

American Airlines To Outsource Maintenance Work

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TULSA, Okla. (AP) — American Airlines has notified its Transport Workers Union in Tulsa that the company will outsource heavy maintenance on four Boeing 757 aircraft by Nov. 1, company and union officials said.

The 757 work will be performed by TIMCO Aviation Services, an independent aircraft maintenance, repair and overhaul provider in Greensboro, N.C.

The 757 heavy maintenance, or "C checks," normally are performed at American's Maintenance and Engineering Center at Tulsa International Airport, company and union officials said, and the work takes from three to four weeks to complete.

American executives said a backlog of maintenance work at the Tulsa base compels the company to outsource the 757 maintenance as a temporary solution.

"American Airlines takes a very strategic approach to its maintenance planning needs," said American spokeswoman Andrea Huguely. "At this time, a short-term solution is required to address a large number of heavy maintenance checks for a portion of American's fleet.

"Over several years, we have outsourced a very few, specialized projects, usually on a short-term basis. That work is a minuscule fraction of our overall maintenance operation."

Spokesmen for the TWU's Local 514 in Tulsa, however, said American management knew about the 757 heavy maintenance requirements more than a year ago, failed to plan for the work and refused to consider TWU proposals for performing the maintenance in-house.

"This is another example of management failing to listen to its labor force and plan properly for the future," said John Hewitt, Local 514's chairman of maintenance. "Over a year ago, management decided to defer important maintenance items on the 757 fleet until a later date, and then we began to hear that some of the 757 work would be outsourced.

"In response, the TWU officers and members formed a '757 Save Team' that studied the situation and approached management with recommendations for keeping the work in Tulsa. They did not listen. The contract between American Airlines and the TWU clearly states that this maintenance work is to be accomplished by the TWU. It's time for management to start listening to its workers."

American is nearly alone among its airline competitors in performing its heavy

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aircraft maintenance at its own facilities with its own mechanics, industry officials say.

In the last decade, Northwest Airlines, United Airlines, Delta Air Lines and US Airways shed their in-house heavy maintenance capabilities through the bankruptcy process.

American averted a bankruptcy in 2003 when the TWU, the Allied Pilots Association and the Association of Professional Flight Attendants agreed to \$1.6 billion a year in wage and benefit concessions.

Talk of the possibility of bankruptcy has swirled again recently. Parent AMR Corp.'s stock plunged to a 52-week low of \$1.75 on Oct. 3. It rebounded somewhat last week to close at \$2.50.

The situation is being watched closely by local civic leaders because American employs more than 7,000 people in Tulsa. The M&E center positions, especially, are considered high-wage jobs with good benefits.

The loss of a significant number of those jobs would be a blow to the local economy, observers say.

As AMR continues to report annual losses - it has posted three straight annual losses and is the only major U.S. carrier forecast by analysts to report losses in 2011 and next year - some Wall Street types have urged the company to sell its maintenance operation.

If American struggles with a \$600 million to \$800 million labor cost disadvantage compared with its competitors, shedding its aircraft maintenance division would reduce that disparity, analysts said.

As recently as three years ago, American executives said that although American's labor costs are higher, they are offset by superior quality, faster turn-times and availability of tooling and parts.

Today, some American mechanics sense management has a much less favorable view of the company's in-house maintenance operations.

Local 514 spokesman Terry Lesperance referred to the statement made a year ago by Jeff Brundage, American's senior vice president of human resources, that American's labor costs are "a big brick in our backpack to being competitive in this industry."

Lesperance said management increasingly sees American's maintenance operations as a cost center, rather than a profit center.

"When it comes to aircraft maintenance, (former Vice President of Base Maintenance) Carmine Romano and the management that prided themselves on aircraft maintenance have retired," Lesperance said. "Since Carmine left (two years

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ago), it's really been difficult."

TWU officials say the 757 C checks, which involve stripping flooring, seats, panels, overhead bins, communications and entertainment systems from the plane so every component can be inspected and tested, can be performed in Tulsa in 22 to 30 days.

TIMCO is scheduled to do the 757 heavy maintenance in 35 days, Lesperance said.

American's Huguely said the company planned for the 757 work, but it has taken longer than expected.

"There is only a set amount of space, machinery and employees to complete this maintenance work in-house," Huguely said. "If the work is not done in time, the aircraft would have to be grounded, forcing the airline to cancel flights and adversely affecting our customers and employees.

"As a result - and as a short-term solution - we are sending four 757 aircraft to TIMCO Aviation. ... Keep in mind, that's four of 124 planes in American's 757 fleet. That means our TWU employees will still handle nearly 97 percent of our 757 maintenance."

Michael Boyd, who follows American for Boyd Group International in Evergreen, Colo., said the Fort Worth carrier has limited hangar space and employees to maintain its 600-aircraft fleet.

"Airplanes are like teenagers. You have to know them to fix them," Boyd said. "In the long run, you can fix them cheaper in-house. TWU has worked with the company in the past to reduce costs. You don't want to mess with an asset like that."

Lesperance said American should take its cue from Lufthansa German Airlines.

"Lufthansa Technik was a spinoff of Lufthansa Airlines," Lesperance said, "and now they're more profitable than the airline."

Calls for comment to TIMCO Aviation Services were not returned.

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