

Mark Burdette
Vice President,
Employee Relations

Via email, fax and Fedex

April 1, 2010

Elizabeth Dougherty, Chairperson
Harry Hoglander, Member
Linda Puchala, Member
The National Mediation Board
1301 K Street, NW
Washington, DC 20572

Re: NMB Case number A-13489
American Airlines and the Association of Professional Flight Attendants (APFA)

Dear Chairperson Dougherty, Members Hoglander and Puchala:

American Airlines appreciates the opportunity provided by the National Mediation Board to respond to the APFA's request to the Board to conclude mediation and to set the parties on the path to self help by a proffer of voluntary arbitration. Briefly, it is American's position that the union's request is premature and is at odds with the policies of the Railway Labor Act.

Background

Despite having avoided bankruptcy in 2003 through voluntary restructuring agreements with all its unions, American Airlines remains a fragile company. American has lost \$10 Billion in the last 10 years, and, based on analysts' industry projections, is likely to have another significant loss in 2010. Because we are the only legacy carrier not to have restructured through the bankruptcy process, our employees have fared far better than their colleagues in the rest of the industry. In almost every case, they are better compensated and have better benefits than exist at any other carrier.

Since 2003, we have promoted an open, working relationship with each of our unions and have been extremely transparent in our operations. Union leaders receive the same financial information that is provided to our Board of Directors each month and are well versed on the economic condition of the Company. Union leaders also are invited to monthly meetings with senior executives for briefings on strategic initiatives.

The Industry's cycle of bargaining

Our current circumstance is unique in an industry that has typically achieved agreements through pattern bargaining. As a result of the 2003 voluntary restructuring, our agreements all have the same amendable date, and were amendable prior to

agreements at most of our competitors that restructured in bankruptcy. Thus, we began bargaining and mediation with all nine of our represented employee groups before our competitors and with employees who in almost every case already receive total compensation that is better than those at any of our competitors. It is worth noting that American did not lose sight of the opportunity gained in 2003 to solve its own financial issues, achieving in all areas – except labor – the lowest unit costs among the legacy carriers. Unfortunately, our labor costs by the same measure are the highest among the legacy carriers.

If, through a premature release the Board places American, the cost leader, in the position of pattern leader, then it risks a result that threatens both a major disruption in interstate transportation and an impediment to financial stability for the Company. It also likely would lead to greater financial fragility for an industry that already has better compensation and work rules for its employees than many other industries. The far better alternative is for the Board to continue to lead the parties to voluntary agreements.

The current mediation has the potential for success

Considering that the average duration of mediation is 19 months, American has not been in mediated negotiations with its unions for an unusually long period of time. In fact, with most groups we have not been in mediation for as long as the average airline case over the last twenty years.. The cautious progress of mediation to date reflects the general economic uncertainty and instability in the airline industry, as well as American's economic and competitive challenges within the industry.

We have been in mediated negotiations with the APFA since January 2009, and have been able to resolve many contractual issues. The parties have made steady progress through mediation, and we do not believe that the parties have exhausted the opportunity to resolve the remaining major open issues. The very fact that in 2003 the Company and its employees voluntarily restructured their agreements demonstrates a commitment and ability to reach agreements under the most challenging circumstances. Further exchanges and discussion of comprehensive proposals could identify creative initiatives and open up new avenues for settlement. Our bargaining philosophy remains consistent: to bring our costs and productivity in line with the rest of the industry, while still finding ways to increase flight attendant compensation. As such, we have proposals on the table that provide them real opportunities for economic gain.

A proffer could have unintended consequences

A proffer that leads to a release at this time could bring unpredictable and unintended consequences that would be worse for the company, the union, and the membership than would a negotiated agreement. If either party rejects the proffer and a countdown to self help begins, the costs of contingency planning and bookaway will have a significant impact on the Company's flexibility, particularly in light of the depressed state of the national economy, volatile fuel prices, and a decreased demand for air travel. As a practical matter, it will become more difficult to achieve a ratifiable agreement that positions the company for long-term financial stability and success. Some of the company's current table positions could become no longer feasible from an economic perspective.

It should be noted that the APFA has not yet taken a strike vote, a process that could easily consume 30 days. So it seems unusual that the APFA would request a release before the union has the ability to engage in lawful self help.

Future Mediation

American is not seeking an indefinite period of mediated discussions, and fully understands the objectives, policies and practices under the Railway Labor Act. We simply believe that a proffer at this point in time is premature. Continued mediation, perhaps concluding with interest arbitration, is the better course of action for all concerned.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Burdette", written in a cursive style.

Mark Burdette

cc: Larry Gibbons
Zachary Jones
Lauri Curtis
Taylor Vaughn
Laura Glading – President, APFA