

# **FLIGHT ATTENDANT NEGOTIATIONS NEWS** American Airlines Key Proposals and Tentative Agreements FEBRUARY 2010

# Table of Contents

## Company Proposals to APFA

pg2: Article 3 – Compensation

Article 4 – Expenses

Article 6 – Vacation

pg3: Article 7 – Hours of Service

Article 9 – Scheduling

Article 26 – Sick Leave

Article 35 – Group Life and Health Benefit Plan

pg4: Article 36 – Retirement Benefit Plans

## Tentative Agreements

pg4: Article 5 – Uniforms & Accessories

Article 10 – Reserve

pg5: Article 13 – Seniority General

Article 16 – Reduction in Force

Article 22 – Training and Meetings (NEW)

Article 25 – Exchange of Trips

## Flight Attendant Contract Negotiations News

To date, the American and APFA negotiating teams have successfully reached 28 tentative agreements (TAs) – almost three-fourths of the total contract articles. But, there's still more ground to cover, with some of our most complex and challenging articles ahead.

During the 11-day January negotiations session, the teams exchanged comprehensive proposals. Demonstrating our willingness to negotiate a new contract in a timely manner, the company moved toward APFA in several areas including pay, scheduling, and healthcare, among others.

APFA's current proposal would add hundreds of millions of dollars of costs to American over the life of their proposed three-year contract, and beyond. Their proposal would increase our flight attendant costs by more than 25 percent. Currently, American has among the highest labor costs in the industry, with our flight attendants being among the lowest scheduled and highest compensated. We must bring these costs in line with the competition in order to continue to provide good jobs with good pay and benefits.

With this in mind, some of the proposals we've made to APFA at the bargaining table you may see as better for you and some better for the company, but we continue to work hard with APFA to find a balance. It's also important to note the teams have agreed that American's proposed productivity enhancements would not directly result in furloughs.

In this update, we have highlighted information about key company proposals – which could change as the bargaining process continues – as well as information about the articles on which the parties have tentatively agreed.

**28%**

Open Articles

**72%**

TAs Reached

# Company Proposals to APFA

The proposals are subject to change as the good faith “give and take” process of negotiations continues; however, this overview will give you a look at where the company stands today.

## Article 3 – Compensation

The company enhanced its original proposal by including a pensionable option as well as the option to convert some or all of the fourth-year lump sum of 3 percent into a structural increase. The current proposal would:

- f Provide lump sum payments for an aggregate of 13.5 percent over the four years of the contract (1.5 percent signing bonus and 3 percent lump sums each of the four years). Every lump sum payment, except the signing bonus, would be pensionable. Additionally, the company has offered the fourth-year lump sum of 3 percent to be convertible in whole or in part to a structural increase if needed to retain AA flight attendants’ relative domestic hourly max pay rate standing as compared to that of Continental, Delta, United, US Airways and Southwest.
- f Replace the existing profit sharing plan with an uncapped annual profit sharing plan that rewards employees at the first dollar earned and matches the richest profit sharing plan in the industry today. This would create a fund from which awards are distributed to all participating employee groups. Individual awards would be distributed March 15 of the following year. Each employee’s award would be determined by the percentage of their earnings relative to overall participant payroll.
  - f Create a customer service incentive up to \$100 per month for achieving designated customer service targets, and eliminate the current AIP plan.
  - f Increase purser pay:
    - Domestic wide-body: \$2.50 / hour
    - International narrow-body: \$2.50 / hour
    - International wide-body: \$4.00 / hour

## Article 4 – Expenses

The company has proposed the following:

- f Increase Per Diem to \$1.65 Domestic / \$1.90 International.

f Eliminate TAFB for Turns.

## Article 6 – Vacation

The company has proposed a vacation plan that would give flight attendants the opportunity to accrue additional vacation days based on the number of paid hours. With this, we’ve proposed raising the minimum annual threshold for accruing vacation days from 420 to 540 hours.

- f The chart to the right shows how the sliding scale accrual would work, taking the proposed threshold into account:
 

0-5 years	9	35
5-12 years	0	0
12-20 years		*Must
20-25 years		maintain
25+ years		an
		average
	0	of 45:00
	18	hours
	15	per
	14	active
	13	month
	19	FLIGHT
	17	ATTEND
	24	ANT
	21	NEGOTI
	0	ATIONS
	23	NEWS 2
	29	FEBRUA
	21	RY 2010
	25	
	0	
	30	
	26	
	28	
- f Limit PVDs to six at a 3:00 hour daily rate as well as give flight attendants the option to sell back up to two weeks of vacation at a 3:00 hour daily rate.
- f Increase the value of 401(k) converted vacation to 3:00 hour daily rate for domestic and international flight attendants.

### Proposed Vacation Sliding Scale\*

Annual Vacation		
Accrual		
Less than 540 paid hours		
940 or more paid hours		
Current		
Accrual		
540 – 739 paid hours	11	
740 – 939 paid hours	10	
	8	

(Company Proposals to APFA continued)

## Article 7 – Hours of Service

The company originally proposed a 95-hour monthly schedule maximum. The latest proposal would:

f Phase the monthly schedule maximum to 92.5 hours for both domestic and international flight attendants over the course of two years. This proposed maximum more closely aligns with that of other U.S. carriers. The current contract limits our monthly scheduling of flight attendants to no more than 77 hours domestically and 82 hours internationally. Almost every other airline allows a monthly schedule maximum of 92 hours or more.

f The company is not looking to eliminate pure bids; we're looking to eliminate pure bid **restrictions**. The company recognizes how important pure bids are to flight attendants, so we will attempt to maintain purity in as many lines as operationally feasible.

f At the two-year mark, up to 30 percent of lines could be built to 95 hours.

## Article 9 – Scheduling

The company believes the two teams are close to reaching a TA on this article. The company enhanced its previous negotiating table position by including bid line pay protection. The proposed changes include the following:

f Combine the domestic and international operation for reserves and offer the opportunity for cross-division flying for dual-qualified flight attendants.

f Offer bid line pay protection to protect hours up to the value of the original monthly bid award, plus carry-in time.

f Establish a schedule enhancement period for flight attendants.

f Create automated daily bidding and assignment process.

f Permit involuntarily low flight attendants the first opportunity to access and be assigned open time.

f Guarantee flight attendants that no line would be worth less than 70 hours.

## Article 26 – Sick Leave

Similar to our vacation proposal – the company has proposed a plan that would give flight attendants the opportunity to accrue additional sick hours based on the number of paid hours. Along with this, the company has proposed to raise the minimum annual threshold for accruing sick days from 420 to 540 hours.

f The chart to the right shows how the sliding scale accrual would work, taking the proposed threshold into account:

f Also, we've proposed offering the option for flight attendants to receive an annual payout

of 50 percent of their yearly sick accrual, net of any usage, at 50 percent of the hourly base rate of pay.

### Proposed Sick Leave Sliding Scale\*

940 or more paid hours
Less than 540 paid hours
Annual Sick
Accrual
540 – 739 paid hours
740 – 939 paid hours
0
24 hours
36 hours
48 hours

\*Must maintain an average of 45:00 hours per active month

## Article 35 – Group Life and Health Benefit Plan

### Active Medical

Due to rising healthcare costs in the U.S., the company is proposing contract changes, similar to what has been put in effect for management. Currently, the average flight attendant contribution is 8 percent for Indemnity plans, 12 percent for PPO/POS plans, and 22 percent for HMO plans. The company originally proposed to APFA that flight attendants would contribute 25 percent to their healthcare plans – employees at other large corporations pay an average of 23 - 25 percent.

(Continued on Page 4)

(Company Proposals to APFA continued)

The company's current proposal now:

- f Gradually increases flight attendants' healthcare contribution based on the following scale:
  - 15 percent (7/1/2010)
  - 17 percent (1/1/2011)
  - 19 percent (1/1/2012)
  - 20 percent (1/1/2013)
- f Raises the minimum annual threshold from 420 to 540 hours with an annual "look-back" prior to open enrollment.
- f Offers a high-deductible plan with a health savings account as is available for management.
- f Flight attendants would continue to have a choice between healthcare plans.

## **Retiree Medical**

### **Current Retirees**

- f The company proposes **no changes** to plans for current retirees. Note: the current management and support staff retirees **did** experience a change to the cost and funding of their retiree medical coverage in fall 2009.

### **Current Employees**

- f The company would refund flight attendant prefunding balances, averaging approximately \$1,000 per flight attendant.
- f The company's prefunding contributions for retiree medical would stop at contract date of signing.

### **Pre-65 Retiree Plan**

- f Retirees would make monthly retiree medical payments to cover a portion of the cost. The company's proposal is that employees would pay the same portion of costs that management pays, which today is 25%, however that percentage could change over time (e.g. healthcare inflation).
- f Terms of retiree medical would be as good as or better than the retiree medical plan design, eligibility and contributions offered to management.
- f 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.
  - f In summary, pre-65 retirees would 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**

f At age 65, retirees would receive access to a series of Medicare supplement plans offered by UnitedHealthcare. The plans would be "guaranteed issue," meaning that any retiree would be eligible, regardless of medical history or condition. The retiree would pay 100 percent of the premiums for the Medicare supplement coverage.

f Retirees would 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.

f 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.

f The options provided through the UnitedHealthcare supplement plans would 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 percent for claims. In contrast, the new retiree paid Medicare supplement plans provided by UnitedHealthcare offer no lifetime maximum and opportunity for up to 100 percent reimbursement on claims. Spouses would also have the ability to choose different plans.

### **New Hires**

f Pre-65 Retiree Plan: Employees would no longer pre-fund. Retirees would have access to guaranteed issue retiree medical coverage at their own expense.

f Age 65 and Over Retiree Plan: At age 65, retirees would receive access to a series of Medicare supplement plans, which today are offered by UnitedHealthcare. The plans would be guaranteed issue, and the retiree would pay 100 percent of the premiums for the Medicare supplement coverage.

(Company Proposals to APFA continued)

## **Article 36 – Retirement Benefit Plans**

- f The company would provide a defined contribution 401(k) plan for new hires, instead of a defined benefit pension plan.
- f New hires would be automatically enrolled in the Super Saver Plus 401(k) plan to include a 100 percent company match for employee contributions up to 5.5 percent.

f Existing employees would have the option to transition to the 401(k) plan with a 100 percent company match up to 5.5 percent or remain in the defined benefit pension plan.

f Only one competitor of American currently offers a defined benefit plan while others have terminated or frozen their plans.

# **Tentative Agreements**

The company and APFA have tentatively agreed to 28 of the 38 total contract articles. Here are a few of those articles along with what the company understands are the key agreed-upon changes.

## **Article 5 – Uniforms & Accessories**

The company and APFA have tentatively agreed to a new provision that would provide an annual uniform point allotment based on flight attendant paid hours in the previous calendar year. Simply put, flight attendants who fly more will get more uniform points. The point breakdown is as follows:

- |                                     |                                     |
|-------------------------------------|-------------------------------------|
| f 1200 or more paid hours 20 points | f 500 paid hours 10 points          |
| f 1000 paid hours 18 points         | f 200 paid hours 6 points           |
| f 900 paid hours 14 points          | f Less than 200 paid hours 0 points |
| f 700 paid hours 12 points          |                                     |

## **Article 10 – Reserve**

The company and APFA tentatively agreed to changes in this article that the company believes would enhance the reserve flight attendant's quality of work-life, while at the same time, helping make the operation more efficient. These include:

- f Reserves continuing to be able to relinquish up to four duty-free periods for the purpose of performing supplemental flying but would now be paid above guarantee.
- f Some unassigned reserves may be awarded next day AM or PM availability period in lieu of 24-hour availability.
- f Reserves having the option to request and be awarded next day PVD/mini-leave prior to reserve assignment.
- f Reserves creating their own reserve lines based on company reserve requirements and seniority. Unselected days would be assigned in reverse seniority order.
  - f Permitting some reserve selections with 12 – 19 days of reserve duty with a pro-rated guarantee.
  - f Eliminating duty-free period patterns with the following exception: Require periods of reserve availability with no more than six days and no less than the longest trip at the base, with permitted exception for 48-hour availability blocks during the overlap period.
  - f Reserves would still have a 75-hour guarantee.

(Tentative Agreements continued)

### **Article 13 – Seniority General**

The company and APFA tentatively agreed to seniority changes that reward flight attendants for working. The changes include:

- f Following the first full-calendar year after ratification and every year thereafter, the company would perform an annual look-back to determine a flight attendant's paid hours.
- f In order to be eligible to accrue company, classification and occupational seniority, a flight attendant must be paid a minimum of 200 hours during the calendar year or be paid an average of 16:40 hours per active month during the calendar year if the flight attendant has been inactive during the calendar year due to unpaid status.
- f The seniorities would be adjusted in January, reflected on the System Seniority List and published in February.

### **Article 16 – Reduction in Force**

- f The main item on which the parties agreed concerning this article is to extend unlimited recall rights for flight attendants whose names appeared on the recall list as of October 2, 2009. Additionally, in no case shall a senior flight attendant furloughed after October 2, 2009, have a recall period shorter than a more junior flight attendant.

### **Article 22 – Training and Meetings (NEW):**

APFA proposed creating this article in order to consolidate all flight attendant training information for easy reference. There are several changes made by both parties. Two of these include:

- f A flight attendant would be required to attend recurrent training no later than the base month.
- f A flight attendant who has neither scheduled nor completed their recurrent training prior to the initialization of trip selection bids for their grace month would be assigned to a training class during that grace month. Assignments to a training class in the grace month would be made within 72 hours following trip selection bid initialization. Self-enrollment would not be an option for grace month flight attendants.

### **Article 25 – Exchange of Trips**

The company and APFA worked to streamline the exchange of trips process, and as a result, agreed on many changes including:

- f Explore ways to improve trip trades with open time. Expand trip-trade finder to display both company time and flight attendants desiring to trade or drop. Permit for Schedule Enhancement Period (SEP).
- f After fulfilling his or her obligation for days originally scheduled to fly, a flight attendant that has involuntarily lost time would be eligible to one-way pick up from open time on any day in the month up to the monthly maximum or up to the amount of time lost, whichever is greater.
- f Flight attendants with dual qualifications may trip trade with another dual-qualified flight attendant or with open time at an adjacent base in either division (with certain restrictions that allow priority to flight attendants assigned to division), provided all required service qualifications and legalities are met.
  - f The company would grant an exchange if there is one hour additional buffer between trips for all applicable legality provisions.
  - f An AVBL flight attendant who is originally scheduled below the monthly guarantee and further reduces his or her actual scheduled hours through a trip trade would have his or her monthly guarantee reduced by the difference between the traded trips.
  - f As it applies to TTOT procedures, allow position swaps until 8:00 a.m. the day before.

# Negotiations Snapshot

Here's an overall look at the open contract articles and the tentative agreements reached.

**Tentative Agreements Reached**

**Currently Open Contract Articles**



**Article 1:** Recognition & Merger/Acq. Protection  
**Article 5:** Uniforms & Accessories  
**Article 10:** Reserve  
**Article 11:** Language  
**Article 12:** Filling of Vacancies  
**Article 13:** Seniority General  
**Article 14:** Seniority Lists  
**Article 15:** Period of Probation  
**Article 16:** Reduction in Force  
**Article 17:** Transfer to Non-Flying or Sup. Duties  
**Article 18:** Moving Expenses  
**Article 19:** Leaves of Absence  
**Article 20:** Medical Appeals/Arbitration  
**Article 21:** Hotels & Transportation  
**Article 22:** Joint Scheduling Committee  
**Article 22:** Training & Meetings (NEW)  
**Article 23:** Emergency Assignments  
**Article 24:** Copies of the Agreement  
**Article 25:** Exchange of Trips  
**Article 27:** Bereavement/Personal Emergency Leave  
**Article 28:** Dispute Resolution & Grievance Procedure  
**Article 29:** System Board of Adjustment  
**Article 30:** General  
**Article 31:** Union Security  
**Article 32:** Health & Safety Committees  
**Article 33:** No Strike, No Lockout  
**Article 34:** Purser  
**Article 37:** Effect on Prior Agreements  
**Article 2:** Definitions  
**Article 3:** Compensation  
**Article 4:** Expenses  
**Article 6:** Vacations  
**Article 7:** Hours of Service  
**Article 8:** Minimum Pay & Credit  
**Article 9:** Scheduling  
**Article 26:** Sick Leave  
**Article 35:** Group Life & Health Benefits  
**Article 36:** Retirement Benefit Plans  
**Article 38:** Duration of Agreement

**FLIGHT ATTENDANT NEGOTIATIONS NEWS  
FEBRUARY 2010**