The economic picture painted by the airlines here in the US got darker today. US Airways asked a bankruptcy court judge for permission to skip a big pension payment due next week and suggested it may have to terminate its pension plans. United Airlines is also considering ways to get out of its pension obligation. This is US Airways' second trip to bankruptcy since September 11th, 2001, underscoring the fact that three years later, much of the industry is still in trouble. There are some bright spots in the industry, through. American Airlines posted a profit in its most recent quarter, after losing billions of dollars in recent years. NPR's Wade Goodwyn reports on how American's management and workers were able to stop fighting each other and turn the company around.

WADE GOODWYN reporting:

Walk through American Airlines' engine overhaul facility at DFW and watch the mechanics rebuilding Rolls-Royce jet engines, and it's almost hard to remember just how close to the brink American was a year and a half ago.

(Soundbite of jet engine repair process)
GOODWYN: Faced with bankruptcy, American workers had just agreed to give the company back $1.8 billion in salary benefits and vacation time. Then it came out that while the workers were taking the hit, American CEO Don Carty had quietly arranged to give millions in retention bonuses to the company's top executives. The unions hit the roof. Carty was forced out by the board. He left behind a mess. Employees were furious and distrustful, management was reeling and the balance sheet was in tatters. American was wobbling like a fighter about to go down. But pull a jet mechanic out of the line today and ask him how it's going, and it's almost like you're in some alternative American Airlines universe.

Mr. HAL COLLINS(ph) (Jet Mechanic): It's a total change in the way we--philosophy and the way we look at things, and I believe so far so good.

GOODWYN: Hal Collins is a jet mechanic who's been at American for 17 years.

Mr. COLLINS: I believe a lot of it has to do with our new CEO. It was his idea that nobody knows more about building an engine than the people that do it every day.

GOODWYN: What Collins is talking about is one of the key elements of CEO Gerard Arpey's turn-around plan. Management is now asking its workers for their ideas on how to make the airline more efficient. And then management takes the best suggestions and makes them happen--right away. At first Collins thought it was just a bunch of management talk, but he doesn't think that anymore.

Mr. COLLINS: I'm very much a believer. I can't say that I've always been a believer in all the programs that American comes up with, but this particular one empowers the mechanics.

GOODWYN: For example, American's mechanics used to do their overhaul work with the jet engines positioned horizontally, the same way they sit on the plane. But the engines are nearly 11 feet tall. Mechanics had to be strapped into harnesses up in the air. But then at the end of last year, the mechanics found themselves in monthly meetings with vice presidents who were asking their opinions on how to get more efficient, and the mechanics had a few ideas, including one big one: turn the engines vertical and put them on lifts that can descend into the floor. And to their amazement, six months later that's exactly how they found themselves overhauling the engines. No more harnesses. And now Hal Collins and his fellow mechanics are talking like American Airlines is one big team.

Mr. COLLINS: We gave 17.5 percent of our pay back. We've lost basically two weeks' vacation, and the guys are--I mean, we're not happy about it, but we're all for doing anything we can to build our airline back to the prominence it once had, and I think we're well on our way.

GOODWYN: The punch line is that by overhauling the engines in a vertical position, American is saving 140 man-hours on every engine--tens of millions of dollars every year.

Unidentified Man #1: Outbound 15, 111.
GOODWYN: Once it started asking, American got lots of ideas from controllers and pilots, flight attendants and company managers. A dispatcher who was also into drag racing figured out that if passengers are seated toward the rear of a plane that isn't full, the plane's center of gravity moves toward the tail. That improved the airplane's aerodynamics, saving millions of dollars a year in fuel. An American pilot figured out that because of the 42-cent difference between the high price of jet fuel in Los Angeles and the lower price in Dallas that planes going to LA should carry enough fuel on board to get back without refueling there. Savings: $50,000 a day.

GOODWYN: The man behind these changes is American's 44-year-old CEO, Gerard Arpey. Arpey was chief financial officer when he was thrust unexpectedly into the captain's chair. And in the last 17 months, Arpey has shed American's long history of labor strife like a heavy coat. In Arpey's world, employees aren't management's problem; they're the key to success.

Mr. GERARD ARPEY (American Airlines CEO): They have the best ideas; they know how to do the job more efficiently and more effectively. And we've got to lead by example, and part of that leading by example is listening.

GOODWYN: Arpey's strategy goes well beyond looking for ways to save money. He's begun meeting every month with union leaders to discuss company strategy. For the first time in American's history, everyone at the company--board of directors, executives and union presidents--is using the same figures. Arpey says the goal is total transparency.

Mr. ARPEY: Doesn't mean we abdicate our role as managers. Ultimately we have to decide whether we're going left or right. But if we truly involve people--not pay lip service to them--truly involve them, we will make a better decision and we'll execute better on that decision.

GOODWYN: As a result, American's productivity has never been higher. Its planes are in the air making money 11 hours every day. So where did Gerard Arpey get these democratic ideas for transforming American Airlines? Well, right down the street at Love Field from a competitor that's been eating his company alive.

Mr. ARPEY: If you look at Southwest Airlines, and I admire what they do, they've been the most successful airline in the industry. So to me you look where you see success and you just use your common sense. To me it's commonsensical that the people who are actually doing the work can figure out how to do it better and do it more efficiently, and we have to do that.

GOODWYN: Arpey knows American is not going to be able to beat the discount carriers at the low-price game. But he says American has advantages of its own: a global network, first-class
and business travelers, and its regional carrier American Eagle. But the most important thing has been the change in relationship between workers and management. In the last year and a half, American executives and their workers have cut $4 billion in annual costs. For the first time since 9/11, last quarter American made a profit. Wade Goodwyn, NPR News, Dallas.

(Soundbite of music)

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