

LETTER OF MEMORANDUM – 14 – M&E BUSINESS IMPROVEMENT PROCESS

September 12, 2012

Robert F. Gless
International Representative
AA System Coordinator
Transport Workers Union of America, AFL-CIO
1791 Hurstview Drive
Hurst, TX 76054

RE: Business Process Improvement

During the recent pre-1113c negotiations that led to the signing of the Agreement between American Airlines, Inc. (“American”) and the Transport Workers Union of America, AFL-CIO (“TWU”) covering Aviation Maintenance Technicians and Plant Maintenance employees effective September 12, 2012, the parties discussed developing a Business Improvement Process.

American Airlines and the Transport Workers Union firmly believe that the future success of our Maintenance and Engineering is directly dependent upon its people. Both parties recognize that when our employees and Union members are fully engaged and involved in decisions that affect them, we improve our ability to exceed our customers’ and shareholders’ expectations and we are more likely to win customers and keep American jobs in the United States of America.

The Transport Workers Union and American Airlines have worked collaboratively in the past, demonstrating the value of combining our intellectual resources to cut costs, improve quality and increase overall value of the Maintenance and Engineering business unit to the company and its shareholders. The parties agree that formalizing our agreement to collaborate serves the interests of American Airlines and the Transport Workers Union. The focus of our collaboration will be in areas of business process improvements that enable us to secure our position of leadership in commercial aircraft maintenance.

Purpose

The purpose of this memorandum is to establish a mutually agreed Business Improvement Process that supports the mutual interests of American Airlines and the Transport Workers Union. The parties agree to work together to create a customer-focused workplace where we continuously deliver the highest quality, best value products and services to our customers, while serving the interest of the employees by protecting jobs and employee wages.

It is mutually agreed that a highly competitive, customer-focused workplace is achieved when the Union and the Company work collaboratively to:

- Continue to seek methods and processes that involve employees in improving the way work is performed so that the employees' skills and abilities are effectively utilized without breaking contractual agreements. In this manner, improvements can be made in operating effectiveness for customers and result in more job satisfaction.
- Sustain and empower self-directed teams who have clearly defined goals and tasks with more authority and responsibility.
- Continue to explore approaches, which will help increase team stability, while protecting existing employee rights and educate employees to better understand customer needs and company goals.
- Successfully implement Business Process Improvement efforts so that decisions are made at the lowest appropriate level to expedite the decision-making processes required by customers resulting in reducing redundant activities.

Empowerment

The method of obtaining success will be through Empowerment Efforts. This approach is an aggressive, highly structured process of transferring responsibility, authority, accountability, and decision-making to high-performing, self-directed work teams.

The following business improvement opportunities are intended to be illustrative and not necessarily an all-inclusive list of targets that management and Union may jointly choose to address. The list may be revised, added to, or otherwise modified by mutual agreement of both parties.

- Workload Allocation
- Communication
- Manpower and Time Standards
- Cost and Performance Benchmarking
- Training
- Safety and Compliance
- Maintaining Certifications
- Work Area Configuration
- Business Process Standardization
- Continuous Process Improvement

Specific Goals and Objectives in Performance

In following areas Union and Company agree to accomplish the above business improvement opportunities to become best in class.

- Engines
- Landing Gear
- CRC
- Wheel and Brake
- CRO
- Airplane Overhaul
- APU Center
- Line Maintenance

Summary

While change is difficult, we jointly understand that in the current, highly competitive, constantly changing global marketplace in which we are engaged, we must continue to change to create a workplace so that our customers are continuously delivered the highest quality, best value products and services, delivered efficiently and economically, while serving the interest of employees by enhancing the work environment and safety, improving job security and employee wages

Business Process Improvement is our jointly designated effort to transform our respective roles, satisfy our customers better than any competitor, and ensure our mutual success. The parties recognize that this continuing endeavor depends upon the ability of employees and the Company to grow and prosper.

The provisions of this letter apply only to those terms mutually agreed by the Union and the Company.

Sincerely,
{Original Signed on File}

Agreed to:
{Original Signed on File}

James B. Weel
Managing Director
Employee Relations
American Airlines, Inc.

Robert F. Gless
Deputy Director
Air Transport Division
Transport Workers Union of American, AFL-CIO