



AMERICAN AIRLINES, INC.

100 PARK AVENUE, NEW YORK 17, N. Y.

To: THE SHAREHOLDERS OF AMERICAN AIRLINES

Yesterday, Sunday, August 22, 1954, the National Mediation Board, Washington, submitted a written proposal for settlement of the pilots strike and urged each of the parties to accept it. It was accepted by the company about 12:30 PM and later in the day the Association stated its acceptance. About 8:30 PM last evening both of the parties signed the agreement and delivered signed copies to each other and to the Mediation Board.

The strike started on July 29 at 11:59 PM. The issue, as stated by the pilots strike ballot, was to cause the company to cease and desist from assigning pilots to fly more than 8 scheduled hours. Stated in effective terms, it was the intention of the strike to force the company to abandon nonstop transcontinental service, for the reason that the westbound flight is 35 minutes more than 8 hours.

The position of the pilots association was not supported by the public and the strike failed to gain its objective.

The conditions of the National Mediation Board agreement, which have been signed by both of the parties, are these:

1. The nonstop transcontinental services will be operated.
2. The contract with the pilots association will be amended to provide that flight crews will not be assigned to fly more than 8 scheduled hours on flights with one or more intermediate stops.
3. The pilots will be returned to duty as their services are required for the operation of the schedules, without loss of seniority and without recrimination.
4. A neutral person, to be chosen and appointed by agreement of the parties, will hear the viewpoints of both parties and can make recommendations to either or both. He will have no authority to adjudicate the issue of the strike.
5. The suit of the company against the union for breach of contract and resulting damages is not affected by the settlement.

On the next page there is a discussion about the background of the settlement and its effect. Following that is a discussion about the background of the strike.

We hope to begin the first flights on August 25. Normal schedules should be in operation by the end of the week.

We are grateful to the shareholders for the aid they have given and the encouragement they have expressed to us during the three weeks of the strike.

Sincerely yours,

C. R. Smith,
President

August 23, 1954

BACKGROUND OF STRIKE SETTLEMENT

Nonstop Transcontinental Services:

The issue in the strike has been stated in our letter; to force the company to abandon nonstop transcontinental schedules, on the basis that the westbound flights, on account of prevailing westerly winds, exceed 8 hours by 35 minutes.

The agreement which the pilots association has signed provides that the pilots will fly these nonstop schedules and they will be operating this week. For that reason the strike failed in its objective.

For your information, our legal position is this: The contract between the company and the pilots association clearly permits, in our opinion, the operation of the nonstop transcontinental services. Nothing with respect to that right has been given up in the strike settlement.

Eight Hour Rule for Flights with Intermediate Stops:

We do not schedule pilots to fly more than 8 hours on the flights with intermediate stops. We have never done so and have no intention of doing so, for on these flights it is possible to change crews at some intermediate scheduled stop.

The pilots association requested that we incorporate that long-standing policy as a part of the contract between the parties. We were willing to do that before the strike, and are willing to do so now. In this provision the pilots gained nothing that they could not have had before the strike.

Return to Work:

The company agrees that the pilots will be returned to duty, as their services are required, without loss of seniority and without recrimination. This is a usual provision at the end of a strike and one to which we do not object.

Appointment of a Neutral:

The pilots association, while it has agreed that the pilots will fly the nonstop transcontinental schedules, would like to continue to argue that flights of more than 8 hours should not be permitted. The association says that it will continue to hold that position.

As a compromise of several other suggestions which had been advanced, such as arbitration, on which there was not agreement, the Mediation Board proposed that the parties select a Neutral Person, who could listen to the viewpoints of both parties and could make recommendations to either or both, but without authority of adjudication. Either party is free to accept or reject any recommendation made by the Neutral, dependent on its judgement about the merit of the recommendation. To this suggestion of the Mediation Board both of the parties agreed.

BACKGROUND OF THE STRIKE

1. There has long been a demand for nonstop transcontinental service, as there has long been a demand for nonstop transoceanic service.
2. American Airlines purchased from Douglas Aircraft Company twenty-five (25) long-range DC-7 aircraft, with the especial purpose of providing nonstop transcontinental service as soon as they had been built, tested and certificated by the Federal agency and delivered to the company.

3. The first of the DC-7 airplanes was delivered in the latter part of 1953. The first of our nonstop transcontinental schedules, New York to Los Angeles, began on November 29, 1953. Later two additional schedules were added from New York to Los Angeles and one from Washington to Los Angeles.

4. These nonstop transcontinental services, pioneered by American Airlines, met with ready and enthusiastic public acceptance. The load factors on the flights were excellent, the public reaction to the time-saving ability and comfort of the flights was good and the services contributed to the prestige and profit of the company.

5. The westbound schedules for the New York-Los Angeles service were established at 7 hours 55 minutes, predicated on our studies of the flight time required.

6. After several months of operation we were convinced that our schedules of 7 hours 55 minutes could not be met with regularity, for the winds from the west were stronger than we had anticipated. Accordingly, we changed the schedule to 8 hours 35 minutes, with the authorization and approval of the Civil Aeronautics Board, the Federal regulatory agency. The authorization of the Board came after public hearings in which Air Line Pilots Association participated and was heard.

7. The pilots association disagreed with the decision of the Civil Aeronautics Board. It asked the United States Court of Appeals, New York, to issue an order which would stay the effectiveness of the Board's decision. The Court refused to do so.

8. The contract between the pilots association and the company, covering wages, working conditions and other provisions, clearly gave the company, in the opinion of the company, the right to conduct the nonstop transcontinental schedules. We held that any refusal to fly the schedules would be a breach of that contract.

9. After the Federal Court had ruled that it would not stay the decision of the Civil Aeronautics Board, which authorized the time necessary for the 8 hours 35 minutes flight time, the pilots union gave notice of strike. (As a matter of information, pilot members of the same union each and every day of the year operate transoceanic flights similar in basic characteristics to the nonstop transcontinental flights, but with limitations of 12 hours for the overseas flights.)

10. The National Mediation Board intervened, asking the pilots to postpone the strike, which was done. We engaged in mediation for about 2 weeks. The National Mediation Board suggested that the parties arbitrate. The company said it was willing to arbitrate its legal right to operate the nonstop services under the terms of its contract with the pilots association. The pilots association refused arbitration, saying that the suggestion of the Board was impractical and inappropriate.

11. The same day that the pilots association refused arbitration (July 29) it set another date for strike, July 30. The strike took place on that date and continued until August 22.

This strike took place under these circumstances:

- a. The operation which was the subject of controversy, the nonstop transcontinental flights, is clearly permitted by the contract between the parties.
- b. The flight time necessary for the operation was formally approved by the Civil Aeronautics Board, the Federal regulatory agency, as it had formerly been approved by the Civil Aeronautics Administration.
- c. The United States Court of Appeals, New York, refused to sustain the position of the pilots association, and refused the stay which it requested.
- d. The pilots association refused the suggestion of the National Mediation Board about arbitration.

12. On August 3, 1954, American Airlines filed suit against Air Line Pilots Association in the United States District Court for damages caused by breach of contract on the part of the Association.

SAFETY OF THE NONSTOP SERVICE

The pilots association, in an effort to becloud the basic issue, raised questions about the safety of the operation; this on the very narrow basis that a flight of 8 hours was safe but one of 8 hours 35 minutes was unsafe. And this in spite of the fact that pilots can be scheduled for as much as 12 hours on the trans-oceanic flights, and that such flights have been operated by pilot members of the same union for more than 9 years, with a splendid record for safety.

The regulation of safety in civil aviation is a responsibility of the Federal government. Two agencies share in that responsibility; the Civil Aeronautics Board and the Civil Aeronautics Administration. Both of them formally expressed their view on the safety of this operation, and both of them approved the operation as safe. As a matter of fact, the Civil Aeronautics Board said "...we have concluded that a nonstop operation is safer than one of comparable length involving intermediate stops." The reason for this, of course, is that the nonstop transcontinental flights operate at high altitude, above the normal lower altitude air traffic, they have better ability to choose the course of best weather conditions and they avoid the "around the airport" traffic of the intermediate stops.

You need not be concerned about the safety of the nonstop transcontinental services; if both the company and the Federal agency did not believe them to be safe they would not be operating.