Follow-up Questions of Senator Klobuchar
Subcommittee on Antitrust Hearing on
"The American Airlines/US Airways Merger: Consolidation, Competition, and Consumers"

For Horton

1. Mr. Horton, you have long insisted that American would emerge from bankruptcy as a stronger, independent carrier. What changed your mind from competing on a standalone basis to a merger with US Airways?

   Response of Mr. Horton:

   I am very proud of what the American team accomplished in the restructuring process to create a strong and viable independent plan, and indeed it was that plan that gave us the ability to negotiate the merger agreement with US Airways that promises to bring so many benefits to American's creditors, customers, employees, and even shareholders. That independent plan was, and remains, a viable path for American. However, the question is not whether American could emerge from its bankruptcy on its own, the question is what is the best outcome for American and its constituencies. As I explained in my comments before the committee, we went through a rigorous and disciplined process to answer the question of whether American should remain independent or merge with US Airways. The results of that review were compelling for our financial stakeholders, people and our customers. We are convinced that a merger creates a better American, one that is better positioned to serve our customers, to expand our business, and to provide our employees with more rewarding careers.

2. In July 2012, you wrote a letter to your employees that said, "…last year, I approached my counterparts at other airlines about the merits of possible combinations." What other possible combinations were you considering and why did you choose to merge with US Airways?

   Response of Mr. Horton:

   As I've stated, our analysis was rigorous, and we thought about other potential opportunities. However, none of those opportunities came close to replicating the benefits we saw from a combination with US Airways, and none resulted in any serious discussions or negotiations.

3. Three years ago, when United and Continental merged, they made similar arguments in favor of their merger as you are today. They also said the merger would create an airline that could offer good-paying careers. So it was surprising when in January, the CEO announced another 600 job cuts, on top of several hundred made following the merger,

citing a fourth quarter net loss of $620 million. You have a bright outlook on the future, as you should, but we cannot help but question whether the benefits will be realized or whether job cuts and more financial trouble – perhaps another merger – might be on the way. Especially, given the fact that the new American would have nearly 20,000 more employees than United. What's your response?

Response of Mr. Horton:

I am not in a position to comment on what United and Continental might have represented, whether the recently announced reductions at United are consistent with those representations, or whether they are related to the merger or other factors. We operate in a highly competitive industry that is exposed to many factors outside our control, so I don't think you can easily draw straight lines of causation. With regard to our planned merger, I can offer the following few points. First, we do expect employee reductions in our respective headquarters and management ranks. While we are mindful of the impact on the people of both airlines, these reductions are part of the cost synergies that we have identified and intend to capture. We would expect that those reductions would occur over time, as the integration progresses over the next several years. However, the size of the remainder of our workforce will be determined by the size of the network we plan to operate. As both Doug and I have stated, we don't expect to close hubs or stop serving the communities we serve to today. If anything, we hope and expect that the larger network will provide a broader platform for growth, should economic conditions and demand warrant it. We have affirmed American's record breaking aircraft order, and we'll need the employees to fly and service those aircraft.

4. The latest American Customer Satisfaction Index gives American a score of 63 out of 100 for service and US Airways one point higher at 64. And, according to government statistics, both companies also receive a higher-than-average number of customer complaints. Often, the bigger a company gets, the more difficult it is to improve service. Can consumers expect these numbers to improve? And if so, how will you do that?

Response of Mr. Horton:

Let me start by saying that American is not satisfied with these results, and we have been working very hard to improve them. The fact is, we have improved on many of our customer service metrics, even while we have been operating under the overhang of our restructuring process. Our on-time operating performance in the first quarter of this year was the second best quarterly performance we have had since 2003, but we know we have more work to do. The relevant question is not whether room for improvement remains, but rather what is the best path to accomplish those improvements. Our cost structure, and lack of profitability over a decade, had an impact on our ability to invest in our products and services, and the numbers you have cited reflect that fact. Our restructuring and the merger give us the best chance to achieve the financial success and security that we need to invest in customer service. If you have any doubts about our commitment to an improved customer experience, I encourage you to view one of our

new Boeing 777-300ERs. That aircraft is just one of many steps we are taking to put American back on top in customer service.

5. What are American's plans for American Eagle if the merger is approved and how could that affect regional service?

Response of Mr. Horton:

American Eagle will emerge from bankruptcy as part of the American Airlines group, and will be part of the merger with US Airways. It is well known that we have looked at other options for American Eagle, and looking at the longer term, we do not know whether American Eagle will remain part of the American Airlines Group, or will be separated to operate independently. That decision will have to be made by the newly appointed board of the merged carrier together with management. What I can say is that regional aircraft service is extremely important to our network, and that will not change. Regional aircraft and regional aircraft operators allow us to provide small and medium sized markets with access to our broader, global network. Both carriers in the merger have a long history in serving these markets through regional carriers. American Eagle, either as an affiliated company or as an independent company, will remain an important part of our regional network.