

**P. Douglas McKeen***Senior Vice President**Labor Relations*

April 6, 2009

Mr. Gregory E. Davidowitch, President  
United Master Executive Council  
Association of Flight Attendants – CWA  
6250 North River Road, Suite 4020  
Rosemont, IL 60018

Dear Mr. Davidowitch:

This letter will serve as United's formal opener of the current UAL-AFA 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 Flight Attendants with competitive compensation while achieving the 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 Flight Attendants with secure and rewarding jobs and the competitive pay and benefits they deserve. We do not view these as mutually exclusive goals, but rather 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 consistent with 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 create a new discipline and dispute resolution system. 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 the scope of Flight Attendant duties, the foreign national side letter, and to remove or alleviate uncompetitive constraints on United's ability to partner with other airlines, select hotels, acquire or dispose of assets, or take advantage of other network opportunities to position United for long-term success. We will also propose changes to make our voluntary furlough program more efficient. These proposals will be designed to increase United's competitiveness and will also increase *real* job security for Flight Attendants.

#### **Enhancing Customer Service, Operational Performance and Productivity**

Because our customers have many choices for air travel, United must provide service and 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 Flight Attendants' quality of life. We will propose modifications to Flight Attendant duties, hours of service, legalities, flight assignments, staffing, training and ways to reduce delays or cancellations. We will propose to enhance the Purser program and use of language qualified Flight Attendants. We will also seek flexible ways to ensure that Flight Attendants have the tools they need to provide the high quality service United intends to afford its customers.

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

Many of our key competitors have already achieved a competitive edge through utilization of Preferential Bidding Systems that allow their Flight Attendants to better achieve the schedule flexibility they desire. While we recognize there are challenges to developing and implementing a PBS system for United Flight Attendants, this is an opportunity for AFA and United to collaborate on how to overcome any barriers. We will have proposals to achieve the implementation of an effective PBS that will allow Flight Attendants to build lines to accommodate their personal needs and preferences while affording considerable planning efficiencies.

The Company will also have a number of proposals to permit more efficient Lineholder and Reserve bidding and scheduling systems, ID and line construction, and other scheduling procedures and provisions. In order to adjust to schedule changes, we will also propose to allocate vacation in two phases. Our proposals will also eliminate scheduling restrictions that are uncompetitive, and to redefine domestic and international flying, so that we aren't priced out of markets served by the competition using domestic rules.

Since many Flight Attendants commute from cities where United has significant service, we will propose a satellite domicile/city structure that will offer some Flight Attendants the opportunity to volunteer to work out of the cities in which they live. As you know, many Flight Attendants at our competition already have to opportunity to work out of satellite domiciles, which gives their companies an edge over United. We invite AFA to collaborate with us to create a satellite system to give some of our commuters a new way of working that dramatically improves the quality of their work lives and also captures efficiencies and cost savings for United.

### **Provide Competitive Compensation and Benefits**

United will propose competitive pay in exchange for competitive work rules, and adjustments to various pay provisions, leave accruals, the way we manage workers compensation, and guarantees that are uncompetitive. We will seek changes to allow Flight Attendants who want to maximize their earnings to fly more hours, consistent with individual preferences and Company needs. We will also propose to streamline and update the pay delivery systems.

As you know, we have a significant number of Flight Attendants who do not work a normal schedule, for example, trading away all or most of their trips while they remain on full benefits. In today's marketplace where many of our key competitors have minimum flying requirements, United can no longer afford to carry these Flight Attendants who are not interested in working and whose costs reduce our ability to reward the Flight Attendants who regularly come to work. Therefore, we will propose a minimum flying requirement applicable to all Flight Attendants.

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

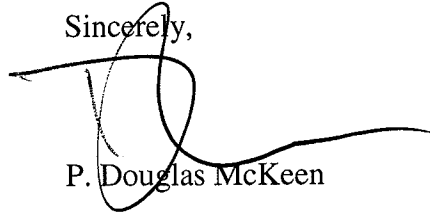
other leading corporations. To this end we will propose benefit changes that enable flexibility to respond to changes in the marketplace, evolving healthcare trends and emerging opportunities. We will propose changes that establish simple, standard and streamlined processes for the efficient maintenance 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 Enabling Process Improvements**

United will propose other changes in the Agreement to alleviate some of the costly and unnecessary burdens and restrictions that reduce our competitiveness. For example, United will seek to achieve cost efficiencies, where appropriate, by utilizing uniform components across employee groups and reducing Company costs associated with union activities and flight pay loss. United also plans to continue to modernize the way it communicates with Flight Attendants and will ask AFA to collaborate on changes that enhance contact and information distribution. We will propose to modify areas of the Agreement in order to expand special assignment and other opportunities for Flight Attendants, address NRPS travel and jumpseat authority, and improve the grievance, System Board and medical arbitration processes to make them more economical and efficient.

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,

A handwritten signature in black ink, appearing to read 'P. Douglas McKeen', with a long horizontal flourish extending to the right.

P. Douglas McKeen