

Testimony of

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**BEFORE THE SUBCOMMITTEE ON AVIATION
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
UNITED STATES HOUSE OF REPRESENTATIVES**

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Good morning and thank you for inviting American Airlines to participate in today's hearing on outsourced air carrier maintenance. We welcome the Committee's attention to this important subject.

My name is David Campbell and I am the Vice President responsible for two of the three American Airlines maintenance bases – at Alliance Fort Worth, Texas and in Kansas City, Missouri. Our third maintenance base is located in Tulsa, Oklahoma.

I cannot emphasize strongly enough that safety is our number one priority at American. We welcome the diligent and continual oversight of the FAA and believe it is an important component of our commitment to safety. Working with our employees who are members of the Transport Workers Union and with the FAA, we strive to continually improve our safety functions and we do so not just to meet, but to exceed FAA standards.

I will explain how we work with the FAA on a daily basis in a moment. But first I would like to take a moment to describe how we have taken a substantially different path on maintenance than others in the airline industry.

While the industry trend is increasingly to outsource maintenance work, American has moved in the other direction. We perform over 90 percent of all maintenance work and 100 percent of heavy maintenance work in the United States with American Airlines employees at our facilities or maintenance bases. We have approximately 2,750 maintenance employees at the Alliance and Kansas City bases and another 7,000 employees at our base in Tulsa. They repair and maintain our fleet of 700 large jets as well as aircraft for dozens of other carriers.

As many of you know, American is the only network air carrier in existence before deregulation that has been able to avoid bankruptcy. Through a combination of employee cooperation and productivity improvements numbering in the thousands, we have been able to restore the company to a position of financial stability. And while we still have a substantial amount of debt and need sustained profitability, we have made vast improvements in our balance sheet and our economic future.

There is no better example of why we have been able to achieve this turnaround than the partnership that we have formed with the Transport Workers Union to transform our maintenance business model. Over the last three years, we have focused on turning our maintenance and engineering organization from a cost center to a profit center. In so doing, we have been able to maintain our repair and overhaul work in the United States and, most important, keep our talented and experienced employees.

Through an intense and rigorous collaborative process, American and the Transport Workers implemented an approach to maintenance that we call our Continuous Improvement Process. Using it, we have been able to reduce costs, gain efficiencies and optimize our operations and productivity, while maintaining the highest standards of safety and reliability.

We have also been able to acquire and conduct maintenance work for other domestic and international airlines despite the fact that American offers higher salaries and better benefits to its employees than virtually any non-airline vendor. In other words, while many of our competitors outsource to lower labor cost regions of the world, we actually have insourced work from those regions. What we provide our customers is a level of quality that is second to none and assurance that we will begin and end our maintenance as promised so that our customers' airplanes will be out of service for the least possible time.

American has set an aggressive goal of obtaining an additional \$175 million in third-party revenue in 2007. From March 2005 until February of this year, a joint team from American's Maintenance base in Tulsa generated \$501 million in value creation. In February 2006, TWU Local 530 and Kansas City base management set a goal of \$150 million to turn the base into a profit center by the end of 2007 and at Alliance Fort Worth Maintenance Base a joint team of management and TWU leaders agreed upon a "breakthrough goal" to generate \$400 million in combined revenue and cost savings by the end of 2008.

The overall vision for American's maintenance organization is to become a world-class Maintenance Repair and Overhaul operation that provides value to our people, customers, and owners.

A prime example of how this is working is our collaboration with our employees in Tulsa to improve on the time it takes to complete a major airframe overhaul, or known as a heavy C check, of our MD-80 aircraft, which is the largest fleet in our system. By our front line employees and union leaders working together with our management team, the Tulsa facility developed the concept of the Staggered Pulse line, which involves four aircraft in an assembly line process to gain substantial efficiencies in manpower utilization, equipment and tooling.

C checks are the most extensive maintenance overhaul that our MD-80s go through. They take place after every 12,600 hours of flight time or generally every 5 to 6 years. The Pulse concept allows employees to specialize and sequence their work with maximum efficiency. As a result we have reduced the MD-80 turn time from 21 days to just under 13 days. This efficiency has enabled more than 300 employees who had been dedicated to MD-80 maintenance to focus on other American and/or third-party work.

At Alliance, our mechanics created an innovative method for engine overhaul. Rather than working on engines horizontally, they designed a method, using a hydraulic lift, to hold the engine vertically so they could have far better access. In so doing, we significantly reduced repair times and created a safer working environment.

Now I want to turn to an explanation of our relationship with the FAA. Title 49, United States Code Section 44701 (a) 5 and (c) states that it is "the duty of an air carrier to provide service with the highest possible degree of safety in the public interest." To ensure that we meet our obligation and standards we work very closely with representatives of the FAA. There are 37 full-time inspectors assigned to American. Others are available if needed.

Every morning at 8:15 a.m., a safety call is held with the three principal inspectors of the FAA assigned to American. Participants include representatives of our departments of Maintenance and Engineering, Flight, and Safety, Security and Environment. On this call, daily safety, mechanical and other issues are discussed and items are brought to the FAA's attention.

These same departments participate in a weekly call that is intended to address any longer-term concerns that the FAA may have and to bring the agency up to date about any issues that we believe they should know about.

Quarterly Safety Risk Management reviews are also undertaken in which we work closely with the FAA's Principal Operations Inspector, the Principal Maintenance Inspector, the Principal Avionics Inspector and their staffs. Periodically there are meetings of the AA/FAA Safety Executives Roundtable, which includes senior AA executives and the Principal Inspectors.

The FAA inspectors who are responsible for American's maintenance bases are dispatched as needed from the agency's Dallas/Fort Worth Airport Certification Management Office. FAA inspectors will often arrive at our maintenance bases – or airport hangars – unannounced to conduct inspections. We make it clear to our employees that when on our facilities, the FAA inspectors may talk with whomever they wish and review all records and logs without interference.

Simply put, we see and talk with FAA inspectors every day. Moreover, we have entered into a Memorandum of Understanding with the FAA on a Safety Risk Management Program that allows records and reports to be shared to enhance oversight of the carrier by identifying risks and mitigating hazards.

Inspections, unannounced reviews and oversight by the FAA are an integral part of our continuous improvement process. We welcome them. They provide ongoing feedback to make sure that that the work we do is in compliance with the Federal Air Regulations and with leading safety and operational practices.

We believe that rigorous FAA oversight should be a critical part of any maintenance program, regardless of where the maintenance is being performed and by whom.

Thank you and I'll be glad to answer any of your questions.