



## **American Airlines bankruptcy puts Tulsa workers on uncharted route**

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Civic and business leaders pledged support Tuesday for American Airlines, but Tulsans likely are facing many months of nail-biting as the city's largest employer sorts out its financial problems in Chapter 11 bankruptcy.

The impact on the company, its largest maintenance base and the 7,000 people who work there is not known. Early comments from American officials Tuesday, however, indicated that a key part of its reorganization will involve trimming labor costs.

"It is premature to say with certainty, but given American's need to achieve a more competitive cost structure, it is likely changes will be necessary in the future," American officials said in a statement on a company website. "The cost of American's pay and benefits packages generally place us at or near the top of the industry."

Those well-paid positions at the carrier have been a major boost to the local economy for decades. In addition, the company has a number of suppliers and contractors that are based here because of work related to the Tulsa plant.

The company recently was named as one of the state's best places to work by Oklahoma magazine. In explaining the choice, editors noted that American has been a generous supporter of area nonprofits. American's maintenance center has helped more than 100 agencies through volunteerism, corporate donations or in-kind gifts.

A workforce American's size can have a huge impact, the magazine said. Just two examples are that AA employees make up the largest group of blood donors in the area and adopt the most Salvation Army Angel Tree children annually.

American officials said Tuesday they will continue to aid the towns where they operate, within limits.

"By providing a path for us to become an efficient, financially stronger and competitive airline, the Chapter 11 process will also help us sustain the important contributions we make to the communities we serve, including through our support of local, civic and charitable organizations," officials said in a statement.

"In the near term, however, it is likely that we will have to make difficult choices about our philanthropic investments and activities."

American's leaders said they realize the timing of the Chapter 11 filing could be troublesome for nonprofits.

"We understand the economy is creating challenges for charitable organizations, and that the 2012 program year is right around the corner," officials said in the statement. "We will work to provide as much and as timely information as possible to the many organizations with which we work to minimize any impact on them."

American's union employees said they are hoping for the best. The Transport Workers Union Local 514, which includes local mechanics, held a news conference Tuesday afternoon, and Chairman of Maintenance John Hewitt expressed disappointment with company management.

"The airline claims it (the bankruptcy filing) is because of the cost of its labor force - what they have to pay out is so much higher than any other airline," Hewitt said.

"The analysts will tell you it's the management style of the company. You will find a great majority of the employees who see what's going on, and they will tell you the same thing."

Hewitt said nothing would change immediately for TWU workers. "The contract that is in place is in full force until the company takes further action in bankruptcy court."

When asked if the bankruptcy could be a strong-arm tactic by American to gain more concessions from union workers, Hewitt replied: "I wish the world was that simple. I really do. It would be nice to say there is Darth Vader and there is Luke (Skywalker) and that's just the way it is.

"But I'm realistic. I know there's a lot more to it than that."

Still, he noted that bankruptcy rarely helps organized labor.

"What I've seen in bankruptcy is that the workforce is asked to make sacrifices while executives are given bonuses in order to stay and help reorganize the company," he said.

Going forward, the TWU will have to cope with the situation, Hewitt said. "We're going to try to preserve as many jobs as we possibly can and still make it a decent job to work."

Ken Fields, 49, has been employed at AA since 1994. He said the timing of the bankruptcy filing was a surprise.

"It may be a good thing. It may be a bad thing," Fields said. "Everybody's been trying to get a contract - pilots, flight attendants, us as mechanics. They (airline officials) are stressed trying to get the airline back in order, and we're stressed trying to get a contract.

"It's kind of scary. But yet, United weathered it. Delta weathered it. And they're doing much better now. ... I think it will be OK. They (American) may downsize a little bit."

Fields' son, Jeremy Fields, 30, is an aircraft cleaner who started work at AA in April. He is married with four children.

"I wonder what's going to happen with us, being new there," he said. "Are we going to get laid off? What's going to happen from that point?"

He said his father told him to "hang in there. Don't worry about it. Everything's going to be all right."

Industry observers offered a number of views, ranging from concern to guarded confidence.

Fred Russell, CEO of Fredric E. Russell Investment Management Co. in Tulsa, was pessimistic.

"It's another blow for the Tulsa economy," Russell said. "The purpose of any bankruptcy filing is to reduce labor costs, interest expenses and debt loads. It will force labor to renegotiate. Wages are going to come down, and some people will lose their jobs."

Wayne Plucker, an airline industry analyst with Frost & Sullivan in San Antonio, said: "I don't think there will be wholesale changes in Tulsa because the MRO (maintenance, repair and overhaul) facility is desperately needed by American. But I think the line (maintenance) stations will see significant changes."

Mayor Dewey Bartlett said his office will continue efforts to strengthen the city's ties with American.

"The company will go through a long process that could strengthen its core operations in the long term," he said. "Time will tell the outcome of all of AMR business operations, but I remain positive that Tulsa's maintenance operations are a strong component of its business."

"American officials have assured us that business prospects remain strong and existing contracts for new orders will remain in place."

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## **Tulsa's 10 largest non-government employers**

1. American Airlines
2. St. Francis Health System
3. St. John Medical Center
4. Bank of Oklahoma
5. ONEOK Inc.
6. NORDAM Group
7. Reasor's Foods
8. Spirit AeroSystems
9. Hillcrest Medical Center
10. QuikTrip Corp.

*Source: Tulsa Metro Chamber*

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## **AA Timeline**

**January 1946:** New York-based American Airlines establishes its Tulsa maintenance base with 50 employees in four barn-like World War II-era hangars formerly occupied by Douglas Aircraft.

**August 1951:** American hires its 3,000th employee at the Tulsa base.

**October 1955:** American increases its Tulsa employment to 3,500.

**September 1970:** American announces the relocation of its Sabre computer reservation system to Tulsa, bringing the company's investment in Tulsa to \$118 million.

**July 1971:** American's \$13 million 106,000-square-foot computer center, Sabre II, opens in Tulsa.

**January 1972:** The local center's work force totals 5,100.

**April 1976:** Workforce payroll tops \$100 million a year.

**November 1978:** Dedication ceremonies are held for a 263,000-square-foot addition to the Sabre Computer Center at Tulsa International Airport.

**June 1979:** American moves its corporate headquarters from New York City to Dallas-Fort Worth International Airport.

**May 1982:** AMR Corp., the new holding company of American Airlines Inc., is formed.

**November 1986:** American announces a \$154 million expansion and renovation of the Tulsa Maintenance & Engineering Center.

**June 1989:** American announces a \$150 million expansion of the Tulsa base, which will create 1,600 jobs.

**March 1991:** American Airlines President Robert Crandall says the U.S. airline industry is in "dreadful" condition, suffering from a doubling of fuel prices, fare wars and a slump in travel brought on by the Persian Gulf War.

**January 2003:** AMR Corp. reports a \$3.5 billion loss for 2002, the largest annual loss in airline history.

**February 2003:** Citing unsustainable losses of more than \$5 million a day, American asks its labor leaders and employees for \$1.8 billion in annual savings through changes in wages, work rules and benefits.

**May 2003:** American lays off 7,000 workers companywide, including 718 in Tulsa, where the airline employed about 10,000.

**September 2003:** After the passage of the Vision 2025 improvement and incentive package, which includes \$22.3 million in capital improvements for American's Tulsa maintenance center, the airline announces it will add work in Tulsa and not close the base.

**July 2011:** More than 200 Tulsa-based American Airlines workers whom the company is considering moving to the Dallas-Fort Worth area say they are opposed to relocating.

**October 2011:** American Airlines said it will transfer about 230 maintenance control technicians and staff at its Tulsa maintenance base to the Dallas-Fort Worth area within a year.

**October 2011:** AMR logged its fourth straight quarter of losses going back to the third quarter of 2010, when the company had a profit of \$143 million.

**Nov. 29, 2011:** The parent companies of American Airlines and its regional affiliate American Eagle file for Chapter 11 bankruptcy protection.

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## Other airline bankruptcies since 9/11

No one knows what American Airlines — and its 7,000 jobs in Tulsa — will look like when parent AMR Corp. emerges from Chapter 11 protection, but the reorganized result likely will be painful for employees from mechanics to attendants and pilots.

Bankruptcy has grounded more jobs and wages than flights within the airline industry since 9/11. In fact, federal statistics indicate a loss of nearly 50,000 full-time equivalent positions, from 670,730 to 622,300, in the last decade.

Below is an overview of the major airlines' Chapter 11 filings and how it impacted employees. Continental did not file for bankruptcy during the past decade but did twice in the 1990s, cut 3,000 jobs in 2008 and merged with formerly bankrupt United in 2010.

<b>Airlines:</b>	<b>US Airways</b>	<b>United</b>	<b>Northwest</b>	<b>Delta</b>
When filed Chapter 11:	Aug. 2002 and Sept. 2004	Dec. 2002	Sept. 2005	Sept. 2005
Exited Chapter 11:	March 2003 and Sept. 2005	Feb. 2006	May 2007	April 2007
Annual cost cuts:	\$1.9 billion	\$7 billion	\$2.4 billion	\$1 billion
Employee layoffs from restructuring:	11,000	25,000	1,800	7,000

**Original Print Headline: Uncharted route**

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*Tulsa World Staff Writers D.R. Stewart and Rhett Morgan contributed to this story.*

**Associated Images:**



**American Airlines mechanics Don Hill (left), Rick Walsh, Frank Brown and Don Lake listen to a news conference at the Transport Workers Union Local 514 on Tuesday. American filed for Chapter 11 bankruptcy protection. MIKE SIMONS / Tulsa World**



An American Airlines plane arrives at Tulsa International Airport on Tuesday. MIKE SIMONS / Tulsa World



**Philip Phillips works on a 757 thrust reverser during his shift at the American Airlines Maintenance and Engineering Center in Tulsa. MATT BARNARD / Tulsa World file**



**Chairman of Maintenance of the Transport Workers Union John Hewitt expressed disappointment with company management during a news conference Tuesday afternoon. MIKE SIMONS / Tulsa World**



**An American Airlines Boeing 737 is prepared for a flight outside the terminal building at Tulsa International Airport. Tulsa World file**

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