



U.S. House of Representatives
Committee on Transportation and Infrastructure

Washington, DC 20515

Don Young
Chairman

James L. Oberstar
Ranking Democratic Member

April 18, 2003

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Mr. Donald J. Carty
Chairman and Chief Executive Officer
AMR Corporation/American Airlines, Inc.
P.O. Box 619612 - Mail Drop 2400
Dallas-Ft. Worth Airport, Texas 75261-9612

Dear Mr. Carty:

I am deeply concerned by reports that although American Airlines has asked its employees to accept substantial reductions in compensation and benefits, American waited until the employees had agreed to these reductions before disclosing that the company had provided generous new compensation and funded a pension plan for 45 top executives. These arrangements included new protections for the executives' retirement income, at a time when ordinary employees face the spectre of reduced retirement income, as a result of changes in pension plans, or a possible takeover of pensions by the Pension Benefit Guaranty Corporation.

My understanding is that in October 2002, American funded a trust that ensures substantial funds will be available for supplemental executive pensions. American also established retention bonuses equal to up to twice the base salary for executives who stay with the company through January 2005. These types of benefits are part of a dangerous trend of growing economic inequality. For example, in 1980, average CEO pay was 42 times that of an average hourly worker. In 2001, the average CEO made 411 times the salary of an average hourly worker. The same trends have occurred with respect to the pay of top executives below the CEO level.

I am disturbed by American's award of generous benefits to top executives at a time when workers are being asked to take cuts of 15 percent or more in salary, reduced benefits, and face likely reductions in pensions. The company has argued that unless these types of benefits are awarded to top executives, they will leave for more prosperous companies, which can pay more. It is unfortunate that at least some of your executives have such limited loyalty to the company and its employees, particularly when your employees have demonstrated their loyalty to American by agreeing to reductions in wages and benefits. Further, the company's actions reveal an indifference to the taxpayers who have made \$20 billion available to help the industry overcome the costs of the terrorist attacks of September 11 and the war against Iraq. It is

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especially disturbing that the new executive benefits were not disclosed until the employees had agreed to reductions in their pay and benefits, and that the non-disclosure was made possible by the company obtaining a two week delay in its obligation to report the new executive benefits to the SEC on April 1.

I can well understand your employees' indignation at the awarding of these generous benefits, and at the failure to disclose them. The manner in which this was handled engenders distrust between the company's management and its employees and places in jeopardy the employees' willingness to accept wage and benefit reductions, which the company feels are necessary to avoid bankruptcy. I urge the company to restore its credibility by revoking these benefits.

Sincerely,


James L. Oberstar, M.C.
Democratic Ranking Member

JLO:dh/kd/pk