement.

Is the 3% pay raise at the date of signing a bonus or a raise?

The 3% pay raise on date of signing is a wage increase.

Scope

Article 1 of the TA describes the limits and method of measuring outsourcing. How does this calculation work?

The total dollars AA spends on TWU Mechanic & Related labor (wages and benefits), material, and outside vendors (OSS) to maintain all the AA aircraft will be used in the calculation to determine the outsourcing percentage. The TA limits outsourcing to 35% of maintenance spend. Each January and July, the TWU will be provided with the AA maintenance spend and the dollars spent on outside vendors.

How will outsourcing affect line maintenance?

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

Is the 15% Line Maintenance outsourcing limit a part of the 35% outsourcing cap of all Aircraft Maintenance to equal half of the outsourcing in Aircraft line maintenance?

The 15% limit is the maximum percentage of Line Maintenance work that can be outsourced. The Line work that is outsourced also counts toward the total 35% cap that applies to all Aircraft-related maintenance.

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 TA is ratified.

Does the current System Protection language keep the company from outsourcing?

No. There are new provisions in the Tentative Agreement that restrict furloughs.

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

Any future maintenance will be subject to the proposed scope provisions. We have stated throughout our discussions that all aircraft flown by APA-represented pilots and flown under the AA certificate fall under the TWU scope/outsourcing provisions and limitations. This will include the new fleets.

Isn't it true the company could allow APA pilots to fly aircraft with greater than 79 seats under the American Eagle banner so the maintenance work can be outsourced?

No. All aircraft that fall under the American Airlines operating certificate are under the TWU scope clause. In addition, there is a specific letter attached to Article 1 which clarifies the company's initial table position that aircraft flown on the AA operating certificate are covered by the TWU scope clause.

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Are there restrictions on outsourcing aircraft maintenance in the tentatively agreed to scope clause?

Yes. The clause has an overall annual outsourcing cap that limits how much of the total maintenance budget can be spent on outsourcing. The clause says that no more than 35% of the total maintenance budget can be spent on work performed by people other than TWU-represented Title I employees, with no more than 15% outsourcing line maintenance work. As written it was a bit confusing. Someone could have read this as 35% plus 15% of line maintenance from total budget equaling 50%. This cap will be measured by comparing the total maintenance spend required to have work performed by outside vendors (including all labor and material costs) to the cost of the work performed in-house by TWU-represented Title I members. There are also limited exceptions for special circumstances, similar to those in the current collective bargaining agreement.

Does this 35% cap include maintenance that is already outsourced?

Yes. Work that is presently performed by outside vendors will be included in the calculation.

What work will be outsourced?

The initial work that is planned to be outsourced is outlined in an attachment to Article 1. At the company's discretion, other work could be outsourced in the future, provided that the total amount remains below the 35% cap.

Can other work be outsourced?

Yes, provided the 35% cap is not exceeded and the **outsourcing does not result in the involuntary separation of an employee covered by this agreement.**

Is the cap subject to exceptions?

It is subject to the same outsourcing restrictions that exist in our present agreement, which allow the company to outsource work that its employees do not have the time, skill, or facilities to perform, provided that any shortage of manpower is not the result of the failure of the company to reasonably anticipate its manpower needs.

The tentative agreement increases the amount of Line Maintenance work that can be done overseas by AA locally hired personnel. Is there a cap on how much can be done overseas?

Line Maintenance outsourcing, which includes work done by non-TWU AA employees in international locations, is limited to 15% of all Line Maintenance work.

Is the maintenance performed by AMTs on non-powered equipment going to be calculated in the outsourcing formula for Aircraft Maintenance within the 35% limit?

Yes, all Title I work counts toward the insourced calculation. The non-powered ground equipment work that is outsourced counts in the outsourced calculation.

What is the timeline for the closure of AFW and when will the stated work be relocated to Tulsa and DWH?

We will start the phased movement of work at the end of August. We are planning for all of the airframe work to be relocated from AFW by the end of this year. Relocation of shop work currently at AFW is planned to be completed by first quarter 2013. Parts disposition is also planned to be complete by end of first quarter 2013.

What about TAESL?

TAESL is a joint venture with Rolls Royce. The current TAESL business plan calls for it to continue performing engine work for American and other customers, at roughly the current volume. Any decrease in AA engine work is planned to be offset by additional third-party work. TAESL work

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performed by TWU employees is currently counted as insourced work, regardless of the customer. In case of changes to the volume of TAESL work and operations as a result of industry volatility, Article 1 provides for an adjustment to the outsourcing cap.

How do these restrictions compare with other carriers in the industry?

The new language, while not as restrictive as our present language, still anticipates the company to performing the majority of both its line maintenance and overhaul maintenance in-house. No other mechanic and related agreement in the industry provides this much protection currently.

Added July 27 Does changing the staffing formula in Article 1 mean the company can close all the Class II line maintenance stations?

The staffing formula has always applied only to Title II employees, and that is still the case. Title I staffing has always been determined by the maintenance plan and the need to have access to aircraft for maintenance on certain intervals and at certain locations. There has never been a requirement to staff certain cities with Title I in the contract, and from time to time, cities have changed classifications and been added or deleted from a particular Class, or had the checks they perform changed, based on the needs of the operation. There are no current plans to close or downgrade any Class II stations for Title I Aircraft Maintenance.

Added July 30 Is it true that the line maintenance contractors would be working in AA's facilities, side by side with TWU members?

No. The contracted out work in line maintenance will normally be done at the vendor's facilities. The possible exception is fuel tank work, which would probably be done on AA property as it is today in LAX.

Work Rules

Why do we need to eliminate the 1/7 rule?

Seven-day coverage puts the maintenance operation in a more competitive position with the rest of the industry. It will provide the opportunity to build business plans that can best support the needs of the airline moving forward. The coverage will only be used in those areas where it makes the most economic sense to support the operation.

If the 1/7 rule is eliminated, how would the new flexibility be used?

The elimination of the 1/7 rule will be implemented in a phased approach, where it makes business sense. The current planning model has the 737 lines running on seven-day coverage. Other shops in PALM and CRO will be evaluated to see if this coverage provides value in support of their business plan.

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

No. The current collective bargaining agreement would have allowed the company to cancel any 4/10 schedule. The 4/10 language was clarified in the Tentative Agreement.

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.

Is this a 10-year deal?

No, if ratified, it's a six-year collective bargaining agreement from the Date of Signing with an opportunity to re-open the contract for negotiations after four years.

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What happens to overtime policies?

The TA includes a provision that for 30 days, the parties will meet and discuss new overtime rules that would be more consistent across the system. If an agreement can't be reached, the issue will go to the M&R System Board for mediation and/or arbitration as a resolution.

Added July 30 In the M&R TA, it has a provision that the company can hold an employee past the end of his scheduled shift on overtime for the purposes of job continuity, for up to 3 hours. Is that provision for both Line Maintenance and the Base?

No - that provision is for Line Maintenance. The current base practices will remain in effect.

In regards to the Local Letters of Agreement that are being eliminated, what is the time line for transitioning off of these existing procedures?

The company will work with local TWU representatives on timing and transition issues related to the Local Letters that are being eliminated.

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 is in line with best practices and will allow a more efficient and timely delivery of the part to the AMT.

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.

Field Trip

What happens to field trip policies and rules?

The company expressed a desire to have a more uniform and efficient policy for field trips. For 30 days, the parties will meet and discuss this item, if the TA is ratified. If an agreement cannot be reached, the issues will be taken to the next M&R System Board for a mediated/arbitrated solution.

Added July 30 Is it true that the company can force an AMT on a field trip?

No, the company's intent is not to force an AMT on a field trip – the company is seeking to have a sign up list each day (based on field trip hours) asking those that want to go to sign up to go. We will be developing those rules with the Local TWU representatives (as requested in negotiations).

Sick Time

Why did we change from 100 percent pay for the first day to 50 percent pay for the first day?

The change to the sick policy was based on a preference for the reallocation of funds to other articles in the agreement.

Why does Stores still receive 100% pay for the first two sick days, while M&R only receives 50% pay for the first day?

Under their current contract, the M&R workgroup receives 50% pay for the first two days. In the tentative agreement, that is changed to receiving 50% pay only for the first day. The two workgroups differ based on how each workgroup decided to reach their savings targets.

Vacation - Please see the separate Benefits Q&A document as well.

Why do we have to give back our Personal Vacation days?

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PVD's don't exist at other carriers, and are an uncompetitive expense for the company as a result of increased overtime costs.

I have used some PV days already from my 2013 vacation balance, how will this be figured in to the 2013 VC bidding?

PV's already used from the 2013 vacation bank will be deducted before the 2013 vacation bid.

I have already been approved for PV days but they are scheduled in the future, can I still take them even if the TA is ratified?

It depends on how far in the future they are scheduled. The intention is to cease utilization of PV days shortly after ratification. The company will work with Local TWU officials and employees to ease the transition into the new policies.

Why does M&R have to reduce their vacation by one week?

Reducing the maximum vacation accrual by one week allowed the parties to reallocate funds to other articles in the TA. 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 vacations taken in 2013 and beyond.

Why does the Stores workgroup have one more week of vacation than the M&R workgroup?

As with the variations in pay, the seven TWU groups, including M&R, negotiated items differently based on the preferences of each group, and the available funds.

Holidays - Please see the separate Benefits Q&A document as well.

Why were we not able to receive more holidays?

During the negotiations process, the parties decided to use the available funds to provide pay increases in lieu of other changes in the agreement.

Classification

What changes were made concerning job classifications?

The tentative agreement includes language to combine the Aircraft Cleaners and Parts Washers into one classification, and also to outsource building and cabin cleaning work.

What will be included in the QAM tests?

The objective is to move 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 any new QAM tests with the TWU prior to implementation and to provide a dispute resolution mechanism if it disagrees with a test or qualification.

Where would you use the increased amount of OSMs in the Aircraft Overhaul & Maintenance department?

OSMs would be used in the shops where they currently perform work today. The OSM classification would also be used on a limited basis on Heavy and Light Check lines, exclusively in the Cabin, performing specific functions as identified in the agreement.

Why do we need OSMs or AMTOs in the Aircraft Overhaul department?

Utilizing OSMs or AMTOs in the AO operation provides us with a more competitive workforce structure that is in line with how MROs are structured. Their utilization allows us to achieve necessary cost savings.

Does the proposed language to streamline and standardize the utilization of Avionics Technicians apply to the bases?

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No, this does not apply to the base maintenance operation. It applies only to Line Maintenance Class 1 stations.

What is the Maintenance Support Person (MSP) classification?

The MSP classification is an enhancement to the job responsibilities of the Plant Maintenance Man classification. The new role will allow for some individuals to pursue an apprentice mechanic role with a career progression plan into a Plant Maintenance Mechanic position.

Why do we need the MSP classification?

The MSP classification will allow us to have a more competitive workforce structure that is more in line with how MROs are structured for facility/automotive maintenance work, similar to the OSM classification for aircraft maintenance related work.

If I'm a Plant Maintenance Mechanic now, what happens if I'm displaced to a MSP position?

If you are a Plant Maintenance Mechanic and displace to a MSP, you will move to the new MSP pay scale and will receive a skill premium of \$2.75 per hour. The net pay reduction will be similar to an AMT moving to an OSM position and will result in a pay reduction of about \$5 per hour.

Added July 27 What would the financial impact be for a Facility/Auto Mechanic bumped to a MSP slot if they are topped out because of the flex rate. Would he slot in on his classification seniority or would he remain topped out on the MSP scale?

A Facility/Auto Mechanic would be moved to the max rate of the MSP scale and receive the \$2.75 override.

Added July 30 If an employee AMT is moved to an AMTO position and subsequently is RIF'ed again can he bump the system as an AMT?

Yes.

Crew Chief Selection Process

Why do we need to change the Crew Chief selection process?

The new process allows for career progression based on skill, experience and leadership characteristics. It is crucial to supporting a competitive M&E business structure.

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, but will mirror the Tech Crew Chief selection process, where the employee's qualifications are taken into account.

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 is fair and performance-based.

Recall

What is different in the new language?

The new language provides for employees who are RIFed to continue accruing Occupational Seniority without a three-year limit. This eliminates the need to re-calculate seniority during a recall.

Early Out Incentive - Please see the additional Early Out Q&A document as well.

How will it be determined by what order employees will be granted an early out to leave the company?

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Early out options will be granted at each location based on the workload demand and by classification. Final dates worked will be determined by location, and employees will be released based on seniority and operational needs. **In addition, the company has committed to grant all Early Out requests for AMT and related classifications, Stock Clerks and Title II classifications. For more information see the Early Out Q&A document.**

System Protection

Why is System Protection eliminated?

In order to permit the company to achieve the necessary savings through some reductions in the workforce, System Protection needed to be eliminated or changed. The volatility of the industry means that a restructured American must continue to have flexibility in the future to avoid going through this process again. Although the Company's business plan provides for growth, the limitations in Article 1 continue provide that 65% of our maintenance work will remain in house, regardless of the future size of the airline.

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 otherwise meet the eligibility requirements.