

Pilots' Talks With American May Lift Catch-Up Bid

By **MELANIE TROTTMAN**

Staff Reporter of THE WALL STREET JOURNAL

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The decision by the pilots union at AMR Corp.'s American Airlines to begin cost-cutting talks with the carrier could help it play catch-up with some competitors and could put pressure on its other unions to follow.

The move shows many within the industry still see a need to cut costs in the face of high fuel prices and tough competition, despite an uptick in air traffic. Still, signing a deal won't be easy and there is no assurance that the voluntary work-rule changes the union plans to discuss would be enough to avoid deeper cuts later.

American in 2003 was one of the first of the traditional airlines to ask for pay and benefit cuts to help avert a bankruptcy filing. But while the move helped American, some competitors eventually surpassed it as they made cuts amid worsened industry conditions. This year, Continental Airlines coaxed concessions from its unions. UAL Corp.'s United Airlines pushed cuts while under bankruptcy-court protection, while Delta Air Lines and Northwest Airlines will likely do the same.

American's pilots union decided that further cuts are necessary to protect the long-term viability of their company. "I think we have acknowledged that the pilots are going to need to lead in this effort" among the unions at American, said union President Ralph Hunter.

He said waiting for the company to call for new cuts could leave the union with less control or a possible trip through bankruptcy court. The union's move came after management and union leaders brought in cost-analysis consultants who provided an overview of corporate operations and potential areas for savings.

The union is seeking the cuts through productivity gains resulting from work-rule changes, not from pay or benefit reductions. Industry experts say such changes would likely include things such as increased flight hours and scheduling adjustments. The pilot union's current contract officially becomes amendable in May 2008, but the group is free to change the pact at any time by mutual agreement with the company, Mr. Hunter said. Any such changes proposed by the union's leadership will be put to vote by the group's membership.

Mr. Hunter said the union plans to talk to other labor groups within the company about working together in this effort. Tommie Hutto-Blake, president of the airline's flight attendants union, said that while her group's leadership is trying to identify operational inefficiencies, it isn't considering any work-rule changes that would call

for contract ratification. "We are not looking at opening our contracts at this time," said Ms. Blake.

The pilot union's board Wednesday night authorized pilot leaders to not only initiate talks with management, but also to talk to outside shareholders about prospects for cost improvements.

A spokeswoman for American Airlines said the company looks forward to working with the pilots and is "thrilled" that the group "has seen value in the collaborative process."