

**P. Douglas McKeen**

Senior Vice President  
Labor Relations

April 7, 2009

Captain John Prater, President  
Air Line Pilots Association  
1625 Massachusetts Avenue, N.W.  
Washington, D.C. 20036

Dear Captain Prater:

This letter will serve as United's formal opener of the current UAL-Air Line Pilots collective bargaining agreement (the "Agreement") in accordance with the duration provisions of the Agreement and Section 6, Title II of the Railway Labor Act. It sets forth broad proposals supporting United's objectives of providing pilots with competitive compensation while achieving critical productivity improvements and other contractual modifications that will allow United to achieve long-term profitability. United reserves the right to modify these proposals, or make additional proposals, during the bargaining process. We look forward to discussing these and other issues with you and your team over the coming months.

Our negotiations begin at a critically important time. In an industry and economic environment that remain both extraordinarily challenging and fundamentally changed, we want to provide competitive and rewarding jobs that are less vulnerable to our industry's cyclical downturns. Sustained profitability is essential for United to provide Pilots with secure and rewarding jobs and the competitive pay and benefits they deserve. We do not view these as mutually exclusive goals, but rather as necessary and interdependent outcomes that new labor agreements can help deliver through:

- Competitive wages, benefits and productivity;
- Meaningful incentive compensation tied to measurable and realistic performance metrics; and
- The flexibility needed to respond to changes in the marketplace, evolving customer expectations and emerging commercial opportunities.

Our intent is to reach a mutually beneficial agreement through good faith bargaining. This will require the constructive exchange of ideas and a constant focus on both the needs of customers and the demands of a highly competitive, transformed and dynamic marketplace. The issues are complex and we appreciate that at times there will be different points of view about how best to address them. It would be a disservice to those we collectively serve to allow these differences to become obstacles to our success. United is committed to:

- Being open, honest and fair in our negotiations and fostering a climate of mutual respect and trust;
- Being willing to consider other interests and points of view while working constructively and collaboratively to find common ground;
- Considering all fiscally responsible proposals that are competitive with the industry and market realities; and
- Concentrating on analytically sound solutions that strengthen the entire enterprise to create opportunities for employees and all of United's stakeholders.

These are the principles that guided our recent work together to reach a tentative agreement on significant quality-of-work-life improvements. The mutually beneficial outcome we achieved serves as an example of what can be accomplished when our efforts are forged by common purpose and are focused on delivering results that benefit the entire company. It is in this same spirit that we enter into these negotiations.

To achieve the above listed objectives, we seek changes to the Agreement in these areas:

#### **Increasing Business Flexibility**

We must recognize that restrictions in the Agreement ostensibly intended to create job security, frequently inhibit the Company and drive the opposite result. In order to survive and be successful in today's marketplace, it is critical that United maximize its ability both to respond quickly to volatility and also to be able to create or capture innovative ways to increase customer interest, satisfaction and loyalty. To achieve these goals, we will propose changes to scope provisions to remove or alleviate uncompetitive constraints on United's ability to partner with other airlines, acquire or dispose of assets, or take advantage of other network opportunities to position United for long-term success.

#### **Enhancing Pilot Productivity and Operational Efficiencies**

Because our customers have many choices for air travel, United must provide superior operating performance that will attract their favorable attention, business and long-term loyalty. How we deliver our product will bear directly on our future share of the market and revenue. We will propose contract modifications which support these goals while at the same time preserving Pilots' quality of life. Our proposal will include, among other things, modifications to reassignment provisions and reserve rules which will enable more efficient deployment of Pilots that will help United reduce delays and cancellations.

#### **Scheduling Effectively, Productively, and Competitively**

Building efficient schedules that strike the right balance between the Company's need to run an efficient operation while respecting the Pilots' quality of work life will be an important subject in our negotiations. We will propose modifications to the preferential bidding system to achieve a more equitable distribution of flying and to better align the fleets. Our proposals will also seek to eliminate provisions in the Agreement which build-in inefficiencies in our operation.

**Provide Competitive Compensation and Benefits**

United will propose competitive pay in exchange for competitive work rules. We will explore changes to better reward highly productive Pilots. We will also propose changes to eliminate inefficiencies and windfalls which result from certain provisions in the current Agreement. Recognizing that not all Pilots want to perform full-time service, we will propose changes which better align benefit accruals with a Pilot's contribution.

United employees currently enjoy a broad benefits package that rivals many in the United States. We are committed to continuing to provide competitive benefits while bringing benefit costs and administration in line with the best practices within our industry and other leading corporations. To this end we will propose benefit changes that enable flexibility to respond to changes in the marketplace, evolving healthcare trends and emerging opportunities. We will propose changes that establish simple, standard and streamlined processes for the efficient maintenance and administration of benefits while at the same time optimizing benefit offerings around overall employee preferences and needs. We will also propose changes that recognize the importance of employee wellness and long-term health practices.

**Enhancing Administrative Efficiencies and Enable Process Improvement**

United will propose other changes in the Agreement to alleviate costly and unnecessary burdens and restrictions that reduce our competitiveness. We will also continue our efforts to better and more effectively communicate with Pilots by proposing expanding the use of electronic communications. Changes to the grievance and system board processes will also be proposed to make the process more efficient for all users. United will also propose changes to the way training is delivered.

The above list of topics is not exclusive and the Company reserves the right to supplement our list as we move forward. We look forward to working with you to craft agreements that will help position United as a respected, industry-leading airline that employees take pride in and that customers and investors value.

Sincerely,



P. Douglas McKeen

cc: Captain Steve Wallach  
Jay Milone