

American Airlines needs to cut costs by 20 per cent to stay afloat

13,000 jobs to go

AMERICAN Airlines said Wednesday it needed to cut costs by 20 per cent to stay afloat, as it met with union representatives to detail a plan for layoffs that reports said would total 13,000 workers.

“All work groups will have total costs reduced by 20 percent, including management,” Tom Horton, chief executive of American parent AMR Corporation, said in a letter to employees Wednesday.

“While the savings from each work group will be achieved somewhat differently, each will experience the same percentage reduction.”

Cuts of 13,000 workers, reported by several media outlets immediately following the management-union meeting, would amount to about 15 per cent of the company’s workforce.

According to the NBC television local affiliate in the Dallas-Forth Worth, Texas area, home base of AMR, the cuts include 1,400 management and support staff, 400 pilots, 2,300 flight attendants, 4,600 maintenance workers and 4,200 fleet service employees.

“Our major competitors have used the restructuring process to overhaul their companies and become more competitive in every aspect of their business,” he said.

“Now it is time for American to move forward on a decisive path. We are going to use the restructuring process to make the necessary changes to meet our challenges head on and capitalise fully on the solid foundation we’ve put in place.”

He said the airline needed to cut \$1.25 billion a year in employee-related costs.

In exchange he offered employees a profit-sharing plan that would pay out 15 per cent of all pre-tax income.

He made no references to cutting flights, but said the airline aimed to increase departures in five key US markets -- Dallas/Fort Worth, Chicago, Miami, Los Angeles and New York -- by 20 percent over the next five years.

AMR, which operates American Airlines and American Eagle Airlines and employs nearly 88,500 employees worldwide, filed for Chapter 11 bankruptcy protection on November 29.

The status allows the Fort Worth, Texas-based company to slash its debt burden and restructure operations, with more legal flexibility to renegotiate or cancel service and wage contracts.

AMR has a combined fleet of 900 aircraft serving more than 250 airports in over 50 countries.

AMR reported a huge net loss of US\$904 million just in the month of December alone in a filing late Tuesday to the bankruptcy court handling its case.

The enormous December hole was more than the combined US\$884 million in losses AMR had between January and September of last year.



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