May 28, 2012

Linda Puchala, Chairman
National Mediation Board
1301 K Street, N.W., Suite 250E
Washington, D.C. 20005-7011

Re: NMB Case Numbers: A-13589 & A-13590
United Airlines & Air Line Pilots Association

Dear Chairman Puchala:

In response to Mr. Gibbons’ letter of May 14, 2012, United Air Lines, Inc. (“United”) and Continental Airlines, Inc. (“Continental”) (collectively, the “Company”) hereby provide the following comments regarding the May 11, 2012 letter from the Air Line Pilots Association (“ALPA”). ALPA’s letter requests a proffer of arbitration in the two above-referenced mediation dockets, proposing “that the Board further assist the parties to bring about an agreement by proffering arbitration, and if not accepted by both parties, issuing a release under Section 5, First of the Act.” As set forth below, the National Mediation Board (“NMB, or the Board”) mediatory services have been effective and the Company is convinced that further mediatory efforts by the Board will continue to be productive. Accordingly, the Company believes ALPA’s request for a release to be premature, and that it should be rejected.

Nature Of Negotiations. The current negotiations are far more complex than the typical scenario involving amendment of a collective bargaining agreement under Section 6 of the Railway Labor Act. Here, the parties are negotiating from widely divergent collective agreements for a new, post-merger joint collective bargaining agreement that will be applicable to the more than 12,000 pilots employed by the United/Continental single carrier the Board found to exist in its decision of December 8, 2011. As a result, the pending negotiations entail making changes to the status quo at two previously-separate carriers and engaging with ALPA negotiating committees and Master Executive Council leadership comprised of pilots from both pre-merger United and pre-merger Continental.
Progress Of Negotiations. In the course of negotiations for a joint contract, and, in particular, during the period of mediation under the auspices of the NMB, the parties have in fact made significant progress. The parties have reached tentative agreement on fourteen sections of the new joint contract, including with respect to historically-difficult and contentious subjects such as expenses, vacancies, and sick leave, and are substantially in agreement on one of the most complex and difficult subjects, scheduling. The parties have reduced the list of open issues from 274 as of April 30, 2012 to 92 as of May 21, 2012 and the parties have reached tentative agreements on open issues as recently as May 17, 2012. Issues continue to be addressed and resolved as the parties work based on the mutually established work plan, with scheduled mediation dates through the end of June. Indeed, as ALPA acknowledges in its May 11 letter, the parties have recently agreed to intensive negotiation/mediation beginning on June 4, 2012. The Board is to be commended for the success of its mediation efforts to date, and the Company looks forward to additional assistance from the Board and its mediators.

Conduct of the Parties. Without expounding on the facts which are known to the Board, the Company believes that its record reflects a sincere and bona fide effort to solve issues and reach a joint agreement. Conversely, the emphasis of the United MEC and its leadership in particular since the establishment of the work plan on April 11, 2012 has been on its political campaign directed at demanding the release sought by ALPA.

Consequences Of A Release From Mediation. In this case, issues in eight sections of the new joint contract remain to be negotiated. The remaining issues for resolution between the parties include scope, rates of pay, retirement and insurance, vacations, and duration. The Company is singularly focused on resolving these issues as quickly as possible with the expert mediation assistance of the Board, and remains committed to reaching an agreement. That said, as a practical matter, and based on the fact that the detailed positions of the parties on these pivotal issues have not been fully explored, it would likely not be feasible to resolve all of these issues during a statutory cooling-off period. Under such circumstances, issuing a release now could undermine one of the core purposes of the Railway Labor Act – to make and maintain agreements concerning rates of pay, rules, and working conditions without interruption to interstate commerce and the operations of any carrier engaged therein.

Recent Developments In The Airline Industry. There are two recent developments in the airline industry, which could be highly relevant to an appropriate resolution of the pending major dispute between ALPA and the Company.

First, less than two weeks ago, on May 15, it was publically announced that ALPA and Delta Air Lines, Inc. had reached tentative agreement on a new collective bargaining agreement. Assuming that tentative agreement is ratified, it will establish new terms and conditions of pilot employment for one of the Company’s major domestic competitors. This, in turn, will result in changes to both ALPA’s and the Company’s bargaining positions.

Second, the future terms and conditions of employment for the pilots employed by the Company’s other major domestic competitor, American Airlines, Inc., are also in a state of significant uncertainty. As the Board is aware, American has filed a motion under Section 1113 of the Bankruptcy Code to reject its collective
bargaining agreement with the Allied Pilots Association, and a decision on that
motion should be issued on or about June 22. The outcome of that motion will
likely have a significant impact on the near-term (and perhaps the medium- and
long-run) terms and conditions of employment for the American Airlines pilots.
Additionally, if a US Airways/AMR merger were to be consummated through the
bankruptcy process, as has been frequently discussed of late in various media
outlets and by US Airways, there would likely be a significant impact on the
terms and conditions of both the American Airlines and US Airways pilots.
These matters are likely to result in changes to both ALPA’s and the Company’s
bargaining positions.

The Company has consistently engaged in good faith negotiations for a new joint
collective bargaining agreement with ALPA and has made significant progress to date. We
remain committed to reaching an agreement and doing so as soon as possible. The Company
firmly believes that the Board’s continued mediatory services will prove to be productive and
that ALPA’s request for a release should be rejected.

Sincerely,

P. Douglas McKeen
Senior Vice President
Labor Relations

Cc:  Jay Heppner
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