

# Background of american airlines

[Business](#), [Industries](#)



American Airlines is the world's largest airline. American, American Eagle and the AmericanConnection® airlines serve 250 cities in over 40 countries with more than 4, 000 daily flights. The combined network fleet numbers more than 1, 000 aircraft. American's award-winning Web site, AA. com, provides users with easy access to check and book fares, plus personalized news, information and travel offers.

American Airlines is a founding member of the oneworld® Alliance, which brings together some of the best and biggest names in the airline business, enabling them to offer their customers more services and benefits than any airline can provide on its own. Together, its members serve more than 600 destinations in over 135 countries and territories. American Airlines, Inc. and American Eagle Airlines, Inc. are subsidiaries of AMR Corporation.

Based on People's Daily online dated Tuesday, April 10, 2001, American Airlines became the world's largest air carrier and grounded a venerable competitor after acquiring the assets of bankrupt Trans World Airlines. Based on SKYTRAX which operates the Star Rating system for the world airline industry, having introduced the programme in 2000, American Airlines is a 3-Star Airline. Star Grading awarded to airlines supplying a fair quality performance that conforms to an industry " average" - when assessing all areas of competitive ranking.

3 Star ranking signifies a satisfactory standard of core Product across most travel categories - but may reflect less consistent standards of Staff Service / Product delivery either Onboard or in the Airport environments. Vision, Mission, Goals and Values of the Company Vision: Customer Commitment American Airlines is in business to provide safe, dependable, and friendly air  
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transportation to our customers, along with numerous related services. We are dedicated to making every flight you take with us something special.

Mission and Goals:

At American Airlines, we:

- Evaluate products and services on their merits, giving fair and impartial consideration to all suppliers
- Award contracts based on the highest quality and best delivery combined with the most competitive cost to the corporation
- Review constantly the performance of our suppliers and contractors to enhance their ability to provide products and services that exceed industry standards
- Assure inclusion of minority and women-owned companies in procurement and construction opportunities across American Airlines.

VALUES :

The Company is committed to maintaining the highest standards of business ethics and complying with both the letter and the spirit of the law in everything that we do and in every country in which we do business. Doing so will also maintain the hard-earned respect that we have established over the years with our customers. Consequently, employees are prohibited from participating in or condoning illegal or unethical activity. Remember that illegal acts by employees can cost the company millions of dollars in fines, and the penalties for corporations convicted of federal crimes are severe.

And employees who violate the company's ethical standards will be subject to disciplinary action up to and including termination. To ensure compliance with this company policy, we have adopted these Standards of Business Conduct for all employees. These Standards also apply to all agents, consultants, contractors, and others when they are representing or acting for the company. We expect our vendors and suppliers to be guided by these

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principles. We have developed a Business Ethics & Compliance Program to educate you about the laws that affect our business and to provide the necessary channels to seek advice and report possible misconduct.

(www. aa. com) Quality Goods and Services Marketed in the Global Economy American Airlines sources the best quality products and services to provide to our customers. Aside from their flight, car, hotel, vacation package and cruise reservations, they also have the following services and products: -Net SAAver and Special Offers -Fare Sales -Special Offers (Bonus Miles and Percentage and Great Savings) - RSS Service Really Simple Syndication is a technology for sharing and distributing the latest web content such as fares, news, and offers.

It's an easy way to receive up-to-date information without having to search the Internet. -Last Minute Packages Bookings -Email Subscription Service - AAdvantage Service The AAdvantage® program is American's travel awards program. It was the original travel awards program, established more than 20 years ago, and today is the world's largest program. -Admiral Club Membership There are some people that are impossible to shop for and for them, there's the Admirals Club® membership or the Admirals Club One-Day Pass. It's thoughtful, inspired, and a gift that they will not only use, but enjoy as well.

-Offer Gift Card -Trip Insurance Offer Purchasing a flight shouldn't trigger undue stress. When customers purchase Trip Insurance through Access America, they can receive a refund for the pre-paid, non-refundable portion of their travel costs should your trip be cancelled or interrupted for a covered reason. - The American Airlines Credit Card (no annual fee) -TrAAvel Perks®

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program which is a travel club with some fantastic member benefits. ---- Business ExtrAA program which offers more variety, more choice and more flexibility than any other airline incentive program for businesses.

-Corporate Booking American Airlines is leading the way in providing practical, cost-efficient solutions for managing corporate travel booking with CorporateAAccess. comSM. They have designed a functional, easy-to-use online booking product at the request of many corporate customers, one that brings the best of business travel planning together in one web site. - The AmericanAirlines AAirpass program protects the customers against fare changes and helps them manage their travel by providing prepaid unrestricted air travel at a fixed rate - all while they enjoy VIP privileges and benefits.

With this, they can travel anytime, even at a moment's notice, to any of the more than 250 worldwide destinations served by American Airlines, American Eagle®, and AmericanConnection®, including the U. S. , Canada, Europe, Japan, the Caribbean, Central and South America, and Mexico. - Incentive Programs AmericanAirlines Incentive Travel® products support all of their promotional objectives from acquiring new customers to instilling consumerloyaltyto rewarding employee performance. Destinations and Routes of American Airlines

American Airlines fly in 10 major destinations including Africa, Asia, Australia/ New Zealand, Carribbean, Central America, Europe, Eurasia, Middle East, North and South America. Its worldwide destinations include Dallas/ Forth Worth, India-Delhi, Ireland- Dublin and Shannon, Japan-Tokyo, Norfolk-Virgina and Shanghai, China. Shares Of AMR Common Stock Based on the <https://assignbuster.com/background-of-american-airlines/>

Corporate Press Release, AMR Corporation allows 4.5 percent Senior Convertible Notes due 2024 have become convertible into shares of AMR common stock.

As provided in the indenture under which the Notes were issued, the Notes have become convertible because the sale price of AMR's common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the calendar quarter ended Dec. 31, 2006, was greater than 120 percent of the conversion price per share of AMR common stock. The Notes are convertible into common stock at the conversion rate specified in, and otherwise in accordance with the terms of, the Notes and the indenture under which the Notes were issued, and they will remain convertible for so long as they are outstanding.

Financial Profitability of the Company for the Past Three Years According to AP Associate Press, AMR Corporation reported that they loss \$387 Million in the fourth quarter of 2004, or \$2.40 per share. This compares to last year's fourth quarter loss of \$111 million, or \$0.70 per share. For the year, AMR posted a net loss of \$761 million, compared to 2003's loss of \$1.2 billion. Fourth quarter 2004 special items totaled a net gain of \$86 million, or \$0.54 per share, and primarily included a \$146 million gain on the sale of American's interest in Orbitz, \$42 million in severance charges, and \$21 million in aircraft charges.

Despite its profit loss, I can still affirm to the fact that the company is financially profitable. According to AP Associate Press dated July 19, 2006, American Airlines' profit rise sharply. It has been further reported that a sharply higher profit for the second quarter, helped by full airplanes and <https://assignbuster.com/background-of-american-airlines/>

higher fares at the start of the peak summer travel season. AMR said it earned \$291 million, or \$1.14 per share, in the three months ended June 30, up from \$58 million, or 30 cents a share, a year ago. Revenue rose 12.5 percent to \$5.98 billion from \$5.

31 billion a year ago and slightly higher than the \$5.93 billion that analysts had expected. AMR increased its cash and short-term investments to more than \$5.1 billion, excluding restricted balances. The buildup is a legacy of the company's brush with bankruptcy in 2003. The above facts by AP Associate Press only proved the financial profitability of the company. Hedging Technique and Strategic Plans The company used a "classic" sort of hedge. It is also known in the industry as a "pairs trade" due to the trading on a pair of related securities.

American Airlines oneworld is a hedging strategy wherein they made partnership with the seven of the world's leading airlines - Aer Lingus (through March 31, 2007), British Airways, Cathay Pacific Airways, Finnair, Iberia, LAN1 and Qantas Airways. The investors of American Airlines become more sophisticated of using various models. These strategies protect the company in currency fluctuation and it look for a spread between market value and theoretical or "true" value, and attempt to extract profits when the values converge.

AA has also a Customer Service Plan which is one of their strategic moves. This Customer Service Plan addresses a number of the service goals they have defined. This plan includes lowest fare availability, baggage delivery, baggage liability, guaranteed fares, ticket refunds, accommodation of customers with special needs, essential customer needs during extraordinary

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delays, etc. They are constantly reevaluating their customer service goals, and they intend to update this Customer Service Plan when appropriate.

Every customer is important to American Airlines and American Eagle. The customer's safety, comfort, and convenience are their most important concerns. Human Resource Management American Airlines supports the communities they serve throughout the world, bringing people together and providing opportunities for economic improvement...making American a good neighbor. They are committed to diversity. With diversity comes opportunities for success which are good for their employees, their customers, communities, and ultimately their business.

They also do more than state our commitment to diversity. Their commitment is displayed in numerous ways and frequently sets the standard for other companies. Human Resource Management and Employee Resource Groups are an important part of AMR's efforts to foster an inclusive workenvironment. Through their Human Resource Management and Employee Resource Groups, they have created opportunities for employees to have a voice in business, support each other and share their unique perspectives, cultures and experiences with employees.

Issues of Employees Regarding Their Compensation: Based on USA Today dated June 22, 2004, officers of American Airlines, along with union leaders and employees from all work groups rallied against the company regarding pension reform. The company, on behalf of its 80, 000 employees and together with its unions, also placed a full-page ad in USA Today. The ad thanks Congress for doing their part to support pension reform legislation



that " makes funding employee pensions more affordable and more flexible -- without the transfer of these obligations to the government.

" Citing a reduction of \$4 billion in annual operating costs through operational and efficiency improvements and changes to wages, benefits and work rules, the ad also underscores that American Airlines, its employees and its unions have made sacrifices and are " working together" to do their part to ensure a profitable company in order to improve shareholder returns, build financial stability and " help maintain our defined benefit pension plans. " Commitment Towards Diversity

American Airlines proudly support and encourage employee involvement in any of their Employee Resource Groups such as African-American Employee Resource Group, Asian Cultural Association, Caribbean Employees, Christian Resource Group, Employees with Disabilities, Gay, Lesbian, Transgender and Bisexual Employees, Indian Employees, Jewish Resource Group, Latin Employee Resource Group, Muslim Resource Group, Native American Employee Resource Group, Women in Aviation, Work and Family Balance, 40 Plus/Senior Employees.

They value a just and fair treatment of their employees in overseas or wherever parts of the world. Plans for Expansion Based on Corporate Press Release dated March 30, 2007, AMR Corp. , the parent company of American Airlines, Inc. , provides an update on actions taken in the first quarter of 2007 as part of its ongoing efforts to strengthen its balance sheet and build a stronger financial foundation.

AMR said that American Airlines has paid in full the \$285 million principal balance of its senior secured revolving credit facility, which had been fully drawn since its establishment in December 2004. AMR's \$444 million term loan facility remains outstanding. The Company said that the revolving credit facility may be redrawn, subject to certain conditions, and repaid from time to time depending on various factors, such as economic and industry conditions and the Company's financial condition. AMR anticipates ending the first quarter of 2007 with approximately \$5.

8 billion in cash and short-term investments, including a restricted balance of nearly \$500 million, compared to a cash and short-term investment balance of \$4.8 billion, including a restricted balance of \$510 million, in the first quarter of 2006. AMR also said that it expects to complete by mid-April the refinancing of \$350 million in municipal bonds that originally were issued in 1990 to help fund the development of American's Alliance Maintenance and Engineering Base in Fort Worth, Texas .

The closing of the transaction is subject to certain government approvals. The refinanced bonds, to be issued by AllianceAirport Authority, Inc. , will have a blended interest rate of 5.46 percent, down from a rate of 7.5 percent in the current bonds, and a final maturity of Dec. 1, 2029. AMR estimates that by paying down the revolving credit facility balance, prepaying the aircraft debt and refinancing the maintenance facility bonds, as described above, it will eliminate approximately \$15 million of its annual net interest expense.

Other examples of AMR's balance sheet improvement include: • AMR has raised more than \$1.1 billion through three equity issuances in the past 17

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months, including the sale of 13 million new shares in January that raised approximately \$500 million. • AMR reduced its total debt, which includes the principal amount of airport facility tax-exempt bonds and the present value of aircraft operating lease obligations, to \$18.

4 billion at the end of the fourth quarter of 2006, compared to \$20.1 billion a year earlier. The Company expects to end the first quarter of 2007 with total debt of approximately \$17.6 billion. • AMR reduced its net debt, which is defined as total debt less unrestricted cash and short-term investments, from \$16.3 billion at the end of 2005 to \$13.6 billion at the end of 2006. The Company expects to end the first quarter of 2007 with net debt of approximately \$12.3 billion.