

Update on Seniority Adjustments Per DRC No. 32 Ruling

As previously communicated in mid-September, an issue was raised specifically with regard to seniority adjustments after recall from layoff. The issue involved the adjustment to a former TWA LLC employee's 25% occupational seniority date, in the event the employee was out on layoff beyond his/her previous service or three (3) years, whichever was applicable.

This issue was brought before the Dispute Resolution Committee (DRC) and a decision was rendered as DRC #32 – on August 5, 2008, with a need for clarification and final decision made on August 21, 2008.

Per the arbitrator's ruling, once the seniority has been adjusted, the utilization of the adjusted seniority will be prospective.

Representatives from both AA and the TWU have completed a joint review of all applicable former TWA – LLC TWU-represented employees. All employees who are impacted by this decision have been identified and the appropriate seniority adjustments have been calculated per the DRC's decision. AA and the TWU are finalizing and reviewing the adjustments once again to ensure accuracy. Once they are finalized the plan is to present the information to the TWU President's Council the week of November 10th for their review. Once that review is completed, affected employees will be notified of their new adjusted occupational seniority dates. We expect the employee notification process to be completed before the end of November 2008.

For more information about DRC No. 32, please refer to the attached summary.

AA Employee Relations

Seniority Adjustments After Recall – Summary of DRC No. 32 Ruling

Background:

In 2002, to integrate TWA employees into the AA/TWU employee groups, the former TWA employees were assigned AA occupational seniority dates as follows, which were in accordance with the Richard Kasher arbitration decision:

- For employees at STL & at the MCI overhaul base: employees retained 100% of their TWA occupational seniority as long as they remained at the station and in the classification
- For stations outside of STL/MCI overhaul base where TWA's ASMs were less than 10% of the combined AA/TWA total ASMs: employees were assigned an occupational seniority date of 4/10/01 across the board
- For stations outside of STL/MCI overhaul base where TWA's ASMS were more than 10% of the combined AA/TWA total ASMs: employees retained 25% of their TWA occupational seniority, and occupational seniority dates were adjusted accordingly.

The Issue:

While this method of integration was designed to create equity among employees, an issue was raised specifically with regard to seniority adjustments after recall from layoff. The issue involves the adjustment to a former TWA LLC employee's occupational seniority date, in the event the employee is out on layoff beyond his/her previous service or three (3) years, whichever is applicable. This adjustment is required under Article 16(a) of the AA/TWU labor agreement.

Currently, if an adjustment is warranted, the adjustment is applied to the 100% seniority date and then a recalculation of the 25% seniority date is performed and applied. The resulting effect is that with the current adjustment calculation, even if the former TWA LLC employee and the AA employee had the exact same occupational seniority dates and were furloughed and recalled at the same time, the former TWA employee would return to work with more seniority than the AA employee.

	AA Employee at JFK	Former TWA Employee at JFK
RIF Date	5/30/03	5/30/03
Occupational Sen. Date	1/1/01	100% date: 1/1/80 25% date: 1/1/01
Recall Date	5/30/07	5/30/07
Accrued	3 years	3 years
Adjusted	1 year	1 year for 100% date; resulting in 3 month adjustment for 25% date
Adjusted Occupational Date	1/1/02	100% date: 1/1/81 25% date: 4/1/01

Both the AA and the former TWA LLC employee would have had a one-year adjustment to their 100% dates; however, since JFK is identified as a 25% station, the AA employee would have a one-year day by day adjustment, but for the former TWA LLC employee – the result is approximately a 3 month day by day adjustment to his 25% occupational seniority date.

The Decision:

This issue was brought before the Dispute Resolution Committee (DRC), who rendered a decision – DRC # 32 – on August 5, 2008, with a need for further clarification which resulted in the final decision being rendered on August 21, 2008.

While done in a reasonable manner, the previous seniority adjustment calculation for recalls has been found by the arbitrator to be inconsistent with the original intent of the 2002 integration methodology and the AA/TWU labor agreement.

As such, all applicable employees will have their 25% occupational seniority dates adjusted using a “day-by-day” methodology. Per the arbitrator’s ruling, once the seniority has been adjusted, the utilization of the adjusted seniority will be prospective.

Questions & Answers:**Will the company go back and adjust seniority dates for anyone who has been furloughed and recalled since 2002?**

Yes. Per the arbitrator’s ruling, the adjustment will be necessary for any former TWA LLC employee who had their 100% seniority adjusted as a result of the Article 16(a) application. The day by day adjustment will be made to the 25% date. Once the adjustments have been completed, then the utilization of the new 25% seniority date will be prospective.

Would retroactively applying this decision have had an impact on who was laid on in the September Airport Services RIF?

No. While we did not adjust seniority dates prior to the September RIF, we did go back and look at those employees affected by the RIF. There were only a few former TWA employees affected and adjusting their seniority per DRC No. 32 would not have affected the outcome of the reduction in force.

Will seniority dates be affected prior to November RIF activity?

Yes. Per the decision, we are going through the list of applicable employees and will make adjustments to the 25% occupational seniority dates in compliance with DRC No. 32. We are expecting that this process will be completed prior to the November reduction in force.

When will I be advised of my adjusted occupational seniority date?

We are systematically working through the employee lists and will load the new dates in the system and on the Master Seniority list as soon as the work has been completed. We are anticipating a completion date of October 20, 2008 and will keep employees advised on our progress.