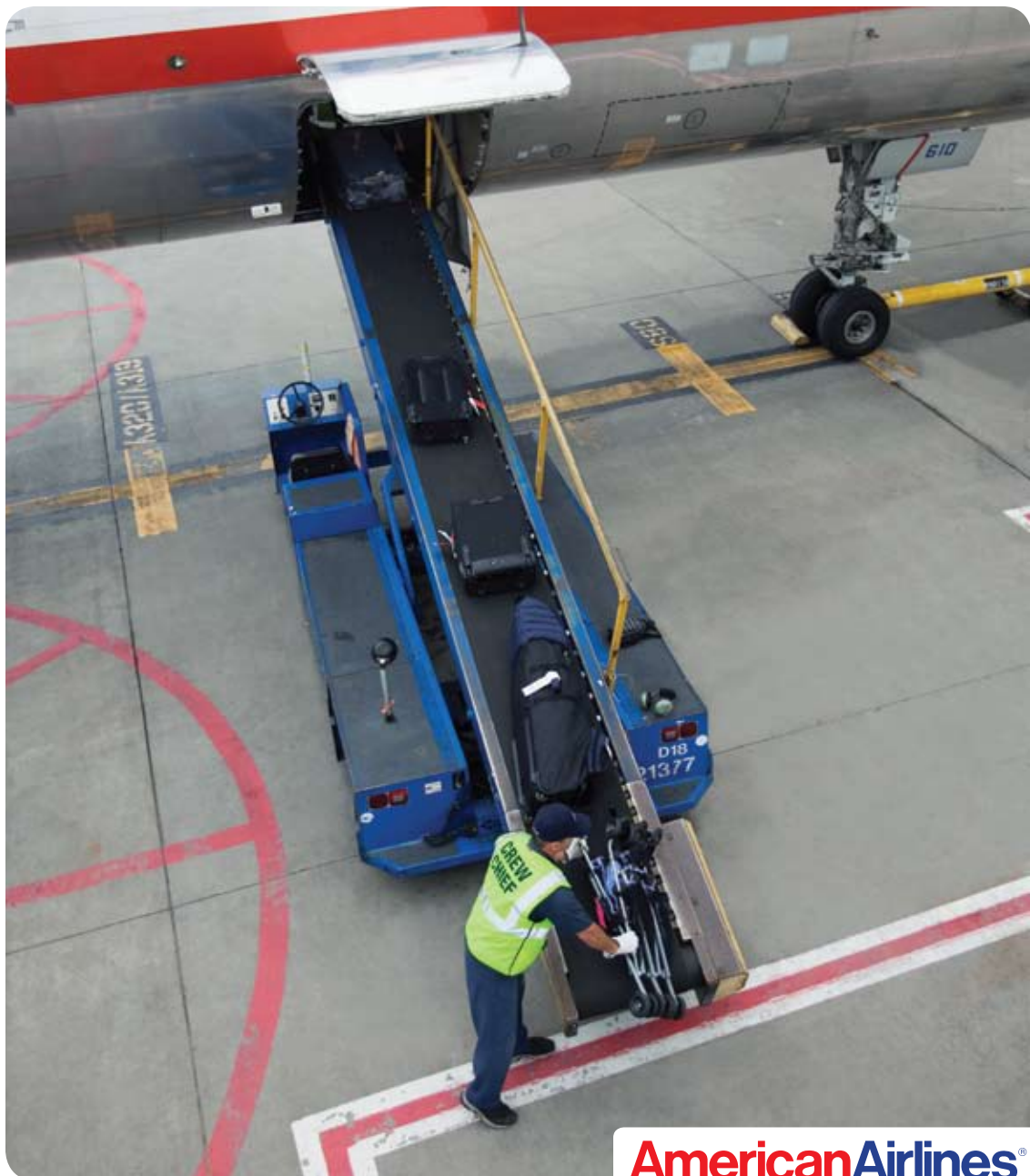


# FROM THE GROUND UP

SPRING 2010



# FROM THE GROUND UP

What the company's  
Fleet Service proposals  
mean to you.

pg 2: **Compensation**

pg 3: **Productivity & Workrules**

pg 5: **Benefits**

pg 8: **Pension**

pg 10: **Profit Sharing**

pg 10: **Variable Compensation**

pg 11: **Scope**



# Negotiations Update: Spring 2010

The work you do is important to the success of this airline. Since negotiations began on November 7, 2007, the American Airlines and TWU Fleet Service Clerk negotiating committees have made significant progress.

This progress is the result of working together toward the same end goal: a contract that is in the long-term best interest of our airline, Fleet Service and Ground Service employees, customers and everyone depending on American to succeed.

The company recognizes the TWU negotiating committee speaks for you in collective bargaining and will not interfere with that process. This mailer and other communications only provide a description of the facts and issues already presented at the bargaining table.

---

**“American Airlines is committed to working with the TWU to reach new, financially sound, practical contracts that are good for the airline and all of its employees.”**

---

We have been working with the assistance of a federal mediator since January 2009 when American and the TWU Joint negotiating committees filed jointly for mediation. This process has helped us communicate priorities and find common ground on many issues.

The negotiating committees have met 106 times, reached 35 tentative agreements and have 12 articles outstanding, most of which are economic in nature.

American has offered several important contract enhancements for TWU-represented employees in the areas of compensation, vacation and holidays that would still allow the company to effectively compete.

We must all consider the competitive realities facing our industry. It is important we look for ways to right-size our current labor cost disadvantage so we can compete effectively and secure our long-term future.

American Airlines is committed to working with the TWU to reach new, financially sound, practical contracts that are good for the airline and all of its employees.

Thanks for taking the time to review this material and for your continued service and professionalism.

Sincerely,

**Mark Burdette**

**Vice President, Employee Relations**

**74%**  
Number of articles already tentatively agreed to for the Fleet Service contract.

**Remaining Open Articles**

- 1. Recognition & Scope
- 4. Compensation
- 5. Shift Differential
- 6. Overtime
- 7. Holidays
- 8. Vacation
- 34. Sick Leave
- 40. Pension
- 41. Benefits
- 42. Job Security
- 43. Part Time Employees
- 47. Duration of Agreement



# Compensation

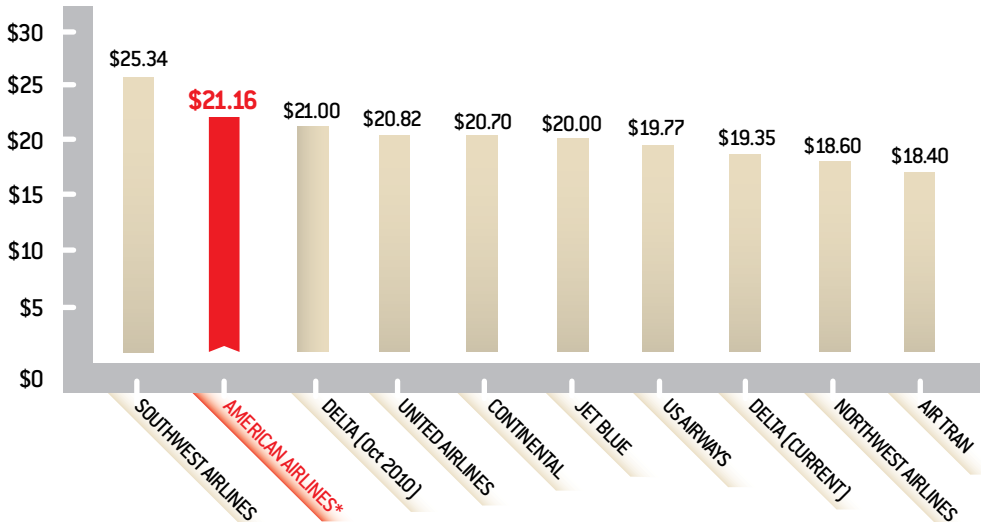
American's proposal provides Fleet Service Clerks and Ground Service employees at max rates almost \$4,500 in lump sums and a 1.5% structural increase throughout the life of the agreement.

## AA's Proposal

- Signing bonus of 4% on date of signing.
- 3% lump sum increase 6 months after date of signing.
- 1.5% structural increase for every step of pay scale 18 months after date of signing.
- 3% lump sum increase 30 months after date of signing, convertible in whole or in part to a structural increase to keep American's relative standing in the industry for the Fleet Service maximum hourly rate.
- Crew Chiefs will be paid at their Crew Chief rate for all overtime and change of shifts as long as AA may use crew chiefs in their role as needed.

- Full-time Fleet Service or Ground Service employee at max: Approximately \$4,483 in lump sums and the max hourly chart rate would increase to \$21.48 in 2011.
- Part-time Fleet Service or Ground Service employee at max: Approximately \$2,241 in lump sums and the max hourly chart rate would increase to \$21.48 in 2011.
- Full-time Crew Chief at max: Approximately \$4,918 in lump sums and the max hourly chart rate would increase to \$23.57 in 2011.

## Max Hourly Chart Rates Fleet Service Clerks, February 2010



\*Lump sum payments would be in addition to this max rate. (This graph includes the new Southwest Airlines contract ratified in March 2009 and shows the Delta pay increase that will be effective October 2010.)



# Productivity & Workrules

American proposes changes that will allow American greater efficiency and allow work to be performed at more competitive rates.

## Dayline Cabin Cleaning and Fueling

	Dayline Cabin Cleaning	Fueling
	Inourced	11 of 44 TWU Staffed Stations Inourced
	Dayline Performed by Flight Attendants	Outsourced
	Outsourced	Outsourced
	Outsourced	Outsourced
	Dayline Performed by Flight Attendants	Outsourced
	Inourced	Outsourced
	Outsourced	Outsourced
	Partially Outsourced	Inourced
	Dayline Performed by Flight Attendants	Outsourced

### Dayline Cabin Cleaning Proposal

- AA proposes outsourcing daytime cabin cleaning at all locations.
- American will provide furlough protection for employees through attrition and offer a one-time voluntary separation program.

### Fueling Proposal

- Outsource fueling at stations where Title III exclusively performs the function as of date of signing: LGA
- Outsource fueling at stations where Title IV performs the function after all Title IV employees have left the station through retirement or attrition:
 

BNA	BOS	DTW
ELP	LAX	ORD
PHX	SAN	SFO
TULE		



# Productivity & Workrules Cont.

American currently outsources less than any airline other than US Airways for both airport and fueling staffing.

## American proposes the following voluntary separation program to help balance the impact of any outsourcing

- For employees who retire from AA prior to January 1, 2011:
  - Lump sums paid in 2010 would be considered pensionable earnings when determining pension benefit.
  - Retiree will keep current retiree medical benefits.
  - A special voluntary separation allowance of \$20,000.
- For employees who resign from AA prior to January 1, 2011 under the 50/55 rule:
  - Lump sums paid in 2010 would be considered pensionable earnings when determining pension benefit.
  - Retiree will keep current retiree medical benefits.
  - A special voluntary separation allowance of \$20,000.
- For employees who resign from AA and forfeit any recall rights prior to January 1, 2011:
  - A special voluntary separation allowance of \$20,000.

## Station Staffing

- American proposes no changes at this time.
- AA will remain the airline that staffs the most stations in the industry.



# Benefits

American proposes an increase to the holiday pay rate, an increase to vacation accrual for those with less than 5 years of service and a retiree medical plan more closely aligned with the industry.

→ American aims to be flexible in accommodating the various negotiating goals of the TWU. The changes in these areas reflect the union’s interest in larger compensation increases.



## AA’s Proposal - Holiday

**AA’s proposal increases rate of pay for holidays worked by 33%.**

- Increase the holiday work rate from 1.5x to 2x, effective date of signing.
- Modify holiday provision to simplify scheduling. Replace current language stating employees are off on holidays unless operationally required, to stating employees are scheduled to work unless told otherwise.

## AA’s Proposal - Vacation

**The proposal will give employees with less seniority more vacation time.**

- Double accrual rate for employees with less than 5 years of service for a total of 80 hours of vacation a year, or two weeks.

## AA’s Proposal - Sick Leave

**American proposes no changes to sick leave at this time.**

### Current Benefits vs. Proposed Benefits

	Holidays	Vacation	Sick Leave
CURRENT	5 holidays, 1.5x holiday work rate	Less than 5 yrs = 5 days	5 sick days annually
PROPOSED	5 holidays, 2x holiday work rate	Less than 5 yrs = 10 days	No change (5 sick days annually)

## AA’s Proposal - Active Medical

**American proposes no changes to active medical at this time.**











# Benefits Cont.

## Retiree Medical

- We recognize the importance of retiree medical coverage to our employees, and our proposal would guarantee access to coverage, regardless of employee health status —both before and after age 65— but would modify the funding of these benefits to more closely resemble other airlines and corporate America.
- Only one other carrier offers a retiree medical plan for employees over age 65.

### Current Retiree Medical Plans

	Pre-65 Employee Contribution	Over 65 Eligible ?
	Prefund while active, no cost after retirement	Yes
	No Plan	No
	100% paid by employee, sick trade available	No
	100% paid by employee	No
	50% paid by employee age 55 and over with 23 years of service; otherwise 100%	No
	40-80% paid by employee, based on seniority	Yes
	100% paid by employee based on plan, sick trade available	No
	100% paid by employee, sick trade available	No

### AA's Proposal - Retiree Medical

#### Current Retirees

- Make **no changes** to plans for current retirees. (Note: Current management and support staff retirees **did** experience a change to the cost and funding of their retiree medical coverage in fall 2009.)
- The changes outlined below would begin for retirements on or after 1/1/2011. Employees retiring before this date will experience **no change** to their retiree medical benefits.

#### Current Employees

- The company would refund employee prefunding balances, averaging about \$5,000 for TWU-represented employees. Once retired, employees could use their refunded balances to help cover their portion of the pre-65 retiree medical coverage and/or their medical premiums for a Medicare supplement plan at age 65 and over.
- The company's prefunding contributions for retiree medical will stop at date of signing.

## AA's Proposal - Retiree Medical Cont.

### Pre-65 Retiree Plan:

- Employees retiring after 1/1/2011 will make monthly retiree medical payments to cover a portion of the cost. The company's proposal is that employees will pay the same portion of costs that management pays, which today is 25%, however that percentage could change over time (e.g., healthcare inflation).
- Terms of retiree medical will be as good as or better than the retiree medical plan design, eligibility and contributions offered to management.
- For 2010, American's retirees who are making monthly payments (a portion of the cost) for pre-65 retiree medical coverage are paying between \$110 and \$140 per month per person, depending on the plan and coverage level selected.
- In summary, pre-65 retirees will still be eligible for company-subsidized retiree medical coverage for themselves and eligible family members. The company is seeking to change the structure of the employee cost to tie more directly to the level of coverage, time coverage will be used and what is standard in the industry.

### Age 65 and Over Retiree Plan:

- At age 65, retirees will receive access to a series of Medicare supplement plans offered by UnitedHealthcare. The plans will be "guaranteed issue," meaning any retiree will be eligible for coverage, regardless of medical history or condition. The retiree will pay 100% of the premiums for the Medicare supplement coverage.
- Retirees will also have the ability to select and purchase Medicare supplement coverage from other insurance providers. American has chosen to partner with UnitedHealthcare, in part, because they offer personalized education, a dedicated team of retirement specialists and dedicated phone and online support specifically for American retirees.
- For 2010, the national average monthly payment for Medicare supplement coverage ranges from \$81 to \$183 per person depending on the plan and coverage level selected.
- The options provided through the UnitedHealthcare supplement plans will provide more choices, flexibility and coverage than under the current Post-65 American Airlines plan. For example, the current plan has a \$50,000 lifetime maximum and maximum reimbursement value of up to 80% for claims. In contrast, the new retiree-paid Medicare supplement plans offered by UnitedHealthcare offer no lifetime maximum and opportunity for up to 100% reimbursement on claims. Spouses will also have the ability to choose different plans.

### New Hires

- Pre-65 Retiree Plan:
  - Employees will no longer pre-fund. Retirees will have access to guaranteed issue retiree medical coverage at their own expense.
- Age 65 and Over Retiree Plan:
  - At age 65, retirees will receive access to a series of Medicare supplement plans, which today are offered by UnitedHealthcare. The plans will be guaranteed issue and the retiree will pay 100% of the premiums for the Medicare supplement coverage.

**The proposal is a richer retiree medical plan than those offered by other U.S. airlines.**



# Pension

American proposes offering a 401(k) option for employees with a 5.5 % company match. New hires would be automatically enrolled in the 401(k) plan and would not be eligible for the defined benefit pension plan.

- Since 2002, American has contributed more than \$2 billion to its employee defined benefit pension plans.
- Only one other airline still offers a defined benefit pension plan while every other airline has terminated or frozen their plans.

Pension		
	Defined Benefit	Defined Contribution/401(k) Plan
	1.67% x Years of Service x Final Average Earnings	Yes, proposed 100% match up to 5.5%
	No Plan	100% match up to 5% of pay
	1.19% x FAE plus .45% x FAE in excess of average Social Security Wage Benefit x Years of Service up to a max of 30 x 1/12 based on total salary	25% match up to 3%, 50% match up to 6%
	Plan Frozen	2% plus 100% match up to additional 5% of pay
	Plan Frozen	5% contribution to IAM Pension Plan
	Plan Terminated	Employer 6.5% contribution to IAM Pension Plan
	Plan Terminated	\$1.05 per hour contribution toward IAM National Pension Fund
	No Plan	100% match up to 8.3% of pay

Current as of January 2010.

- Terminated: The plan no longer exists, and in some cases, it has been turned over to the Pension Benefit Guaranty Corporation (PBGC) federal agency as a result of bankruptcy.
- Frozen: The plan no longer accrues any additional benefit.



## AA's Proposal - Pension

### New Hires

- Enroll new hires in Super Saver Plus, a 401(k) defined contribution plan to include a 100% company match for employee contributions up to 5.5% of eligible pay.
  - Employees automatically enrolled to contribute 3% pre-tax contribution upon hire, with a one-time option to elect out without penalty. The employee contribution would increase 1% each year until a 5.5% employee contribution is achieved, but employees always have the option to change their contribution level.
  - New hires will be eligible for the company match after one year.
  - Company contribution fully vests after three years.

### Current Employees

- Current employees will have a one-time choice to stay in the current defined benefit pension plan or change to the defined contribution 401(k) plan with a company match of 5.5% of eligible pay. For those who choose the 401(k) option, credited service in the defined benefit pension plan will stop but Final Average Earnings will not be affected.
- This proposal would give 401(k) participants the portability to take their contributions if they leave the company and would also provide the flexibility to take out short-term loans, hardship withdrawals and in-service distributions.

**Super Saver Plus helps build retirement income with flexibility and control of your investments.**



# Profit Sharing

American proposes an uncapped annual profit sharing plan that rewards employees at the first dollar earned and matches the richest plan in the industry.

- The company's current plan pays cash awards to eligible employees when American exceeds \$500 million in pre-tax earnings.
- American employees have not had a profit sharing payout since 2001 for the year 2000.

## AA's Proposal - Enhanced Profit Sharing

- The Enhanced Profit Sharing pool accumulates as follows:
  - 30% for the first \$250 million
  - 25% for \$250-500 million
  - 20% for more than \$500 million
- Pool paid as a percentage of individual earnings to total labor expense.
- This uncapped plan would replace the current profit sharing plan and the financial component of the current AIP plan.

**This proposal matches the richest plan in the airline industry.**

## Profit Sharing Proposal

Pre-Tax Profit (MM)	Current Profit Sharing Employee Award	Proposed Profit Sharing Employee Award	Variance
\$0	—	—	—
\$250	—	\$921	\$921
\$500	—	\$1,688	\$1,688
\$1,000	\$913	\$2,916	\$2,003
\$1,250	\$1,370	\$3,530	\$2,160

# Variable Compensation

- Commit to mutually develop a variable compensation (gain sharing) plan to replace the current customer component of the AIP plan during the life of the agreement.
  - Create a performance-based plan to recognize and reward employees. The plan will be:
    - Connected to employee action
    - Tied to corporate and local business results
    - Structured to motivate Continuous Improvement



# Scope : ASM Cap

American proposes modifying the current limitation on its regional network to provide flexibility and allow the company to compete efficiently.

- American would like the option of increasing its number of regional ASMs to optimize its network.
- The current Eagle ASM Letter defines the number of American Eagle/American Connection flights American Airlines can use across the network.

## About the ASM Cap

- Negotiated in 1995, the ASM Cap is a restriction on the size and deployment of AA's regional network. Due to the cap, the regional operation, excluding markets exclusively served by AA's regional carriers at any time during or after 1993, is not allowed to grow beyond 6% of AA system capacity.
- No other carrier's network has an equivalent restriction, affecting AA's competitive position relative to these other networks.
- American has by far the lowest percentage of regional operations of any of our major competitors. However, there are some markets AA cannot economically serve and in those cases, partnerships with regional airlines like Eagle provide feed to the network that American otherwise wouldn't have. The AA regional network contributes almost \$3.5 billion in revenue to AMR and connects millions of fliers to American mainline flights every year. In fact, these connections represented enough passengers to fill more than 84,500 MD-80 departures in 2009.
- Modifying the cap would allow American to optimize the network. The mainline jets could be redeployed to new opportunities in our hub and Tier 1 cities (DFW, ORD, MIA, NYC and LAX). Mainline also could replace Eagle on select flights in a current "all Eagle" market without the remaining Eagle service in that market counting against the cap.
- This would benefit American's profitability by improving the schedule, letting the company place smaller planes on lower demand flights and providing the company with more opportunities to best optimize its network.

## AA's Proposal - ASM Cap

### Modify the Eagle ASM Letter as follows:

- American proposes to increase the number of regional ASMs relative to AA's ASMs to optimize its network.
- AA proposes modifying the cap to not exceed the industry average (based on CO, DL, UA and US with their regional partners), which currently stands at 21.3%.

# Proposal Summary

## Proposal

### Compensation

- 4% signing bonus on date of signing.
- 3% lump sum increase 6 months after date of signing.
- 1.5% structural increase 18 months after date of signing.
- 3% lump sum increase 30 months after date of signing.
- Crew Chiefs to be paid at Crew Chief rate for all overtime and change of shifts.

### Productivity & Workrules

- Fueling: Outsource fueling at stations where Title III exclusively performs the function as of date of signing. Outsource fueling at stations where Title IV performs the function after all Title IV employees have left the station through retirement or attrition.
- Dayline Cabin Cleaning: Outsource dayline cabin cleaning at all locations.
- American will provide furlough protection for employees through attrition and a one-time voluntary separation program.

### Holidays

- Increase the holiday work rate from 1.5x to 2x.

### Vacation

- Double accrual rate for employees with less than 5 years of service for a total of 80 hours of vacation a year, or two weeks.

### Active Medical

- No changes proposed at this time.

### Retiree Medical: Existing Retirees

- No changes for existing retirees. Employees retiring before 1/1/2011 experience no change to retiree medical benefits.

### Retiree Medical: Current Employees

- Refund prefunding balances to employees averaging about \$5,000.

- Pre-65 Retiree Plan: Retirees responsible for monthly retiree medical payments to cover a portion of the cost. Company subsidy still available.
- Age 65 and Over Retiree Plan: Retirees receive access to guaranteed issue, employee-paid Medicare supplement coverage plan.

### Retiree Medical: New Hires

- Pre-65 Retiree Plan: Prefunding does not apply. Access only for retiree medical with no company subsidy.
- Age-65 and Over Retiree Plan: Access only for guaranteed issue, employee-paid Medicare supplement coverage.

### Pension: New Hire

- Enroll in \$super \$aver Plus 401(k) defined contribution plan, to include a 100% company match for employee contributions up to 5.5%. New hires will not be eligible for defined benefit pension plan.

### Pension: Current Employees

- One-time option to stay in the current defined benefit pension plan or change to the \$super \$aver Plus 401(k) defined contribution plan with 5.5% company match.

### Variable Compensation

- Commit to develop a gain sharing plan with the TWU during the life of the agreement.

### Profit Sharing

- Replace the current profit sharing plan and financial component of the AIP plan with an uncapped enhanced profit sharing plan that begins at the first dollar earned.

### Eagle ASM Cap

- Modify cap, not to exceed the industry average, which currently stands at 21.3%.



# Tentative Agreed to Articles



- **2** Definitions
- **3** Hours of Work
- **9** Probationary Period
- **10** Seniority
- **11** Classifications and Qualifications
- **12** Promotions and Transfer
- **13** System Seniority List
- **14** Loss of Seniority
- **15** Reduction in Force
- **16** Recall
- **17** Leaves of Absence
- **18** Military Leave
- **19** Termination of Employment
- **20** Bulletin Boards
- **21** Work Schedule
- **22** Intentionally Left Blank
- **23** Attendance at Hearings, Investigations or Training Classes
- **24** Absence from Duty
- **25** Recall and Call-in Work
- **26** Field Work
- **27** General
- **28** No Discrimination, and Recognition of Rights and Compliance
- **29** Representation
- **30** Grievance Procedure for Dismissal/Corrective Actions
- **31** Grievance Procedure
- **32** Boards of Adjustment
- **33** No Strike – No Lockout
- **35** Temporary Employees
- **36** Meal Periods
- **37** Severance Allowance
- **38** Union Security
- **39** Fitness for Duty
- **44** Moving Expenses/Optional Severance for Protected Employees
- **45** Effect on Prior Agreements
- **46** One-Station Complex Agreements





**American Airlines®**

4333 Amon Carter Blvd. MD 5235  
Fort Worth, TX 76155

Presorted  
Standard  
US Postage  
PAID  
Permit #553  
Houston, Texas