27 February 2012

Capt. Fred Kraf
181 Muir Hill Dr.
Aledo, TX 76008

The Honorably Sean Lane
United States Bankruptcy Judge for the Southern District of New York
Courtroom 701
One Bowling Green
New York, NY 10004-1408

Your Honor,

I know you are probably swamped with letters from AMR employees begging you not to grant managements 1113 request. I, as a 21 year veteran of American Airlines and in turn AMR, am also asking you to not grant management's request. But I am also writing to make you aware that I believe that you and your decisions are being taken for granted by AMR's board and senior management. According to reports from the Allied Pilots Association negotiating committee, AMR management is merely going through the motions of negotiating. After six years of dragging out the negotiations with us pilots, suddenly they are in a hurry to have an agreement. On top of that, they bizarrely want concessions that they say have no monetary value although they obviously do and they are adamant they get them. If these items have no value then why are they wasting everyone's time negotiating for them? Apparently all they are doing is waiting what they feel is an appropriate amount of time and then, because they are sure you will rubber stamp anything they ask for, they will have you implement the 1113 filing. Please don't. They do not deserve it! The creditors and shareholders will not be served by it and they certainly don't deserve the fall out that would result from it.

As I am sure you are aware American Airlines is not the same company it was 20 years ago. Back then we were the world's leading airline. At the helm was a smart and innovative management team. Since the retirement of Bob Crandall we have slowly descended to the bottom rung of the airline industry. Mr. Crandall used to say that your fate was in the hands of your dumbest competitor. If that is true it looks like our fate is now in our own hands. The CEO's and management teams that followed Mr. Crandall have proven they are not made of the same metal as Mr. Crandall and his management team.

Here is quick list that will prove my point.

1. TWA purchase: Before Don Carty bought TWA; AMR was in a sound financial position. AMR's current bankruptcy filing today can be traced back to this transaction. It is my opinion that TWA was purchased specifically to drive AMR into bankruptcy. Why? The only thing AMR got out of the deal was insurmountable debt. We do not fly any of TWA's profitable routes. We kept none of their airplanes except a motley collection of MD-80 type aircraft which we are currently trying to get rid of. We kept none of their major facilities and are closing the St. Louise base. No one in AMR management ever articulated any kind of plan that would explain exactly how buying TWA would help AMR. The only explanation I can think of is they decided this was the best way to impose contracts on their unions. Was the welfare of the creditors and shareholders ever considered? Who knows?

2. American Eagle: American Eagle has apparently never made a profit. Ever! Management has always claimed that American Eagle provides an invaluable feed to American Airlines. The problem with that argument is that American Airlines has stopped flying profitable routes because there was no "revenue growth". The latest example of this would be Burbank to Dallas-Fort Worth. Even if the revenue projections were flat didn't those routes provide a feed to American Airlines? Ignoring the argument that American Eagle's main reason for being is to threaten the employees of American Airlines with replacement, during the last 25 years shouldn't someone in management have decided that American Eagle should either make a profit on its own or to get rid of it. American Eagle is a constant drain on AMR's profits and no one in management seems concerned by it.
3. PUP/PSP bonuses: When the frontline employees took pay and benefits cuts to save AMR from bankruptcy in 2003, AMR management had to know that taking generous bonuses would destroy any hope of a productive working relationship with the other employees. I think that they did and they did not care. While the TWA purchase destroyed AMR's balance sheet these bonuses destroyed any goodwill the frontline employees had toward management. AMR's board and management are now viewed as parasites by everyone else who works here. The fact these bonuses were awarded during a time when this company suffered from an arterial bleed of money only served to deepen the feelings of hostility toward management.

So how will granting AMR's 1113 request work against the creditors and shareholders? Because no company can succeed in the poisonous atmosphere that now exist here. Unless the intent is to completely destroy what is left of morale and drive away all of the employees, granting this filing will destroy any chance of salvaging the situation here at AMR. I am afraid it will result in open warfare between the AMR's board and management and the front line employees. The situation here is already tenuous. Granting the 1113 filing will only push this company over the edge into total dysfunction. The only way to turn this company around is to have everyone here working together. That means that AMR's management must abandon the petit tyrant mindset that they lord over everyone else who works here. After all, they, too, are only employees. They must now do the hard work of bringing all the other employee groups on board and arrest the downward spiral of this company. Mr. Horton has a brief window in which to mend relations here. He must make peace with the people who actually work the airline. If this does not happen I fear we are doomed. I fear we will sail right through chapter 11 into chapter 7. The creditors deserve to get repaid. The shareholders deserve to get their equity back. The only way for that to happen is for Mr. Horton and his management team to sit down and hash out new agreements with the rest of us who work here.

Thank you for taking the time to read this.

Sincerely,

Fred Kraf

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