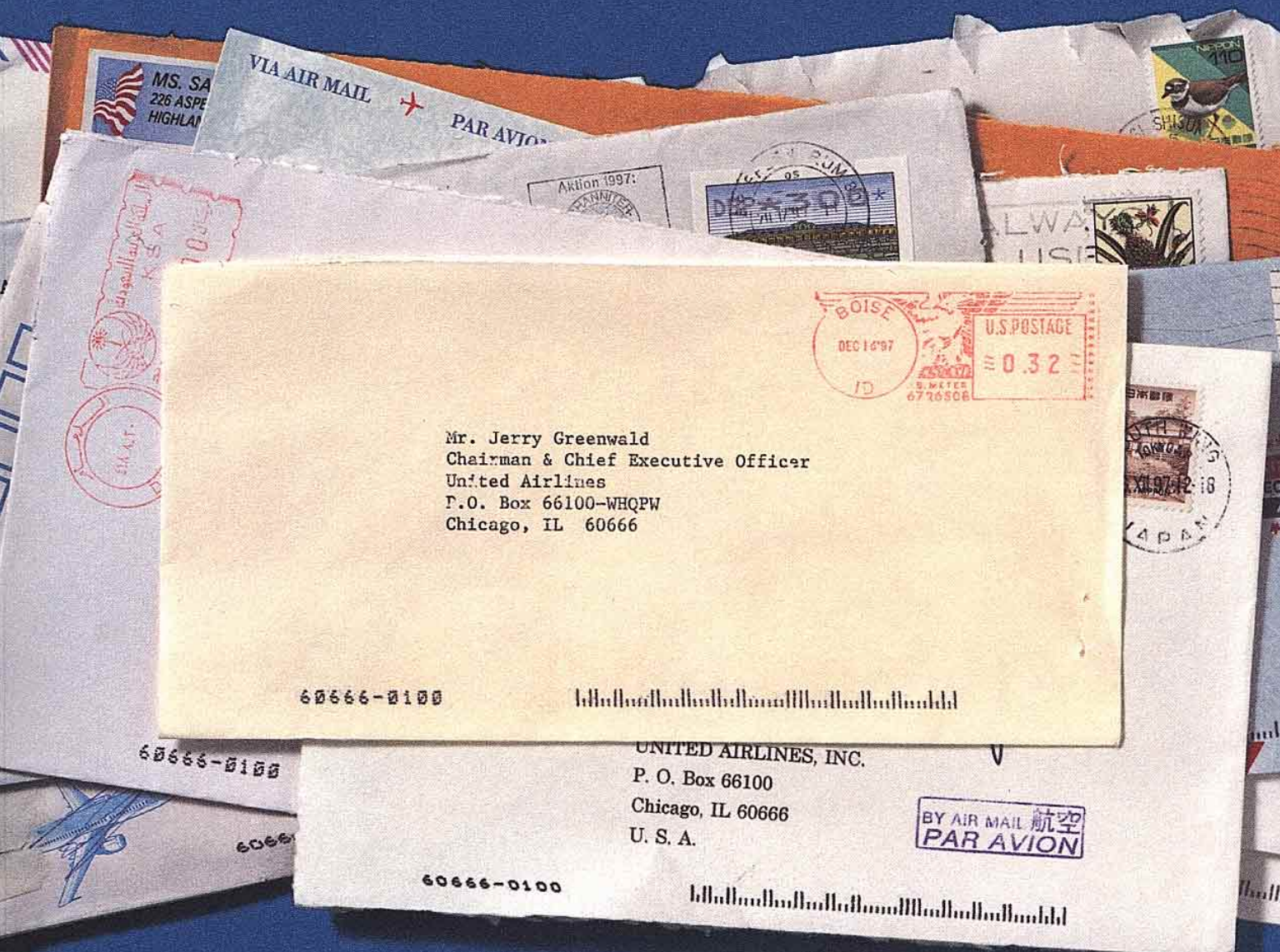
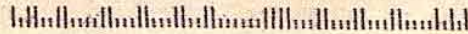


UAL Corporation 1997 Annual Report



Mr. Jerry Greenwald
Chairman & Chief Executive Officer
United Airlines
P.O. Box 66100-WHQPW
Chicago, IL 60666

60666-0100



60666-0100

UNITED AIRLINES, INC.
P. O. Box 66100
Chicago, IL 60666
U. S. A.

BY AIR MAIL 航空
PAR AVION

60666-0100



<u>Letter to our owners and employees</u>	<u>2</u>
<u>Progress report</u>	<u>4</u>
<u>Route maps</u>	<u>23</u>
<u>Financial review</u>	<u>29</u>
<u>Directors and officers</u>	<u>42</u>
<u>Stockholder information</u>	<u>44</u>

Financial Highlights and Operating Statistics

Year ended December 31

In millions, except per share, rates and aircraft		1997	1996	1995	
<i>Financial highlights – generally accepted accounting principles basis</i>	Operating revenues	\$ 17,378	\$ 16,362	\$ 14,943	
	Operating expenses	\$ 16,119	\$ 15,239	\$ 14,054	
	Earnings from operations	\$ 1,259	\$ 1,123	\$ 889	
	Earnings before extraordinary item	\$ 958	\$ 600	\$ 378	
	Net earnings	\$ 949	\$ 533	\$ 349	
	Per share, diluted:				
	Earnings before preferred stock transactions, gains on sales and extraordinary item	\$ 6.64	\$ 6.42	\$ 4.94	
	Gains on sales of ATS/Galileo, net ⁽¹⁾	2.40	–	–	
	Preferred stock transactions, net	–	(0.57)	0.29	
	Extraordinary loss, net	(0.09)	(0.79)	(0.41)	
	Net earnings	\$ 8.95	\$ 5.06	\$ 4.82	
	Average number of common shares assumed outstanding	97.4	84.6	71.2	
	<i>Financial highlights – pro forma fully distributed basis⁽²⁾</i>	Operating revenues	\$ 17,378	\$ 16,362	\$ 14,943
		Operating expenses	\$ 15,132	\$ 14,554	\$ 13,550
Earnings from operations		\$ 2,246	\$ 1,808	\$ 1,393	
Earnings before extraordinary item		\$ 1,555	\$ 1,027	\$ 692	
Net earnings		\$ 1,546	\$ 960	\$ 662	
Per share, diluted:					
Earnings before preferred stock transactions, gains on sales and extraordinary item		\$ 9.97	\$ 7.71	\$ 5.22	
Gains on sales of ATS/Galileo, net ⁽¹⁾		1.79	–	–	
Preferred stock transactions, net		–	(0.37)	0.16	
Extraordinary loss, net		(0.07)	(0.51)	(0.23)	
Net earnings		\$ 11.69	\$ 6.83	\$ 5.15	
Average number of common shares assumed outstanding		131.4	131.1	129.9	
<i>United Airlines operating statistics</i>		Revenue passengers	84	82	79
		Revenue passenger miles	121,426	116,697	111,811
	Available seat miles	169,110	162,843	158,569	
	Passenger load factor – system	71.8%	71.7%	70.5%	
	Domestic	71.2%	70.6%	69.3%	
	Pacific	71.6%	73.6%	72.6%	
	Atlantic	78.9%	78.8%	78.2%	
	Latin America	65.3%	63.7%	63.0%	
	Breakeven passenger load factor	66.0%	66.0%	66.1%	
	Breakeven passenger load factor excluding ESOP charges	61.4%	62.6%	63.4%	
	Passenger revenue per passenger mile (yield)	12.55¢	12.35¢	11.79¢	
	Operating revenue per available seat mile	10.25¢	10.02¢	9.39¢	
	Operating expenses per available seat mile	9.53¢	9.33¢	8.87¢	
	Operating expenses excluding ESOP charges per available seat mile	8.94¢	8.91¢	8.55¢	
	Revenue ton miles	15,004	14,057	13,440	
	Cargo ton miles	2,862	2,387	2,259	
	Available ton miles	24,940	23,404	22,639	
	Average price per gallon of jet fuel	69.5¢	72.2¢	59.5¢	
	Gallons of jet fuel consumed	2,964	2,883	2,822	
	Number of aircraft in operating fleet at end of year	575	564	558	
Average age of aircraft in years at end of year	10.8	10.9	10.7		

⁽¹⁾ See page 38, Note 6, for further details.

⁽²⁾ See page 29 for further explanation of the methodology.

To our owners and employees:

We know that annual reports tend to be a yearly exercise in happy news and silver linings. While we certainly want to talk about the good things that happened in 1997, we want this report to be more than that. We want it to be an honest reflection of one of the most important measures of our progress – the service we provide to our customers.

So we are featuring unedited letters from the people who pay the bills and from the people who provide the service that keeps customers coming back. Through their words, we see the good, the bad and the ugly of air travel. Some readers may see only the negatives and conclude that our approach is unorthodox or risky, but we see the progress we've made in becoming a great company – and a better service organization – and the work that remains. And we see clear direction about what we need to do to make flying a more convenient, a more reliable and, yes, an even more enjoyable experience.

Getting the job done

Three-and-a-half years ago, we said we wanted to create an airline that was financially strong, strategically smart, dedicated to excellent service and staffed by people who share a desire to be the best in the business. And we wanted to make United a place where people like to work. We're happy to tell you that we've reached many of our goals, and we're very close on others. Thanks to the dedication and talent of our 92,000 employees around the world, we're rapidly becoming the company we envisioned when we re-created it under employee ownership. Here's a progress report:

1997 was another year of new records and substantial progress on our Quality Flight Plan.

Like 1996, 1997 was a year of new records, as we hit new highs in revenues and net earnings on the strength of better yields and effective cost controls. We again led the industry in available seat miles and passenger revenue miles, carrying 84 million passengers. And reflecting our profitability, stockholders' equity has more than doubled since the end of 1996 – to more than \$2.3 billion. Our market capitalization has also grown significantly, up almost 50 percent over 1996 to \$12 billion at year-end 1997, when assuming that all Employee Stock Ownership Plan (ESOP) shares have been issued.

Progress in the Flight Plan

We made excellent progress in the four areas of our Quality Flight Plan – balance sheet, fleet plan, service and employees. The Quality Flight Plan has been in place since 1995, and it's been the key to creating the company we are today.

For our balance sheet, we're aiming for investment-grade ratings both from Moody's and Standard & Poor's, the leading credit rating agencies in the United States. Factoring in the financing involved to do an ESOP, as well as the demands of an ambitious fleet replacement program, our balance sheet has improved significantly, and the rating agencies have taken notice.

Our fleet plan is moving ahead on schedule as we are steadily replacing older aircraft with newer, more cost-efficient and customer-preferred planes. We are going to grow the fleet to take advantage of opportunities, but we are not going to repeat the runaway capacity mistakes of the past. We'll keep our seat capacity growth modest, well in line with passenger demand.

Next is service. We had great results in 1997. But did we provide great service? The honest answer to that is yes and no. While we are making progress, our performance was uneven. On balance, it was good, which to our internal standards – and the expectations of our customers – just isn't good enough.

Over nearly a two-year period, we talked to more than 2,000 customers and asked them exactly what they wanted from an airline. The result is our Customer Satisfaction Philosophy (CSP), which is built on the foundation of our customers' needs and wants. As some of the letters we've included in this report tell us, we have a way to go in responding to what we've heard. But we're quickly moving in the right direction.

Based on our customers' responses, we're investing \$391 million in inflight comfort, entertainment and technology. We're spending another \$93 million to improve airport communications and check-in. We've added new lounges and expanded electronic ticketing, which is now available on all flights between the United States and the United Kingdom. We're making hundreds of smaller improvements –

from better pillows to new cabin decor. Our Star Alliance – United, Air Canada, SAS, Lufthansa, Thai Airways and Varig – is giving passengers the kind of seamless service they told us they want: access to 642 cities in 108 countries around the globe.

We are also making progress in on-time performance – one of our passengers' top concerns. We improved our performance in 1997 and have set our goal even higher in 1998.

The fourth aspect of our Quality Flight Plan is where everything comes together – in the performance of our people. In labor agreements, we believe the house is in order – more so than at any time in recent history. In 1997, we completed mid-term arrangements with our ESOP employees, achieved a new contract agreement with our flight attendants and reached agreement with our pilots on regional jets.

Labor stability is the base on which we are building service improvement. We conducted a company-wide survey in 1997 that said our efforts to change the adversarial, hierarchical culture of the past are taking hold. But again, as the letters in this report make clear, there is still much work to do. So our training and culture change efforts will accelerate in the months to come.

Progress is a must. We can make the physical service improvements our customers have asked for, but our competitors can make them, too. The only sustainable difference we can provide our customers is better service than our competition. And to reach the service excellence envisioned in our service philosophy requires buy-in from our people. We're working on that – together.

On the horizon

Looking forward, our focus will remain on improving profitability. Domestically, we intend to attract even more high-yield customers with our customer service improvements, and we will continue to work to build our key cities, including Los Angeles, our newest hub.

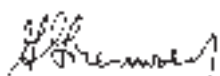
Internationally, we'll be supported in part by Star Alliance and our other code-sharing agreements. We plan to take advantage of the benefits provided by the recent U.S.-Japan bilateral agreement, expanding our service to Japan and beyond. On the cost side, we'll forge ahead with our cost-control efforts, which should also help us grow earnings.

Stronger airline, smarter industry

Looking at 1997, it's clear that United has learned some hard lessons from the past. Asian economies faltered, and the stock market went on a thrill ride, but we kept on our course. That is the hallmark of an industry, and a business, powered as much by industry fundamentals as by market cycles. If there is a significant cooling of the U.S. economy – which we do not expect – the industry and United in particular, are far less vulnerable than we were in the past. The investment community seems to have a hard time shaking the perception of the rancorous, spend-first, ask-questions later industry of the 1980s. We believe that it's time to take a fresh look at us: Different industry. Different airline. Different future. Time for a different valuation.

Our thanks to our stockholders for their confidence as we create a new, stronger United Airlines, and to our fellow employees for all you've done to make that new airline possible. As we begin to hit our stride toward being the industry's very best service organization, watch for much more to come.

Sincerely,



Gerald Greenwald
Chairman and
Chief Executive Officer



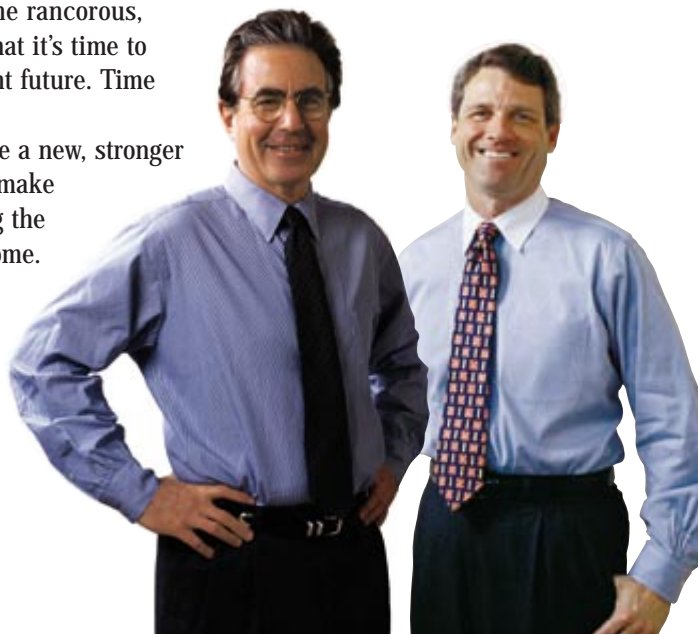
John A. Edwardson
President and
Chief Operating Officer

March 1, 1998

Gerald Greenwald
Chairman and
Chief Executive
Officer

John A. Edwardson
President and
Chief Operating
Officer

Between the two of them, Greenwald and Edwardson flew more than 200,000 miles on United in 1997, which would qualify them for the very highest level of United's Mileage Plus® program.



DAVID B. SHEPARD

11 BLYDENBURGH COURT • NORTHPOFF, NEW YORK 11768

June 6, 1997

Customer Relations
United Airlines
P.O. Box 66100
Chicago, IL 60666

RE: United Airlines: "Rising"

Gentlemen:

I often wonder if the people who dream up advertising campaigns ever use the product. From my experience with the airline industry, I don't think so. Your latest campaign, aimed at the 'cynics' proclaims: "It's taken the airline industry almost a century to reach the state that it's in..." A cynic is liable to reply "You are part of the industry, why did you let it happen in the first place? Did passengers not complain about the cramped seating, the poor food, and the poor service?"

The fact is, the current miserable state of the industry was part of a very deliberate effort to reduce costs regardless of customer satisfaction. As long as they continued to fly (not always having a lot of choice) you continued to reduce the level of just about everything.

I have been a United frequent flier for about 30 years. Several years ago I switched my heavy travel to American and attained their Platinum level. It is going to take a lot more than your new campaign to get me to switch back. I have been through your "things are better now" campaigns before. When the employees "bought" the airline I hoped things might improve. They didn't.

The most important thing passengers want is rock solid on-time performance which, at the moment, is sadly lacking. "Award winning chefs" are no substitute. Next, in order of precedence, are reasonable comfort (not "economy class syndrome") and reasonably good food commensurate with the class of service. It goes without saying that one's luggage should also arrive on the same plane.

Now, when something does go wrong, two things are paramount. First, immediate and completely honest communication with the passengers. They must be updated at frequent intervals until the situation is resolved. Second, alternate arrangements should be made for those who cannot wait, even if it means putting them on another airline. You would be surprised how much loyalty and future business these actions would ensure.

It is not hard to see why things have not gotten better. The same people have been running the airlines (although not always the same ones) almost forever. What we need is some fresh blood, new ideas, and a real commitment to customer satisfaction. When that happens, maybe things will improve.

Yours sincerely,



[CLICK HERE TO READ LETTER](#)

Progress Report

It's clear to anyone who travels regularly that, since deregulation, the airline industry has made some mistakes. Some contend that cost-cutting went too far. Service levels – and our customers – suffered as a result. Our message to Mr. Shepard, and other customers who rightly question the motivation behind our new ads, is that we are learning from our past. Today is only the beginning. To us, Rising means improving, striving, trying. We know we're not there yet. We know we have some distance yet to travel. But today we are truly listening to our customers – not with our minds already made up, but with the sincere intent to make the travel experience on United better than ever before. This annual report takes a look at United through the eyes of our customers and employees. It's not all pretty, but it is real – and it gives us a chance to clearly demonstrate that United is Rising.

As we listened to our customers – more than 2,000 of you in 12 cities around the world – our plan for action took shape. We call it our Customer Satisfaction Philosophy or, because this industry seems to love acronyms, CSP. Customer – because you are the focus of everything we will do going forward. Satisfaction – because it conveys comfort, enjoyment and a sense of contentment. And Philosophy – because this isn't just another corporate program, it's a way of life at United.

Our CSP is built on the foundation of safety, value and reliability. Without these, an airline really can't even get in the game. That is one of the reasons Mr. Shepard's comments are so important.

Without a doubt, we have work to do to improve our on-time performance. Although we made good progress in 1997 – climbing five points to 66 percent of departures on-time within five minutes – that's not good enough. We've set our 1998 goal at 70 percent, and plan to reach farther after that.

Why don't we just set our goal even higher and just go for it all in 1998? With a global operation the size of United's, the on-time challenge is a complicated puzzle of flight schedules, crew schedules, manpower planning, air traffic control issues and more. The steps we are taking to improve our reliability, from new technology at

airport gates to major schedule adjustments on the West Coast, take time to implement and are only two of the several initiatives that will help us continue to get better. We want to be an on-time airline. And we will be.

As important as the on-time challenge is, CSP goes far beyond beating the clock.

Customers told us to focus on six key areas:

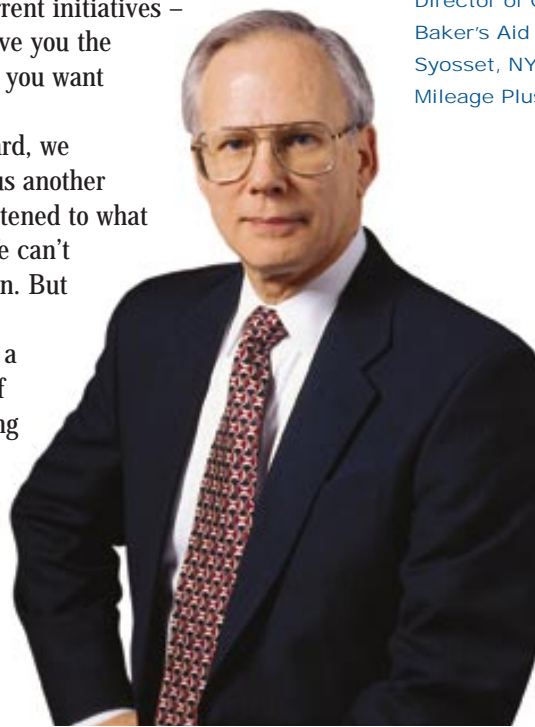
- Candor and responsibility;
- Unsurpassed global access;
- Recognizing and rewarding loyalty;
- A simpler, more hassle-free travel experience;
- Comfort the foundation, enjoyment the ideal; and
 - Warm and genuine attentiveness to each traveler's needs.

We're
Rising –
and it's a lot
more than
a new ad
campaign.

In each of these CSP principles are more product and service initiatives than we could possibly list here. These efforts run the gamut of our airline operations, from new, more timely and candid delay announcements to improving the comfort of all 60,000 seats in our fleet.

Throughout this annual report, we talk about many of the things we're doing to make our CSP more than just another slogan. Want to know more? You can visit our web site at www.ual.com for more information about several of our current initiatives – all designed to give you the travel experience you want and deserve.

So Mr. Shepard, we hope you'll give us another chance. We've listened to what you've told us. We can't promise perfection. But we can promise a willing spirit and a dedicated team of employees working to make United the airline of choice around the world.



Yes, we can understand the cynics who question airline advertising of the past. That's why we launched our "Rising" campaign in May of 1997. Our customers told us they wanted honesty and candor. So we're giving it to them. We realize something's wrong with the state of airline service, and we're not only willing to admit it, but we're investing time, effort and money to improve the situation, to take our service and product to greater heights. It's not an overnight effort, but we believe we're on the right track.

David B. Shepard
Director of Operations
Baker's Aid
Syosset, NY
Mileage Plus member

A friendly smile.

Not something you think about very much until it's missing. Then it's the most important thing in the world. Ms. Sappington's and her husband's experiences on United are like a book with a lousy ending. No matter how much you enjoyed the story up to that point, you probably wouldn't recommend it to your friends.

With more than 92,000 employees around the world, United's challenge is to ensure that all of the chapters in our customers' travel journals are positive and filled with the warm and attentive people you would want to spend time with once the journey's over. We recognize that even one employee's attitude can make or break the entire travel experience.

You can't force people to smile. After all, we all have bad days once in a while. We at United are working to create a company where employees not only feel empowered to solve customer problems, but where they also feel valued and happy with the work they do – so they can do a better job of keeping our customers happy.

We're not just providing empowerment and service training to our current employees. We've redesigned our hiring criteria to make sure that the kind of employees coming through our doors are those that will keep customers coming through them, too.

But even the best employees can't act out your favorite movie character or make your computer come to life when the battery's dead, so we're upgrading our customers' entertainment options. In 1997, we began installing a nine-channel video system on our B767-300s and B747-400s. When installation is complete, passengers with a video system won't have to fight over the remote. They will be able to choose any of nine different options on their own, individual seat monitors. And on U.S.-domestic flights, we'll change our short-subject programming twice a month instead of once.

Still, more than half of all frequent flyers told us they prefer to do work while inflight. To help them keep their noses to the grindstone, we began in September 1997 to install in-seat laptop computer outlets in United FirstSM and United BusinessSM cabins on all aircraft. Our customers will be able to use their computers all the way from Chicago to Tokyo and never worry about their batteries running out.

For United First and United Business customers who don't want their business to be up in the air while they are, United offers enhanced in-seat telephones. Not only can you talk to almost anyone around the globe, "Airfone" also features teleconferencing capabilities, as well as a modem port to keep customers online and fax-capable while onboard.

While inflight entertainment and comfort are key for our customers, United understands that the travel experience is more than just what happens at 30,000 feet.

Satisfied customers feel comfortable on the ground, as well. In 1997, we opened new Red Carpet Clubs in Montevideo, Santiago and Paris. And we're fixing up other clubs, too. As part of our aggressive plan to enhance our lounges, we began renovating the facilities in New York's Kennedy and LaGuardia airports, as well as those in Los Angeles, Hong Kong and Sao Paulo. With our newest club in the Minneapolis/St. Paul airport, United now has 48 club rooms worldwide.

So, Ms. Sappington, we hope we've helped you and your husband decide what to do in the future. And we'll do our best to make sure that the end of the story in your travel journal is as satisfying as the beginning.

So, Ms. Sappington, we hope we've helped you and your husband decide what to do in the future. And we'll do our best to make sure that the end of the story in your travel journal is as satisfying as the beginning.

We're
creating
an onboard
experience
you'd
recommend
to your
friends.

There are hundreds of things that contribute to an enjoyable flight, from the quality of the service to the amenities on board. You might not use all of the options we offer, such as the video system or laptop power outlet, on every flight. But we're working to make sure that they're there when you do want them. Along with a friendly smile anytime at all.



Sandra J. Sappington
Personal Financial
Analyst
Gaithersburg, MD
Mileage Plus member



June 24, 1997

Mr. Jerry Greenwald
Chairman & CEO, United Airlines
C/O Customer Relations
P.O. Box 66100
Chicago, IL 60666

Dear Mr. Greenwald:

My husband and I recently took our first First Class trip aboard United Airlines. Your letter appeared in the issue of HEMISPHERES on our flight. I thought you may be interested in our experience, since your letter specifically referred to United's commitment to improving the flying experience.

We traveled on June 7 from Washington-BWI to Calgary via Denver. Our flights were 1731 and 1655. As soon as we were seated at BWI a very nice gentleman (Slim with wire-framed glasses, I'm sorry I don't recall his name) greeted us and provided us with drinks. As we were waiting to take off he noticed my reading your article and said, "I hope we can live up to that." I was impressed, he was familiar with the article and wanted to make a point that he was going to try to live up to the promises you made. Throughout the rest of the trip to Calgary we were very impressed with the level of attention and service we received. The food was truly exceptional. The comfortable seats let us relax so that we were able to enjoy several hours of sightseeing in Alberta even after our long trip.

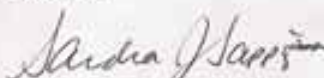
We returned to Baltimore on June 14 taking flights 1602 and 1655. The service we received out of Calgary aboard flight 1602 was exceptional. It appeared that there may have been a new flight attendant on board. Our flight attendant (woman of average weight with shoulder length blond hair) was able to give attention and help to the newer attendant while still giving us the highest level of service I could imagine. When we landed in Denver my husband (who is more budget conscious than myself) said that he was very impressed at the difference in service and the entire experience flying first class. We started to consider going first class on future trips, even if we didn't have the frequent flyer miles to help us out!

Flight 1655 from Denver to BWI did not start out as smoothly as the others. Weather conditions delayed the flight by a half hour and a large group of folks needing extra assistance extended the wait by another half hour. By that time, we had lost our place in line for take off, so we sat for another half hour. This wasn't great, but we recognized the poor weather conditions and really weren't too upset. The big disappointment came once we were up in the air. There appeared to be three flight attendants for the first class section and not a single one seemed happy to be there. At first I thought it was just me, but once I started paying attention I realized that none of them cracked a smile, regardless of who they were serving. One even let out a "huff" as she waited to get past another attendant in the process of serving a drink. This was the only flight where I had to request a drink when my glass was empty (I waited 10 minutes after finishing it to see if they would notice.) When they took the orders for dinner I selected chicken with the honey/poppeyseed dressing for the salad. My dinner arrived with the chicken, but the oil and vinegar dressing. When I asked if I could get the other dressing the attendant almost snapped at me and said, "You did order the chicken didn't you?". I got the feeling she thought I was accusing her of screwing up the entire meal. I wasn't, and I was being as nice as possible in my request, because I really did want to see her relax and be a little friendlier. It's not a very comfortable feeling to be relying on someone who looks as if they definitely don't want to be there. By the end of the flight I would have to say it was one of the most uncomfortable flights I have taken and I would have been disappointed even if I had been in coach.

So, now my husband and I are not certain what we will do in the future. Three fourths of our experience was exceptional and we have told our friends and co-workers about that portion of our flying experience. It is the final fourth that makes us nervous. If we buy first class seats in the future and receive the service we did out of Denver we would be incredibly disappointed and feel very stupid for having wasted a significant amount of money.

Thank you for three exceptional flights, I wish you well in putting CSP into practice.

Sincerely,



Sandra J. Sappington
Gallthersburg, MD

[CLICK HERE TO READ LETTER](#)

Not Just Another Company Program

My name is Jerry Czubinski. I am a ramp serviceman as well as the Chairman of the Grievance Committee in Milwaukee.

Just after the ESOP went into effect my manager called the entire committee into his office and told us that we would now be in charge of developing our work and vacation schedules. He said that in the future this would expand to taking responsibility for other work related functions that up until ESOP were the responsibility of management.

The big question was how were we supposed to take over these functions when we didn't have any experience in this type of decision making.

We needed some direction so I called on our Assistant General Chairman, Don Wilson, and explained the difficulties we were having. He explained that the company was putting a new program into effect and asked if we would be interested in getting involved. He said it was a program which was supposed to involve all employees in making major decisions that effect their workplace.

My first thoughts were that this was just another way for the company to pacify its employees by making them think that they were part of the decision-making process. In reality, they wouldn't be empowered to do anything.

With very little enthusiasm, I attended my first Best of Best (B.O.B.) meeting. My attitude was one of really not caring because I thought I had heard it all and nothing ever changed. After listening to the presentations, I began to think that maybe this program was different.

I became more and more impressed with the program by the end of the three days. This was the first time that I heard from the senior vice presidents and the company president that the employees and management were going to change. They said local managers would change or that they would change them. WOW! Although I was impressed, I still had some doubt as to any follow through from the top down.

Through the meetings we had with the employees, we told everyone how the B.O.B. program was supposed to work. Responses ranged from it's just another program that will last only a few months to why should I waste my time. The feeling was I don't want to get involved, management won't change. There wasn't a single positive response. We knew we had a lot of work to do.

It wasn't easy, but today the program is working in our station. Not everyone is involved and we are still having growing pains, but the program is working. The more people see it work, the more they want to get involved. So I have made a commitment to see this program through and give it all my support.

I want to extend a hand to anyone who feels they need support or help with putting this process into effect.

The company is changing. Believe it. We are moving forward to a new and better United Airlines with all employees involved in making decisions. Those that do not want to change will be left behind. This is a new beginning. It will work if we just stay with it.

Jerry Czubinski

Broad shoulders.

It's a good thing that Jerry Czubinski and other employees like him have them. No matter how many new products or innovative service programs United introduces as part of our CSP, the weight of our success ultimately rests on the shoulders of our employees. And they are rising to the challenge of carrying the CSP load.

Jerry is a perfect example. He's a member of one of United's very first Best of Best, or B.O.B., teams. Jerry's Milwaukee team, like the 61 other B.O.B. teams now working in stations and departments throughout our system, is a cross-functional group of employees endeavoring to improve customer satisfaction, on-time performance, profitability and safety at their locations.

In 1997, the B.O.B. teams focused on United's core objectives for the year: customer satisfaction, on-time results, and financial performance. Because of the support of employees like Jerry, B.O.B. teams are making things happen. A couple of examples: Members of the first international B.O.B. team in Argentina saw – and grabbed – an opportunity to lower United's costs for late baggage delivery service. The team re-negotiated the contract with the vendor and achieved a 20 percent reduction in costs.

The Tampa B.O.B. team recognized their Premier customers' needs for a more comfortable waiting and working area at the airport. The team, through ingenuity and expertise, created a new Premier lounge for less than \$2,000. Then they watched their ratings for courtesy and friendliness rise by 20 percentage points the next month.

Although the B.O.B. teams are achieving great results, employees don't have to be on a team to be empowered or to make a difference.

United added Customer Problem Resolution to its array of training programs in 1997. This new program directly addresses customer satisfaction by giving customer service representatives and flight attendants the tools, skills and authority to solve customers' problems as they occur. When difficulties arose in the past, far too often the employee response was, "You'll have to contact our Customer Relations Department." While employees were taking the heat, United should have taken the blame. We didn't give employees

the tools or training to offer very many alternatives. Now, through conflict resolution training and a "tool kit" of service checks and upgrades, we've untied employees' hands so they can solve many customers' problems on the spot.

United's culture change goes well beyond teams and training. With three major unions at the company representing almost 56,000 pilots, flight attendants, mechanics and ramp workers, a culture that works also requires labor stability.

In 1997, United and the labor groups made strides toward better communication and cooperation. Although at times the process may have seemed like one step forward, two steps back for all involved, the end results were worth it. In April and March, respectively, United's pilot group, and mechanics and ramp service workers ratified mid-term wage agreements. In October, United's flight attendants ratified a new, ten-year contract agreement. And in November 1997, the pilots agreed to a regional jet contract, which allows some of the carriers flying under the United Express banner to fly regional jets.

We can't say that any of these negotiations were easy. They took time. They took dedication. And they took individuals on both sides of the table who were willing to look for a new way to work together. The end result? For the next several years, everyone at United can put a whole lot more time and energy into focusing on our customers.

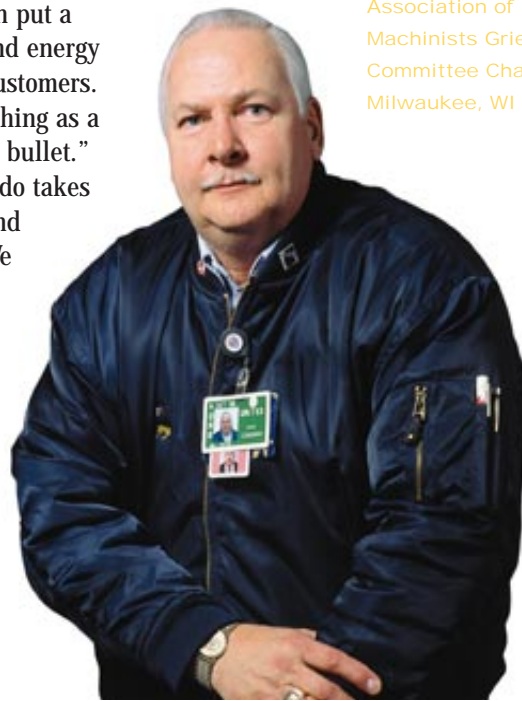
There is no such thing as a culture-change "silver bullet." What we are trying to do takes time and dedication and dogged persistence. We have to thank Jerry Czubinski for saying it so well in his letter to the newsletter of International Association of Machinists: "The company is changing. Believe it."



What about B.O.B.? United's Best of Best (B.O.B.) is just one initiative that is making believers out of employees like Jerry Czubinski. United is changing, Rising, from the inside out.

Our success ultimately rests on the shoulders of our employees.

Jerry Czubinski
Ramp Serviceman
International
Association of
Machinists Grievance
Committee Chairman
Milwaukee, WI



[CLICK HERE TO READ LETTER](#)

COMMENT CARD

Please send us your ideas! Write your comments on this issue and suggestions for future articles below. Send them via co-mail to: *Our Times/WHQPR.*

With regards to "Measures of Success" in Vol. 3 No. 3, why is United's goal in the Ratings Schedule not AAA+ for S+P and Aaa for Moody's?

Name, company address code, phone number:

N. Dao / LAXCS

How do you keep in touch with over 92,000 employees around the world? There's no one easy answer. That's why we have communication vehicles ranging from the company newspaper, Our Times, to our computer-based Officer On-Line discussions.

Whether it's Jerry Greenwald sitting down to an on-line chat or our daily news bulletin, NewsReal, United is committed to talking to and hearing from the people responsible for making our airline run.

On the following three pages we share two questions we received from United employee owners about the reasoning behind our strategy and direction. We know that just as important as satisfying our customers is keeping our employees and owners informed about our business strategy and financial condition.

A great year.

United's fully distributed net earnings of \$1.3 billion in 1997 (before one-time gains and extraordinary charges) set an earnings record for the third consecutive year. How those earnings, and the resulting strong cash flow, are used is of keen interest to many people inside and outside of the company. As we describe here and as Jerry Greenwald explains in his response to First Officer Smith's question (see page 13), United is following a four-step ladder approach to make the best use of our cash flow.

Step One: Getting Good Grades

United's goal is to improve our credit ratings until they are investment grade. (Investment grade is defined as Baa3 or above by Moody's Investors Service and BBB- or above by Standard & Poor's, both leading rating agencies in the United States.) United made substantial progress toward its goal in April 1997, when S&P announced an upgrade for United from BB to BB+, one level beneath investment grade. S&P cited the company's strong cash flow and growing earnings as reasons for the upgrade, in addition to United's strong route network and improved operating performance. In December, S&P revised its outlook for the company from stable to positive, enhancing the possibility that United's credit rating may be raised. Currently, the company holds an investment-grade credit rating from Moody's.

In his comment to the editor of *Our Times*, customer service representative Nick Dao asks why United is not aiming for the highest possible credit rating. We selected as our goal a level of credit quality that should ensure United an adequate financial cushion during economic downturns. It's also a level that allows the company to finance itself at a low cost of capital – with a risk level appropriate for an employee-owned company. Certainly we would like to achieve even higher credit ratings and the additional security that such higher ratings would bring us. But achieving a higher level credit rating within the foreseeable future would take most of the cash flow we generate, leaving very little left to move us up the ladder. Once we move up, to the extent that we can do so, we will aim to improve our credit quality beyond the current objectives.

We're Rising
in other
ways, too –
improving
our balance
sheet and
our fleet.

Steps Two and Three: The Plane Facts
The second rung in our "cash-flow ladder" relates to our aircraft fleet. In 1997, United continued progress on the "Retire and Replace" fleet program, taking delivery of 30 new air-

craft and retiring 19 others. In 1998, we plan to retire and replace a total of 41 aircraft.

We're not just doing this because we like shiny new planes. Newer aircraft are less expensive to operate. The more technologically advanced engines burn less fuel. Newer aircraft require less maintenance than older aircraft. Less maintenance means less time spent on the ground and more in the air. That's obviously better for us – and our customers. Also, newer aircraft are generally more reliable, meaning that both our on-time performance and customers' satisfaction should improve. And finally, we're streamlining our fleet by cutting down on the number of different aircraft types – which simplifies training, maintenance and scheduling.

The Quality Flight Plan, United's five-year strategic plan, is guiding us toward the year 2000. The plan's four components are:

1. Improving Product and Services
2. Empowering Employees
3. Strengthening the Balance Sheet
4. Upgrading the Aircraft Fleet

These four steps are leading us toward our ultimate "destination" – becoming the global airline of choice.



Nghiep "Nick" Dao
Customer Service
Representative
Los Angeles, Calif.





STAR ALLIANCE

- Air Canada
- Lufthansa German Airlines
- Scandinavian Airlines System (SAS)
- Thai Airways International
- United Airlines
- Varig Brazilian Airlines

The logical next step? Growth aircraft. United has improved profitability by rearranging our flight routes and schedules, eliminating poorly performing flights and focusing on the more profitable flights. As a result, there are only a few opportunities left for reallocating aircraft to new markets. That's why we intend to buy additional growth aircraft for our fleet – so that we can enter profitable new markets. At the same time, we are aware of the importance of keeping our capacity growth balanced with the rate of growth in passenger traffic. So what's the status? We placed orders for 10 growth aircraft in 1997 and 30 growth aircraft in early 1998.

The Top Rung: Payback Time

In July 1997, we sold our interest in Apollo Travel Services to Galileo International for \$539 million. We used \$250 million dollars of the proceeds to repurchase 2.88 million shares of outstanding UAL common stock, which we did in part to increase earnings per share. Although this repurchase was a one-time event, and while we have no immediate plans to pay out dividends, it is our long-term goal to establish an on-going program of returning cash to stockholders.

Most of the companies in the S&P 500 return cash to their stockholders on a consistent basis.

Putting into place a dependable, on-going program to return cash to stockholders has multiple benefits. Beyond

putting cash in stockholders' pockets, it will be one more way of showing just how much we – and the industry – have changed, and why our valuations should change as well.

Now to the crux of First Officer Smith's question, and it has nothing to do with ladders.

Our customers want to go everywhere from Taipei to Tahiti and Frankfurt to Fresno. As much as we wish we could, we can't fly everywhere. We can't serve

some markets because of governmental restrictions. And others just don't make economic sense.

Fortunately, our domestic passenger route network is already one of the best, offering destinations as of March 1998 to 222 U.S. cities with United and United Express flights. Internationally, we serve 34 airports in 26 countries and one territory. Pretty good. But not good enough if you truly want to be a global carrier.

Star Alliance, considered the leading global air transport network, was launched in May 1997. With the creation of Star Alliance and our other code-sharing partners, as of March 1998 we offer customers access to 642 cities in 108 countries around the world. And we are looking to add new partners.

Together with our Star Alliance partners, United is able to offer our customers three main benefits: seamless travel from the origin of travel to the final destination; worldwide status and privileges; and the most convenient global access available to

travelers today.

Star Alliance is set up to complement, not replace, each partner airline's individual identity and product. It does not restrict United from serving markets that make sense. For example, since May 1997, we have added new service to several cities we might not otherwise have been economically able to serve, such as Dulles International-Munich and Chicago O'Hare-Ottawa.

What are the driving forces behind the Star Alliance? Expanding our passenger flying and cargo is a key benefit for our customers. But the Alliance provides more than customer benefits alone, our alliances benefit us financially – we estimate our net benefit from Star Alliance and other code-share agreements at more than \$170 million for 1997. Equally important, we believe that this type of global air transport network is the wave of the future in the airline industry – and with Star Alliance, we are at the forefront of that future.

Star Alliance
enables
United to
offer our
customers
the most
convenient
global
access
available
today.

Robert Smith
First Officer
Washington, D.C.



Please type "???" and your department code then press your "Enter/Return" key.

>> Welcome to Officer On-line. Mr. Smith, proceed with your question.

Robert A. Smith 12/2/97

Good afternoon, sir. Now that all the contracts are in place, our credit rating has improved and our debt is reduced, will we order any growth aircraft? Or do we plan to make further alliances at risk of losing our own market share?

>> Jerry Greenwald 12/2/97

Robert, I believe you're really raising two separate questions, which, in my opinion, are not related. Let me answer each. First, to the question of growth aircraft. We have been climbing a four-step ladder for the use of our profits and cash. First, we need to use our cash to improve our balance sheet to have a full investment-grade credit rating—and we are getting closer to achieving this goal. Second, we use cash to buy new airplanes to replace old airplanes and we are achieving this objective. Third, we buy airplanes to grow the fleet so we can fly routes to make more profit. We are committed to a few growth aircraft and are planning to make a presentation to the board this month to discuss the possibility of adding some more growth aircraft. Fourth, we would use cash for returns to stockholders, either as cash dividends or as stock buybacks - but we are not there yet. As for your second question, we have alliances with other airlines, as you pointed out. The most publicized is the Star Alliance network. For the flying public, we want to offer seamless connections to places anywhere in the world we do not fly ourselves. For United, the potential is far more profit and more flying. The evidence is growing that we are achieving these objectives. United is flying more to Europe than before we had our alliance with Lufthansa and SAS, who are members of the Star Alliance.

>> Moderator

Thank you both for participating.

>> Ms. Beck, your question will be next. For identification purposes, Please remember to enter your department code. Type "???" press the "Enter/Return" key, and wait for the prompt. Please be patient. Allow for processing and transfer time.

STAN JUSTICE

19 May 1997

UAL Customer Relations
P.O. Box 66100
Chicago, Illinois 60666

To Whom It May Concern:

Once again, United has proven their concern for their agenda, ignoring the needs of this customer. Your Shuttle service, which provides treatment akin to that of Trailways, Greyhound, or the worst of the bargain-basement airlines, Southwest, is good for United, necessitated by loss of market share to less expensive airlines, according to staffers I have asked.

Tonight, I checked in for my flight at the LAX counter, approximately 45 minutes prior to scheduled departure, 710pm. I bought and used upgrade certificate(s) and proceeded to the gate area, where I noticed an 830pm departure was posted. Since I wasn't told at the counter of the delay, my luggage was checked, making changing to another airline very difficult at best. Since I reside in Manhattan Beach, 15-minutes from the airport, and am a Premier Executive, whose phone number(s) are always in my record, I take issue with the fact that United did not even attempt to contact me when aware of the pending delay, which would have either afforded me a pleasant dinner at home, or most likely, prompted me to change to another carrier, or a Tuesday morning flight.

Since it's almost 10pm, dinner is an afterthought, and I must say that offering \$25 certificates that can only be used to purchase *another* United ticket, is truly an insult. I refused another one, as there are at least three in my briefcase presently.

What compels United to feel that a \$25 certificate can suffice for the inconvenience caused by not caring enough to make even their most frequent fliers aware of schedule changes, particularly when they are in the evening? Is it inefficiency, or like the Shuttle service, another blatant effort to ignore all but the company's selfish interests. While this might happen on any carrier, I find that your staff has become increasingly indifferent to providing professional service since the Shuttle service originated. I am confident that your market share has benefited from it, but must say that every time I traverse the crowded concourse to the Shuttle gates, it reminds me that your employee-owned airline cares more about itself and profits, than the service it provides.

Sincerely,



Stan Justice

[CLICK HERE TO READ LETTER](#)

Straight talk.

Although he didn't know it at the time, in his letter Mr. Justice was talking about a key plank in our Customer Satisfaction Philosophy – candor and responsibility. We want to give our customers the information they need when they need it. And we want to make sure we're not passing the buck when problems arise. Delay situations, in particular, call for an increased level of candor and responsibility.

Flight delays are frustrating for everyone. The good news is that we make every effort to contact customers in the case of extraordinary flight delays or cancellations. The not-so-good news is the fact that our ability to reach customers ahead of time is often limited by the number of flights affected and how far in advance of the flight time the delay or cancellation occurs. If one flight is affected far enough in advance, chances are we will be able to track customers down and let them know what's going on. On the other hand, if many flights are affected, the job becomes more difficult. When we do have enough notice, we make sure our premier customers are the first to know what's happening.

All right, enough of the excuses. The question is: What is United doing to make it better? Late in 1997, we began testing a program designed to assist customers in an extreme situation when many flights are canceled. Under these challenging circumstances, reservations sales and service representatives quickly work to reschedule as many customers as possible on alternate flights, noting the changes in the computer reservation system. Then, when those customers check in, they already have an alternate reservation to assist them.

From his letter, it's pretty clear that Mr. Justice isn't just frustrated with the lack of notification. In his eyes, Shuttle by United isn't air carrier nirvana, by any stretch of the imagination. Frankly, it never will be – nor will any low-cost, short-haul airline. But we are taking a number of steps to make the Shuttle experience more pleasant and less of a hassle.

We are improving our on-time performance. In October 1997, United inaugurated the Los Angeles/San Francisco Operations Restructuring program, a new schedule designed to ease runway and gate

congestion at the two airports. While the number of Shuttle flights remains almost the same, we have spread them out over the day so that fewer Shuttle planes are on the ground at the same time. Less runway and gate congestion means better on-time performance, and we are already seeing an encouraging reduction in delay minutes.

We are also enhancing our customer service. Our Shuttle customers have told us that advance seat assignments – unavailable on some other major short-haul carriers – are important. So, our 1K Premier, Premier Executives, United First and United Business customers connecting to Shuttle flights can now get advance seat assignments. And any Shuttle customer who has an E-Ticket can use the self-service boarding pass machines in San Francisco or Los Angeles to make their own seat selection and get boarding passes.

As Mr. Justice and anyone who's run the steeplechase through a crowded concourse knows, the airport environment can make a noticeable difference in the travel experience. That's why we're also working to provide better facilities. United is spending \$200 million in Los Angeles to renovate our terminal areas. In 1999, Terminal 8 will be wider, gate areas more spacious, and customers will have more food and shopping choices.

Yes, Mr. Justice, Shuttle by United serves United Airlines' needs. Without the Shuttle, we couldn't offer the frequency and breadth of service we do on the West Coast and in other cities. But we are committed to ensuring that customers' needs – for comfortable, high-frequency, low-cost service – are not lost in the heat of competition. We hope that you will give us another chance to prove our commitment to you.

We want to give our customers the information they need when they need it.

Our frequent flyers know us the best of all of our customers. And they expect to be recognized for their loyalty. Which is why we offer one of the foremost frequent-flyer programs in the industry – Mileage Plus. We also recognize their "need to know," so our web site lets customers check their flight schedules, compare fares and book tickets at home.



Stan Justice
Vice President,
Manager
Western Division -
Domestic Television
Paramount Pictures
Hollywood, Calif.
Mileage Plus Premier
Executive





We value our reputation as one of the world's safest airlines. And we continue to make every effort to ensure that our passengers can enjoy a safe travel experience. From working with airport security and maintaining the airworthiness of our fleet to equipping our pilots and flight decks with advanced flight technology, we're committed to maintaining our hard-earned reputation for safety.

Airport security.

It isn't fun for anyone. It's not supposed to be – it's an unfortunate necessity in an uncertain world. It's there to protect people. While airport security personnel are almost always hired by independent contractors, we fully support the function they perform.

At United, providing for the safety of our customers and employees is the foundation for our Customer Satisfaction Philosophy and the most important thing we do. Always has been. Always will be. In fact, our top corporate value is: "Safety at all times, in all things." We pride ourselves on being the industry leader in aviation safety. In 1997, as in every year, we continued our efforts to promote the highest levels of safety and security for our customers and our employees.

In addition to new FAA-mandated security procedures, United is taking the lead in a number of other security-related areas, with measures such as the computerized automated profiling system (CAPS), or state-of-the-art security screening technology. Detection devices such as the CTX5000, an explosive-detection device that uses CAT-scan technology, are now part of our baggage operations at major airports across the United States.

Mr. Holton's mention of his flight delay also brings up an important, perhaps less obvious, point. Safety-related factors play a major role in many delay situations. Whether the cause of a delay is a snowstorm blanketing the Eastern Seaboard, a traffic jam on the tarmac at O'Hare or some kind of maintenance issue, safety takes priority over any other operational issue.

That doesn't mean that our safety objectives have to be in conflict with operational and customer priorities. Take our new Cockpit Weather Information (CWIN) evaluation system. Launched in September 1997, CWIN is the airline industry's first in-service advanced weather evaluation system. The system delivers previously unavailable radar images to the flight deck, giving pilots a better chance of

spotting – and avoiding – poor weather on their flight path. The benefits, however, go beyond flight safety to improved aircraft routing efficiency and a smoother, more pleasant flight for our customers.

United also continues to pioneer other inflight technology to improve flight safety. We played an instrumental role in the development of the Enhanced Ground Proximity Warning System (GPWS). GPWS warns pilots when the aircraft is approaching dangerous terrain both beneath and ahead of the aircraft.

But what if Mr. Holton's flight was delayed because of a problem with the aircraft? Again, our first priority is passenger safety. From the time United takes possession of an aircraft to the plane's retirement years later, our maintenance division, respected as one of the best in the industry, works day and night to ensure the airworthiness of our fleet. Clearly, we take safety seriously, whether on the ground or in the air.

Safety at all times, in all things.

Getting back to Mr. Holton's letter, we wish we could say that he only experienced stress at the security check point. Customers have told us, however, that the most stressful part of the travel experience happens at the gate.

Making things easier is a big part of the CSP.

In 1997, we launched a number of initiatives to speed up and smooth over the rough spots on the ground. To help the boarding process move faster (up to 20 percent faster by our calculations), United began testing boarding pass readers at Chicago's O'Hare airport in July 1997. These devices provide an accurate record of passengers who have boarded the aircraft, they eliminate seat duplications, and they speed up the positive passenger bag-match and boarding process.

We also launched FastAIR, our electronic airport processing system. Because FastAIR enables our customer service representatives to speed up ticketing, baggage and check-in process, our customers spend less time waiting in line.

Mr. Holton, while there isn't a whole lot we can do about those with a "me-first" attitude, we are working to improve our boarding process. We hope that the next time you fly United, your entire experience is positive... one to write home – and us – about.

David S. Holton
Retired engineer
Twain Harte, Calif.
Mileage Plus member



CLICK HERE TO READ LETTER

P. O. Box 275
Twain Harte, Calif. 95383
June 8, 1997

Mr. Jerry Greenwald, Chairman & CEO
United Airlines
1301 Carolina Street
Greensboro, NC 27401

Dear Mr. Greenwald:

I was quite interested to read your "Note to our Customers" in the June 1997 issue of Hemispheres magazine. I appreciated your candor and constructive response to United's customer survey. As a result, I thought it would be worthwhile to write you about our most recent experience on United Airlines.

We returned from London to San Francisco on Thursday, June 5, in Economy class on Flight 931. We checked in at Heathrow and encountered several frustrations.

The first United security woman whom we met was brusque and unfriendly. On the other hand, the check-in clerk was friendly but her message was not. She told us there would be a 1-hour delay, and that the plane had been changed from a 777 to a smaller 767, so our preferred seat locations had been changed from window and aisle seats to interior and aisle seats. We asked her to try for something like our original locations, but she said nothing was available. This is hard to understand, since we had arrived at 12:30 for our 2:45 flight. I can't believe that most of the other passengers had checked in ahead of us, who gets the choice of new seat locations, and how can we get some consideration?

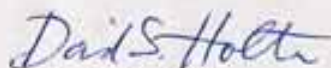
When our gate was finally posted and we arrived there, we were quizzed again by the same unfriendly security woman. In addition to her unpleasant attitude, the noise and echoing in the corridor where we were checked made it difficult to hear and respond to her questions.

Next came the usual frustration of being called to board by row numbers but having many passengers charge ahead regardless of rows. Why don't airlines enforce the order of boarding at the gate and prevent the congestion in the cabin when the early, out-of-order boarders jam the aisles?

But our whole feeling about the flight was changed by the attendants in our cabin (row 27). They were friendly and cheerful from the beginning of the flight to the end. They were helpful in getting people settled and making some changes to seat a family together. They were efficient in their meal service, and they continued to come around with water and other beverages throughout the flight. A friend who was also in our cabin agreed that this was the best experience we could remember on any airline.

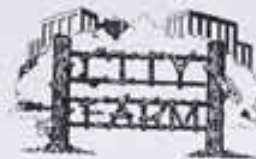
If it is possible, we would like the crew to know how much we appreciated their good work. In any case, I wanted you to know that there are also very good things happening on United flights.

Very truly yours,



David S. Holton

CLICK HERE TO READ LETTER



City Farm • 717 American Legion Highway • Roslindale, MA 02131 • (617)469-2992 • Fax(617)469-5619

August 23, 1997
Sandi Levinson
United Airlines
WHQWS
Chicago, IL 60666

Dear Sandi:

This letter is to bring to your attention the outstanding service I received from one of your employees, Ms. Sandra Vanpuymbrouck.

I had a shipment of cut flowers AWB # 0936-7455 from SFO to BOS which had a booking on flight 32/21. The freight was held back due to weight restrictions, and was set-up for flight 24/22. I still do not know why it was not set-up for the red eye.

When I was notified by my driver that there was no freight on the morning of the 22nd, I called Chicago and was told it was set-up for 24. Later in the day I was informed that it was a no show at the gate and the cart that the freight was on could not be located. After talking to Dennis (one of your Supervisors) in Chicago as well as my Account Exec. in Boston, and the shipper who was receiving information from SFO, I was losing hope that we would be able to get the product in time for a wedding on Saturday.

Later in the day I called Chicago to see if there was any additional information available on the shipment and Ms. Vanpuymbrouck answered the phone. After explaining the details, Sandra gave me her extension and told me that this was her "little project" for the evening and her confidence was refreshing to hear. Sandra verified my phone number, took my pager number and told me she would call with an update. I believed what she said even though that statement was made to me throughout the day with no return phone call.

Within 90 minutes I received a call from Sandra to inform me she had located the freight and that it was on-hand in Boston. I thanked her and we ended the call.

Although some people in your organization may look upon this as an employee just doing her job, the confidence she instilled in me that she would "follow through" allowed me to believe that we might get the freight to Boston in time.

I have instructed my shippers on the west coast to discontinue using United for my shipments until I have some confidence that your west coast stations have the ability to handle my shipments in the manner which I expect, and may I suggest that more of your employees take some lessons from Ms. Vanpuymbrouck on how to deal with a customer when they have a problem. She is a credit to United Airlines.

I would like you to once again give my thanks to Sandra, and I am willing to discuss my decision to discontinue using United at any time.

Sincerely,


Gordon L. Howell
Wholesale Div. Mgr.

“Where’s my shipment?”

Worldwide Cargo



For customers like Mr. Howell and for the many freight agents who do business with United on a daily basis, the answer to this question can mean a lot of money.

We know that. And we’re committed to improving our cargo service. What are we doing? We’ve introduced new technology, such as bar code scanning, which allows for almost instant tracking of shipments through the use of bar code labeling. With this scanning technique – now in use at three of our major freight facilities – we can track a shipment’s progress from start to finish.

We’ll expand the service in 1998 to more than five other cargo stations, including the new state-of-the-art cargo transfer facility we opened in November 1997 at John F. Kennedy Airport in New York and – when it opens in mid-1998 – our newest transfer facility in Honolulu.

And yes, we are proud of Sandra Van Puymbrouck and the many other employees like her. She epitomizes the kind of service and confidence we aim for in all of our interactions with customers. And we’re providing our cargo sales and service representatives with improved technology – like our user-friendly Odyssey software application for cargo reservation and tracking functions – so that they will be able to provide more of the kind of prompt service that our customers expect and deserve.

But we haven’t stopped at technology or facility improvements. With the launch of our dedicated freighter service in the Pacific in March, we made significant strides to our cargo service in 1997. For this dedicated service – a first for us – we reconfigured four of our DC10-30 aircraft from passenger to all-cargo aircraft, and expanded our Pacific Rim operations to provide more frequent service between Chicago, Los Angeles and San Francisco in the United States and Osaka, Taipei, Seoul and Manila in Asia. We also expanded service to New York and Tokyo.

In addition to the dedicated freighters, we also grew our cargo capability by substituting B777s for B767s on our transatlantic flights. The cargo-friendly B777 can carry up to 60 percent more cargo.

Largely due to this expanded service, we saw a 15 percent increase in cargo revenues from 1996. United’s 1997 cargo revenues of \$892 million made us the biggest cargo-revenue producer among U.S. passenger carriers. Our cargo revenues now represent 5 percent of the company’s overall revenues.

At year-end 1997, United’s Worldwide Cargo offered a route network that serves 28 countries from eight U.S. gateways. This superior network is likely to be enhanced by the December 1997 agreement of the Star Alliance partners to work more closely together in air freight operations and services. And the recently announced U.S.-Japan bilateral agreement on air transportation services should provide additional cargo opportunities, either through the use of our dedicated freighter fleet or in conjunction with our passenger service.

Our cargo mission? To be the leader in providing highly reliable transportation solutions to the worldwide shipping community.

Are we there? Judging by Mr. Howell’s letter, not yet. But we’re working on it. And we hope, Mr. Howell, that you will re-evaluate your decision and give us another try. We think you’ll notice a difference.

Our cargo service is expanding – as is our shipment tracking technology.

Since November 1997, we’ve been linked with CargoConnect, an Internet tracking service for the cargo community. CargoConnect lets customers easily access tracking and status information on their shipments through a simple Internet connection. We’re planning to offer this type of tracking service on our own web site – www.ual.com – later in 1998.



Gordon L. Howell
Wholesale Division
Manager
City Farm
Roslindale, Mass.

Thank you,

Mr. and Mrs. Speer. We're flattered. But we're not satisfied. We're very proud of our employees who helped make the Speers' travels so enjoyable. It's letters like this that let us know we really are Rising. But no matter how many complimentary letters fill our mailbox, we're not going to stop working to make our customers' travel experiences better, easier and a step above our competition.

That's what our Customer Satisfaction Philosophy is all about. That's what Rising is all about.

1997 was a year of challenges and accomplishments. In 1998, we are continuing to focus on customer satisfaction. While there isn't enough space to list every new product, technology and training program in the works, in a nutshell we are:

- Improving meals;
- Reducing gate stress;
- Renewing our fleet;
- Empowering our people;
- Increasing global access;
- Developing new technologies;
- Enhancing our frequent flyer programs; and
- Delivering better reliability.

Each of these areas is part of a comprehensive, integrated effort to provide our customers the kind of high-quality travel experience they have told us they expect.



Whether it's snack boxes, regional specialties or extra portions, we're offering our customers fresher, more innovative and more appealing meal choices. But food isn't the only part of flying with United that's bringing customers back. It's the overall experience – from making the reservation to reaching the final destination. When it all works, we have customers like the Speers – glad to have chosen United. We're working in many ways to make that overall experience the norm for all of our customers. Rising... to the challenge.

Grahame and Olga Speer
Business proprietors
Clovelly, N.S.W.
Australia
Mileage Plus members



Similarly, CSP is part of a comprehensive, integrated effort to provide our investors the high returns they expect.

Building on the outstanding financial results we produced in 1997 and the positive response we are beginning to see from our customers, our business strategy for 1998 will focus on three corporate core objectives:

Customer Satisfaction

To increase the intent of premium customers to choose United when they fly again, which we measure through market surveys.

On-time Performance

To achieve a rate of 70 percent of all flights departing on time within five minutes of schedule.

Financial Performance

To further improve our fully distributed pre-tax profit margin and retain our standing in the top 20 percent of our global peers on a pre-tax profit margin basis.

Despite some cloudy skies carrying over from 1997, we are optimistic that 1998 will be another good year for United and

our customers. The effects of increased costs from the mid-term wage agreements and the fragile economic situation in Southeast Asia certainly pose challenges, but we are confident in our ability to rise above them.

Throughout this annual report, we've shared with you some of the hundreds of letters we receive every day. Some of them don't paint a very pretty picture. Others are decidedly more positive. What each of them represents is an opportunity – to fix a problem, to build on something we're doing well or to pass along a customer's thanks to an outstanding employee. No matter the tone or content of the letter, each represents another chance for us to listen to our customers and employees. Only with their guidance and support can we at United achieve our mission to become the airline of choice worldwide.

Don't get us wrong, we like fan mail much better than complaint letters. But as long as they keep coming, we'll keep reading. And responding. And Rising.

We're not going to stop working to make our customers' travel experience better, easier and a step above our competition.

September 11th 1997.

DEAR UNITED AIRLINES,

MY HUSBAND & I EXPERIENCED UNITED'S WARM & FRIENDLY SERVICE FROM SYDNEY TO LOS ANGELES, THEN ONTO LAS VEGAS, & BACK TO SYDNEY.

STAFF WERE WELCOMING & EFFICIENT, EVIDENT OF GOOD TEAM WORK. BEING ECONOMY CLASS TRAVELLERS, A WELCOME TREAT ON THE LONG HAUL IS THE LUNCH BOX SNACK. GREAT IDEA.

FROM OBSERVATION, THE FLIGHT CREW WERE HOSPITABLE & OBLIGING IN MEETING THE DEMANDS OF THE PASSENGERS.

THANKYOU FOR AN ENJOYABLE EXPERIENCE WITH UNITED AIRLINES SERVICE

THANKFULLY YOURS

Grahame & Olga Speer

SYDNEY, N.S.W.
AUSTRALIA.

[CLICK HERE TO READ LETTER](#)

Aircraft Fleet

<i>Operating fleet as of December 31, 1997</i>	Average seats	Number of aircraft	Owned	Leased		Average age (yrs)
				Operating	Capital	
A319	126	4	–	–	4	0
A320	144	41	8	32	1	3
B727-200	147	75	59	–	16	19
B737-200	109	28	28	–	–	29
B737-200A	109	24	24	–	–	18
B737-300	129	101	10	91	–	9
B737-500	112	57	27	15	15	6
B747-100	444	9	9	–	–	26
B747-200	347	9	2	7	–	19
B747-400	384	31	10	21	–	5
B757-200	188	94	39	50	5	6
B767-200	168	19	19	–	–	15
B767-300	206	23	5	17	1	5
B777-200	292	30	13	4	13	1
DC10-10	288	22	15	1	6	21
DC10-30	298	4	1	3	–	19
DC10-30F	0	4	2	1	1	18
Total		575	271	242	62	11

<i>Delivery schedule for aircraft on order as of December 31, 1997*</i>	1998	1999	2000	Total
			and beyond	
A319	16	8	–	24
A320	10	2	–	12
B747-400	4	8	7	19
B757-200	3	1	–	4
B767-300	4	1	3	8
B777-200	4	2	–	6
Total	41	22	10	73

*Figures exclude the effect of any 1998 order(s).

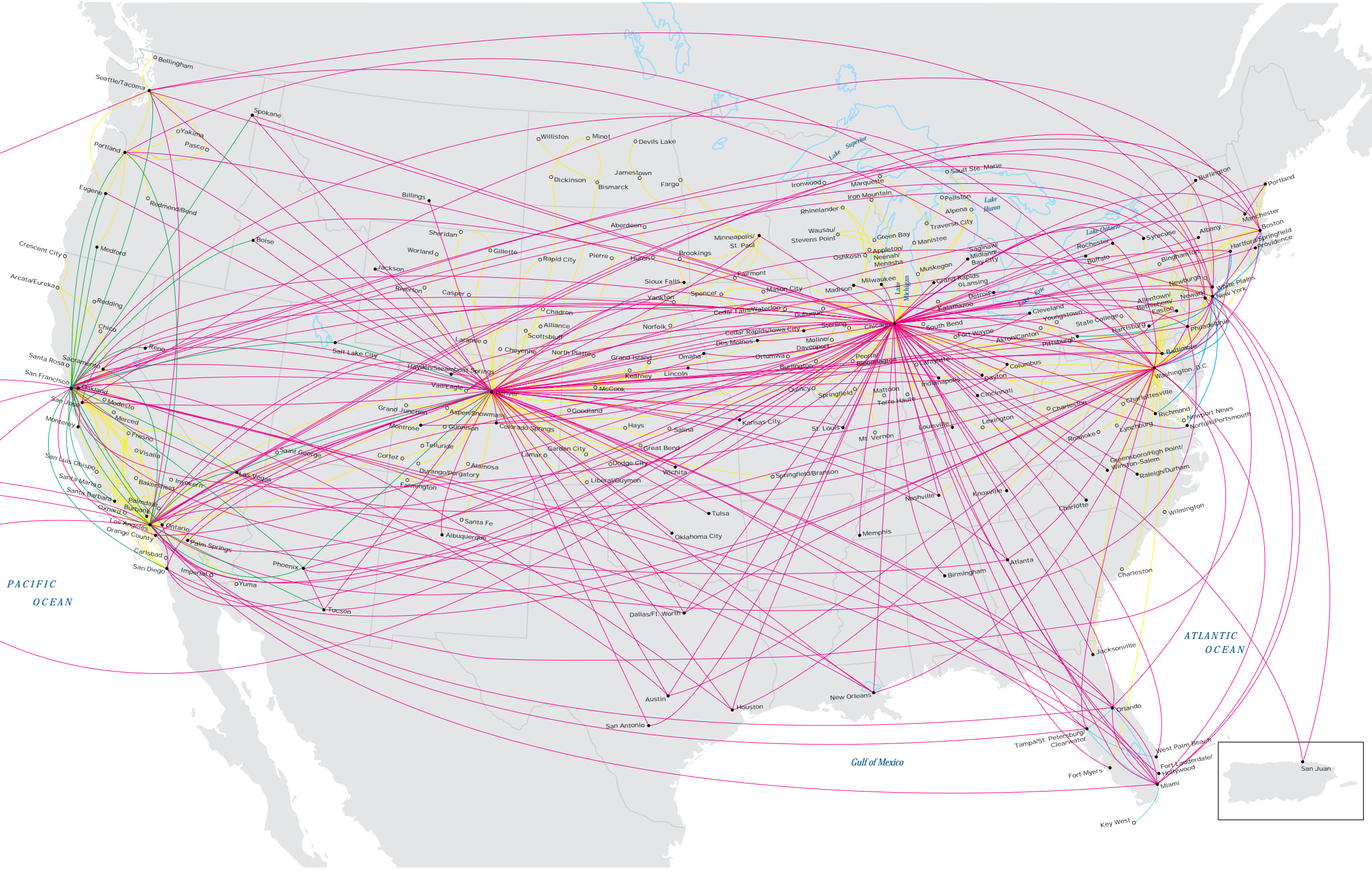
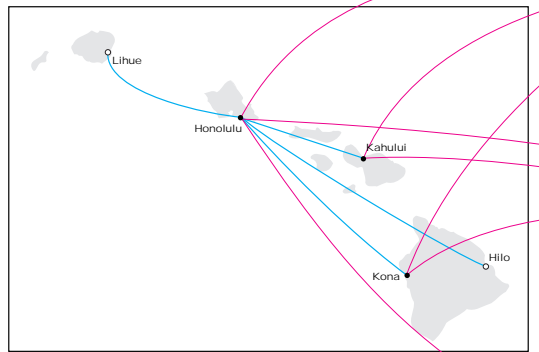
Major Domestic and International Connecting Airports

<i>As scheduled for March 1998</i>		Chicago	Denver	San	Los	Washington,	Miami	Frankfurt	London	Tokyo	Toronto
		(ORD)	(DEN)	Francisco	Angeles	D.C.					
<i>Average daily departures – Operated by</i>	United Airlines	423	302	249	172	57	22	3	11	14	6
	United Express Partners	102	155	86	180	203	0	0	0	0	0
	Star Alliance Partners*	17	2	7	10	6	8	87	9	0	88
	Code-share Partners*	4	1	2	8	0	37	1	32	0	0
	Total	546	460	344	370	266	67	91	52	14	94
<i>Nonstop markets – Served by</i>	United Airlines	94	62	47	35	31	16	2	7	11	2
	United Express Partners	30	44	13	21	44	0	0	0	0	0
	Star Alliance Partners*	7	1	5	6	3	7	50	5	0	29
	Code-share Partners*	2	2	1	4	0	10	1	11	0	0
	Total**	127	103	62	61	69	30	54	23	11	29

*Includes departures and markets served that may require a connection or through flight.

**Numbers may not add up to the total indicated because United and its partners may provide service to the same market.

United's Domestic Route System



Legend

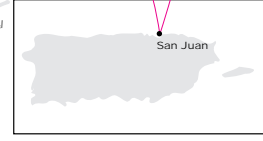
- Cities served by United Airlines
- Cities served by United Express or code-share partners
- United Airlines routes
- Shuttle by United routes
- United Express routes
- Code-share partners routes

PACIFIC OCEAN

ATLANTIC OCEAN

Gulf of Mexico

Gulf of Alaska



UAL Corporation's 1997 Earnings

UAL's earnings from operations were \$1.259 billion in 1997, compared to operating earnings of \$1.123 billion in 1996. UAL's net earnings in 1997 were \$949 million (\$14.83 per share, basic; \$8.95 per share, diluted), compared to net earnings of \$533 million in 1996 (\$7.57 per share, basic; \$5.06 per share, diluted).

These earnings include extraordinary losses of \$9 million and \$67 million, after tax, on early extinguishment of debt, in 1997 and 1996, respectively. In addition, 1997 includes an after-tax gain on the ATS/Galileo transaction (see Note 6 "Sale of Affiliate") of \$235 million (\$3.99 per share, basic and \$2.40 per share, diluted). The per share amounts for 1996 also include the effects on equity of repurchasing preferred stock.

Management believes that a more complete understanding of UAL's results can be gained by viewing them on a pro forma, "Fully Distributed" basis. This approach considers all Employee Stock Ownership Plan (ESOP) shares that will ultimately be distributed to employees throughout the ESOP period (rather than just the shares committed to be released) to be immediately outstanding and thus fully distributed. Consistent with this method, the ESOP compensation expense is excluded from Fully Distributed net earnings, and ESOP convertible preferred stock dividends are not deducted from earnings attributable to common stockholders. No adjustments are made to Fully Distributed earnings to reflect future salary increases. A comparison of results reported on a Fully Distributed basis to results reported under Generally Accepted Accounting Principles (GAAP) is as follows:

(In millions, except per share)	1997		1996	
	GAAP (diluted)	Fully Distributed	GAAP (diluted)	Fully Distributed
<i>Net income</i>	\$ 949	\$1,546	\$ 533	\$ 960
<i>Per share</i>				
Earnings before preferred stock transactions, gains on sales and extraordinary loss	\$ 6.64	\$ 9.97	\$ 6.42	\$ 7.71
Gains on sales of ATS/Galileo, net	2.40	1.79	-	-
Preferred stock transactions, net	-	-	(0.57)	(0.37)
Extraordinary loss, net	(0.09)	(0.07)	(0.79)	(0.51)
	\$ 8.95	\$11.69	\$ 5.06	\$ 6.83
Average number of common shares assumed outstanding	97.4	131.4	84.6	131.1

The current relationship of earnings and earnings per share as computed on a GAAP basis versus a Fully Distributed basis may not be representative of the relationship in future periods because of various factors. These factors include: the dependence of ESOP compensation expense on the common stock price; trends and commitments with respect to wages; and the increasing number of shares assumed outstanding under the GAAP basis during the remainder of the ESOP period.

Statements of Consolidated Financial Position – Assets

December 31

	In millions	1997	1996
Current assets			
	Cash and cash equivalents	\$ 295	\$ 229
	Short-term investments	550	468
	Receivables, less allowance for doubtful accounts (1997 – \$15; 1996 – \$24)	1,051	962
	Aircraft fuel, spare parts and supplies, less obsolescence allowance (1997 – \$29; 1996 – \$31)	355	369
	Deferred income taxes	244	227
	Prepaid expenses and other	453	427
		2,948	2,682
Operating property and equipment			
	Owned –		
	Flight equipment	10,382	8,393
	Advances on flight equipment	972	943
	Other property and equipment	2,842	2,989
		14,196	12,325
	Accumulated depreciation and amortization	(5,116)	(5,380)
		9,080	6,945
	Capital leases –		
	Flight equipment	2,221	1,775
	Other property and equipment	98	106
		2,319	1,881
	Accumulated amortization	(625)	(583)
		1,694	1,298
		10,774	8,243
Other assets			
	Investments in affiliates	223	103
	Intangibles, less accumulated amortization (1997 – \$374; 1996 – \$353)	703	524
	Deferred income taxes	–	132
	Aircraft lease deposits	318	168
	Other	837	825
		2,081	1,752
		\$15,803	\$12,677

See accompanying condensed notes to consolidated financial statements.

Statements of Consolidated Financial Position - Liabilities and Stockholders' Equity

December 31

In millions, except share data		1997	1996
Current liabilities			
	Long-term debt maturing within one year	\$ 235	\$ 165
	Current obligations under capital leases	171	132
	Advance ticket sales	1,267	1,189
	Accounts payable	1,030	994
	Accrued salaries, wages and benefits	869	906
	Accrued aircraft rent	830	800
	Other accrued liabilities	846	817
		5,248	5,003
Long-term debt			
		2,092	1,661
Long-term obligations under capital leases			
		1,679	1,325
Other liabilities and deferred credits			
	Deferred pension liability	364	178
	Postretirement benefit liability	1,361	1,290
	Deferred gains	1,210	1,151
	Accrued aircraft rent	368	328
	Deferred income taxes	79	-
	Other	450	448
		3,832	3,395
Company-obligated mandatorily redeemable preferred securities of a subsidiary trust			
		101	102
Minority interest			
		-	31
Preferred stock committed to Supplemental ESOP			
		514	165
Stockholders' equity			
	Serial preferred stock	-	-
	ESOP preferred stock	-	-
	Common stock, \$0.01 par value; authorized 200,000,000 shares; issued 61,288,039 shares at December 31, 1997 and 59,519,096 shares at December 31, 1996	1	1
	Additional capital invested	2,876	2,160
	Retained earnings (deficit)	309	(566)
	Unearned ESOP preferred stock	(177)	(202)
	Stock held in treasury, at cost -		
	Preferred, 10,149,129 depository shares at December 31, 1997 and 1996	(302)	(302)
	Common, 3,967,553 shares at December 31, 1997 and 701,616 shares at December 31, 1996	(361)	(83)
	Other	(9)	(13)
		2,337	995
Commitments and contingent liabilities			
		\$15,803	\$12,677

See accompanying condensed notes to consolidated financial statements.

34 UAL CORPORATION

Statements of Consolidated Operations

Year ended December 31

In millions, except per share		1997	1996	1995
Operating revenues				
Passenger		\$15,342	\$14,465	\$13,227
Cargo		892	773	757
Other operating revenues		1,144	1,124	959
		17,378	16,362	14,943
Operating expenses				
Salaries and related costs		5,018	4,719	4,526
ESOP compensation expense		987	685	504
Aircraft fuel		2,061	2,082	1,680
Commissions		1,508	1,466	1,471
Purchased services		1,285	1,187	1,062
Aircraft rent		942	952	1,009
Landing fees and other rent		863	846	803
Depreciation and amortization		724	759	664
Aircraft maintenance		603	449	407
Other operating expenses		2,128	2,094	1,928
		16,119	15,239	14,054
Earnings from operations				
		1,259	1,123	889
Other income (expense)				
Interest expense		(286)	(295)	(399)
Interest capitalized		104	77	42
Interest income		52	57	98
Equity in earnings of affiliates		66	64	48
Gain on sale of partnership interest		275	-	-
Gain on sale of affiliate's stock		103	-	-
Miscellaneous, net		(49)	(56)	(57)
		265	(153)	(268)
Earnings				
Earnings before income taxes, distributions on preferred securities and extraordinary item		1,524	970	621
Provision for income taxes		561	370	243
Earnings before distributions on preferred securities and extraordinary item		963	600	378
Distributions on preferred securities, net of tax		(5)	-	-
Extraordinary loss on early extinguishment of debt, net of tax		(9)	(67)	(29)
Net earnings		\$ 949	\$ 533	\$ 349
Per share, basic				
Earnings before extraordinary item		\$ 14.98	\$ 8.76	\$ 6.98
Extraordinary loss on early extinguishment of debt, net of tax		(0.15)	(1.19)	(0.59)
Net earnings		\$ 14.83	\$ 7.57	\$ 6.39
Per share, diluted				
Earnings before extraordinary item		\$ 9.04	\$ 5.85	\$ 5.23
Extraordinary loss on early extinguishment of debt, net of tax		(0.09)	(0.79)	(0.41)
Net earnings		\$ 8.95	\$ 5.06	\$ 4.82

See accompanying condensed notes to consolidated financial statements.

Statements of Consolidated Cash Flows

Year ended December 31

In millions		1997	1996	1995
<i>Cash and cash equivalents at beginning of year</i>		\$ 229	\$ 194	\$ 500
<i>Cash flows from operating activities</i>		949	533	349
	Net earnings			
	Adjustments to reconcile to net cash provided by operating activities –			
	ESOP compensation expense	987	685	504
	Extraordinary loss on debt extinguishment	9	67	29
	Gain on sale of partnership interest	(275)	–	–
	Gain on sale of affiliate's stock	(103)	–	–
	Pension funding less than (greater than) expense	43	(279)	(275)
	Deferred postretirement benefit expense	139	130	125
	Depreciation and amortization	724	759	664
	Provision for deferred income taxes	194	69	214
	Undistributed earnings of affiliates	(16)	(49)	(38)
	Increase in receivables	(222)	(10)	(62)
	Increase in other current assets	–	(105)	(109)
	Increase in advance ticket sales	78	89	80
	Increase (decrease) in accrued income taxes	20	84	(52)
	Increase in accounts payable and accrued liabilities	16	294	79
	Amortization of deferred gains	(64)	(63)	(79)
	Other, net	88	249	195
		2,567	2,453	1,624
<i>Cash flows from investing activities</i>		(2,812)	(1,538)	(1,111)
	Additions to property and equipment			
	Proceeds on disposition of property and equipment	83	55	578
	Proceeds on disposition of partnership interest	539	–	–
	Decrease (increase) in short-term investments	(82)	482	83
	Other, net	(29)	18	(28)
		(2,301)	(983)	(478)
<i>Cash flows from financing activities</i>		–	(84)	(131)
	Reacquisition of preferred stock			
	Repurchase of common stock	(250)	–	–
	Proceeds from issuance of long-term debt	597	–	–
	Repayment of long-term debt	(301)	(791)	(852)
	Principal payments under capital leases	(147)	(112)	(80)
	Conversion of subordinated debentures	–	(324)	–
	Decrease in short-term borrowings	–	–	(269)
	Aircraft lease deposits	(112)	(110)	(77)
	Cash dividends	(10)	(22)	(49)
	Other, net	23	8	6
		(200)	(1,435)	(1,452)
<i>Increase (decrease) in cash and cash equivalents during the year</i>		66	35	(306)
<i>Cash and cash equivalents at end of year</i>		\$ 295	\$ 229	\$ 194

See accompanying condensed notes to consolidated financial statements.

Statements of Consolidated Stockholders' Equity

Year ended December 31

In millions, except per share	Preferred Stock	Common Stock	Additional Capital Invested	Retained Earnings (Deficit)	Unearned	Treasury Stock	Other	Total
					ESOP Preferred Stock			
<i>Balance at December 31, 1994</i>	\$ -	\$ -	\$1,287	\$(1,335)	\$ (83)	\$(161)	\$(24)	\$ (316)
1995								
Net earnings	-	-	-	349	-	-	-	349
Cash dividends declared on preferred stock (\$6.25 per Series A share, \$1.44 per Series B share)	-	-	-	(40)	-	-	-	(40)
Exchange of Series A debentures	-	-	(546)	-	-	-	-	(546)
Issuance and amortization of ESOP preferred stock	-	-	604	-	(100)	-	-	504
Reacquisition of Series B preferred stock	-	-	-	-	-	(131)	-	(131)
ESOP dividend (\$8.89 per share)	-	-	5	(13)	8	-	-	-
Preferred stock committed to Supplemental ESOP	-	-	(59)	-	-	-	-	(59)
Pension liability adjustment	-	-	-	-	-	-	(60)	(60)
Other	-	-	62	-	-	10	(12)	60
<i>Balance at December 31, 1995</i>	-	-	1,353	(1,039)	(175)	(282)	(96)	(239)
1996								
Net earnings	-	-	-	533	-	-	-	533
Cash dividends declared on preferred stock (\$1.44 per Series B share)	-	-	-	(20)	-	-	-	(20)
Conversion of Series A debentures	-	-	217	-	-	-	-	217
Exchange of Series B preferred stock	-	-	(102)	-	-	-	-	(102)
Issuance and amortization of ESOP preferred stock	-	-	735	-	(50)	-	-	685
Reacquisition of Series B preferred stock	-	-	-	-	-	(84)	-	(84)
ESOP dividend (\$8.89 per share)	-	-	17	(40)	23	-	-	-
Preferred stock committed to Supplemental ESOP	-	-	(106)	-	-	-	-	(106)
Pension liability adjustment	-	-	-	-	-	-	76	76
Other	-	1	46	-	-	(19)	7	35
<i>Balance at December 31, 1996</i>	-	1	2,160	(566)	(202)	(385)	(13)	995
1997								
Net earnings	-	-	-	949	-	-	-	949
Cash dividends declared on preferred stock (\$1.44 per Series B share)	-	-	-	(10)	-	-	-	(10)
Common stock repurchases	-	-	-	-	-	(250)	-	(250)
Issuance and amortization of ESOP preferred stock	-	-	993	-	(6)	-	-	987
ESOP dividend (\$8.89 per share)	-	-	36	(67)	31	-	-	-
Preferred stock committed to Supplemental ESOP	-	-	(349)	-	-	-	-	(349)
Other	-	-	36	3	-	(28)	4	15
<i>Balance at December 31, 1997</i>	\$ -	\$ 1	\$2,876	\$ 309	\$(177)	\$(663)	\$ (9)	\$2,337

See accompanying condensed notes to consolidated financial statements.

Condensed Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

a. Basis of Presentation

UAL Corporation (“UAL”) is a holding company whose principal subsidiary is United Air Lines, Inc. (“United”). The consolidated financial statements include the accounts of UAL and all of its majority-owned affiliates (collectively the “Company”). All significant intercompany transactions are eliminated. Investments in affiliates are carried on the equity basis. Certain prior-year financial statement items have been reclassified to conform to the current year’s presentation.

b. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c. Airline Revenues

Passenger fares and cargo revenues are recorded as operating revenues when the transportation is furnished. The value of unused passenger tickets is included in current liabilities.

d. Cash and Cash Equivalents and

Short-term Investments

Cash in excess of operating requirements is invested in short-term, highly liquid, income-producing investments. Investments with a maturity of three months or less on their acquisition date are classified as cash and cash equivalents. Other investments are classified as short-term investments.

From time to time, United lends certain of its securities classified as cash and cash equivalents and short-term investments to third parties. United requires collateral in an amount exceeding the value of the securities

and is obligated to reacquire the securities at the end of the contract. United accounts for these transactions as secured lendings rather than sales and therefore does not remove the securities from the balance sheet.

e. Derivative Financial Instruments

Foreign Currency – From time to time, United enters into Japanese yen forward exchange contracts to minimize gains and losses on the revaluation of short-term yen-denominated liabilities. The yen forwards typically have a 30-day maturity and are marked to fair value at the end of each accounting period. The unrealized mark-to-market gains and losses generally offset the gains and losses recorded on the liabilities.

United has also entered into forwards and swaps to reduce exposure to currency fluctuations on yen-denominated capital lease obligations. The cash flows of the forwards and swaps mirror those of the capital leases. The premiums on the forwards and swaps, as measured at inception, are being amortized over their respective lives as components of interest expense. Any gains or losses realized upon early termination of these forwards and swaps are deferred and recognized in income over the remaining life of the underlying exposure.

Finally, the Company hedges some of the risks of exchange rate volatility on its anticipated future net yen and net Hong Kong dollar cash flows by purchasing put options for each respective currency. The amount and duration of these options are synchronized with specific expected inflows, and thus, the put options have been designated as a hedge. To reduce some of the cost of this hedging program, the Company also sells call options in each of these currencies from time to time. The premiums on purchased option contracts are amortized over the lives of the contracts. Unrealized gains on purchased put option contracts are deferred until contract expiration and then recognized as a component of passenger revenue, and unrealized

losses on written call options are recorded in "Miscellaneous, net" at the end of each accounting period.

Interest Rates – From time to time, United may enter into swaps to reduce exposure to interest rate fluctuations in connection with certain debt, capital leases and operating leases. The cash flows of the swaps mirror those of the underlying exposures. The premiums on the swaps, as measured at inception, are amortized over their respective lives as components of interest expense. Any gains or losses realized upon the early termination of these swaps are deferred and recognized in income over the remaining life of the underlying exposure.

Aircraft Fuel – United uses a collar option strategy to hedge a portion of its price risk related to future aircraft fuel purchases. The collars, which have been designated a hedge, involve the purchase of fuel call options with the simultaneous sale of fuel put options with identical expiration dates. Premiums on fuel collar option contracts are deferred and amortized over the life of the contract. Gains or losses recognized upon contract expiration are recorded as a component of aircraft fuel expense. In addition, to a limited extent, United trades short-term heating oil futures contracts. Unrealized losses on these contracts are recorded currently in income, while unrealized gains are deferred until contract expiration. Both gains and losses are recorded as a component of aircraft fuel expense.

f. Aircraft Fuel, Spare Parts and Supplies

Aircraft fuel and maintenance and operating supplies are stated at average cost. Flight equipment spare parts are stated at average cost less an obsolescence allowance.

g. Operating Property and Equipment

Owned operating property and equipment is stated at cost. Property under capital leases, and the related obligation for future lease payments, are initially recorded at an amount equal to the then present value of those lease payments.

Depreciation and amortization of owned depreciable assets is based on the straight-line method over their estimated service lives. Leasehold improvements are amortized over the remaining period of the lease or the estimated service life of the related asset, whichever is less. Aircraft are depreciated to estimated salvage values, generally over lives of 10 to 30 years; buildings are depreciated over lives of 25 to 45 years; and other property and equipment are depreciated over lives of 3 to 15 years.

Properties under capital leases are amortized on the straight-line method over the life of the lease or, in the case of certain aircraft, over their estimated service lives. Lease terms are 10 to 30 years for aircraft and flight simulators and 25 years for buildings. Amortization of capital leases is included in depreciation and amortization expense.

Maintenance and repairs, including the cost of minor replacements, are charged to maintenance expense accounts. Costs of additions to and renewals of units of property are charged to property and equipment accounts.

h. Intangibles

Intangibles consist primarily of route acquisition costs and intangible pension assets. Route acquisition costs are amortized over 40 years.

i. Mileage Plus Awards

United accrues the estimated incremental cost of providing free travel awards earned under its Mileage Plus frequent flyer program (including awards earned from mileage credits sold) when such award levels are reached. United, through its wholly owned subsidiary, Mileage Plus Holdings, Inc., sells mileage credits to participating partners in the Mileage Plus program. The resulting revenue is recorded in other operating revenues during the period in which the credits are sold.

j. Deferred Gains

Gains on aircraft sale and leaseback transactions are deferred and amortized over the lives of the leases as a reduction of rental expense.

k. Advertising Costs

Advertising costs, which are included in other operating expenses, are expensed as incurred. Advertising expense was \$190 million, \$184 million and \$194 million in 1997, 1996 and 1995, respectively.

2. Employee Investment Transaction and Recapitalization

On July 12, 1994, the stockholders of UAL approved a plan of recapitalization to provide an approximately 55 percent equity interest in UAL to certain employees of United in exchange for wage concessions and work-rule changes. The employees' equity interest is being allocated to individual employees through the year 2000 under Employee Stock Ownership Plans ("ESOPs") which were created as a part of the recapitalization.

"ESOP compensation expense" represents the estimated fair value of ESOP convertible preferred stock committed to be released to employees for the period, net of amounts used to satisfy dividend requirements for previously allocated ESOP convertible preferred shares, under Employee Stock Ownership Plans. The fair value of ESOP convertible preferred stock is estimated based on the market value of UAL's common stock.

3. Per Share Amounts

In 1997, the Company adopted Statement of Financial Accounting Standards No. 128, "Earnings Per Share," effective December 31, 1997. As a result, the Company's reported earnings per share for 1996 and 1995 have been restated.

Earnings per share are presented on both a basic and a diluted basis. Basic earnings per share were computed based on weighted average common shares outstanding. In addition, diluted per share amounts include potential common shares, including ESOP shares committed to be released, and assume the conversion of convertible debentures (for

periods not actually converted) and elimination of related interest.

<i>Earnings attributable to common stockholders (In millions)</i>	1997	1996	1995
Net income	\$ 949	\$ 533	\$ 349
Preferred stock dividends and other adjustments	(77)	(108)	(33)
Earnings attributable to common stockholders (basic)	\$ 872	\$ 425	\$ 316
Other adjustments	–	3	27
Earnings attributable to common stockholders (diluted)	\$ 872	\$ 428	\$ 343
<i>Shares (In millions)</i>			
Average shares outstanding (basic)	58.8	56.1	49.6
Convertible ESOP preferred stock	35.9	24.0	11.9
Incremental shares related to convertible debentures and other	2.7	4.5	9.7
Average number of shares (diluted)	97.4	84.6	71.2
<i>Earnings per share</i>			
Basic	\$14.83	\$7.57	\$6.39
Diluted	\$ 8.95	\$5.06	\$4.82

4. Commitments

At December 31, 1997, commitments for the purchase of property and equipment, principally aircraft, approximated \$5.6 billion after deducting advance payments. An estimated \$2.6 billion is due to be spent in 1998, \$1.6 billion in 1999, \$0.6 billion in 2000 and \$0.8 billion in 2001 and thereafter. The major commitments are for the purchase of B747, B757, B767, B777, A319 and A320 aircraft, which are scheduled to be delivered through 2002. The above amounts do not include a recent order with Airbus Industrie for an additional 10 A319 and 20 A320 aircraft to be delivered through 2001.

The Company leases aircraft, airport passenger terminal space, aircraft hangars and related maintenance facilities, cargo terminals, other airport facilities, real estate, office and computer equipment and vehicles. Leases which are classified as capital leases appear on the Company's balance sheet while those classified as operating leases do not.

Future minimum lease payments as of December 31, 1997, under operating leases having initial remaining noncancelable lease terms of more than one year, are as follows:

	<i>In millions</i>	Aircraft	Non-aircraft
<i>Payable during</i>	1998	\$ 946	\$ 473
	1999	937	458
	2000	955	447
	2001	939	441
	2002	928	429
	After 2002	12,458	7,104
	Total minimum lease payments	\$17,163	\$9,352

5. Foreign Operations

United does not have significant foreign operations as defined by generally accepted accounting principles. However, based on allocation guidelines provided by the U.S. Department of Transportation (“DOT”), which classifies flights between the U.S. and foreign destinations as part of each respective foreign entity, United reported the following results by geographic entity to the DOT for each of the last three years:

	<i>In millions</i>	1997	1996	1995
<i>Operating revenue</i>	Domestic	\$11,214	\$10,717	\$ 9,586
	Pacific	3,552	3,438	3,336
	Atlantic	1,745	1,412	1,287
	Latin America	824	750	686
	Total	\$17,335	\$16,317	\$14,895
<i>Operating income</i>	Domestic	\$ 652	\$ 738	\$ 460
	Pacific	267	288	348
	Atlantic	238	86	10
	Latin America	69	18	14
	Total	\$ 1,226	\$ 1,130	\$ 832

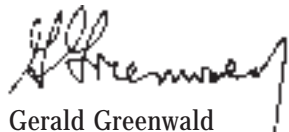
6. Sale of Affiliate

In July 1997, United completed the sale of its interest in the Apollo Travel Services Partnership, a 77 percent owned affiliate whose accounts were consolidated, to Galileo International, Inc. (“Galileo”), previously a 38 percent owned affiliate accounted for under the equity method, for \$539 million in cash. This transaction resulted in a pre-tax gain of approximately \$405 million. Of this amount, \$275 million was recognized during the third quarter and the balance will be recognized over the next 25 years, the estimated remaining life of the assets acquired by Galileo. In connection with this transaction, the Company also recognized a pre-tax gain of \$103 million during the third quarter, upon the completion of an initial public offering of Galileo stock. This transaction resulted in a reduction of the Company’s ownership in Galileo from 38 percent to 32 percent.

Management Statement on Accounting Controls

The integrity of UAL Corporation's financial records, from which the financial statements are prepared, is largely dependent on the Company's system of internal accounting controls. The purpose of the system is to provide reasonable assurance that transactions are executed in accordance with management's authorization; that transactions are appropriately recorded in order to permit preparation of financial statements which, in all material respects, are presented in conformity with generally accepted accounting principles consistently applied; and that assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived therefrom.

To enhance the effective achievement of internal accounting controls, the Company carefully selects and trains its employees, gives due emphasis to appropriate division of clearly defined lines of responsibility and develops and communicates written policies and procedures. Based on a review and monitoring of internal accounting controls, augmented by an internal auditing function and the oversight responsibilities of the outside directors comprising the Audit Committee of the Company's Board of Directors, management believes that the Company's internal accounting control system is adequate and appropriately balances the relationship between the cost of the system and the benefits it provides.



Gerald Greenwald
Chairman and CEO



Douglas A. Hacker
Senior Vice President and CFO

Report of Independent Public Accountants

To the Stockholders and
Board of Directors, UAL Corporation:

We have audited, in accordance with generally accepted auditing standards, the statements of consolidated financial position of UAL Corporation (a Delaware corporation) and subsidiary companies as of December 31, 1997 and 1996, and the related statements of consolidated operations, consolidated cash flows, and consolidated stockholders' equity for each of the three years in the period ended December 31, 1997, appearing in the appendix to the proxy statement for the 1998 Annual Meeting of Stockholders of the Company (not presented herein). In our report dated February 26, 1998, also appearing in that proxy statement, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying consolidated statements of financial position as of December 31, 1997 and 1996, and the related statements of consolidated operations, consolidated cash flows and consolidated stockholders' equity for each of the three years in the period ended December 31, 1997, is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.



Chicago, Illinois
February 26, 1998

Eleven-Year Summary

	In millions, except per share, rates and number of aircraft	1997
<i>Earnings data</i>	Operating revenues	\$ 17,378
	Operating earnings (loss)	1,259
	Earnings (loss) from continuing operations before extraordinary item and cumulative effect of accounting changes	958
	Net earnings (loss)	\$ 949
<i>Share data</i>	Per share –	
	Earnings (loss) from continuing operations before extraordinary item and cumulative effect of accounting changes, diluted	\$ 9.04
	Net earnings (loss), diluted	\$ 8.95
	Dividends per common share	\$ –
	Book value of common stock at year-end	\$ 39.35
	Common shares outstanding at year-end (in thousands)	57,320
<i>Financial position at year-end</i>	Assets –	
	Current assets	\$ 2,948
	Net assets of discontinued operations	–
	Operating property and equipment, net	10,774
	Other assets	2,081
	Total assets	\$ 15,803
	Liabilities and stockholders' equity –	
	Current liabilities	\$ 5,248
	Long-term debt and long-term obligations under capital leases	3,771
	Other liabilities and deferred credits, redeemable preferred stock and minority interest	3,933
	Preferred stock committed to Supplemental ESOP	514
Stockholders' equity	2,337	
Total liabilities and stockholders' equity	\$ 15,803	
<i>Other financial data</i>	Depreciation and amortization	\$ 724
	Salaries and related costs (excluding ESOP compensation expense)	\$ 5,018
<i>Operating data</i>	Revenue passengers	84
	Revenue passenger miles	121,426
	Available seat miles	169,110
	Passenger load factor	71.8%
	Passenger revenue per passenger mile (yield)	12.6¢
	Average price per gallon of jet fuel	69.5¢
	Number of aircraft in operating fleet at year-end	575
	Average number of employees (in thousands)	90

1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
\$ 16,362	\$ 14,943	\$ 13,950	\$ 13,325	\$ 11,853	\$ 10,706	\$ 10,296	\$ 9,288	\$ 8,705	\$ 8,127
1,123	889	521	263	(538)	(494)	(36)	465	665	247
600	378	77	(31)	(417)	(332)	94	324	600	(4)
\$ 533	\$ 349	\$ 51	\$ (50)	\$ (957)	\$ (332)	\$ 94	\$ 324	\$ 1,124	\$ 335
\$ 5.85	\$ 5.23	\$ 0.19	\$ (0.66)	\$ (4.34)	\$ (3.58)	\$ 1.08	\$ 3.74	\$ 5.05	\$ 0.06
\$ 5.06	\$ 4.82	\$ (0.15)	\$ (0.85)	\$ (9.94)	\$ (3.58)	\$ 1.08	\$ 3.74	\$ 9.47	\$ 1.44
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$.19
\$ 15.52	\$ (9.06)	\$ (24.99)	\$ 6.14	\$ 7.28	\$ 16.80	\$ 19.09	\$ 17.91	\$ 14.19	\$ 12.88
58,817	50,718	49,756	98,276	96,952	95,032	87,540	87,340	86,412	226,960
\$ 2,682	\$ 3,043	\$ 3,192	\$ 3,713	\$ 3,298	\$ 2,882	\$ 2,640	\$ 2,738	\$ 2,150	\$ 3,483
-	-	-	-	-	-	-	-	-	427
8,243	7,021	6,723	7,206	7,111	5,995	4,749	3,898	3,941	4,027
1,752	1,577	1,849	1,921	1,848	999	594	558	595	452
\$ 12,677	\$ 11,641	\$ 11,764	\$ 12,840	\$ 12,257	\$ 9,876	\$ 7,983	\$ 7,194	\$ 6,686	\$ 8,389
\$ 5,003	\$ 4,433	\$ 4,906	\$ 4,896	\$ 4,845	\$ 4,083	\$ 3,757	\$ 3,224	\$ 2,869	\$ 3,383
2,986	3,913	3,617	3,529	3,613	2,423	1,238	1,321	2,046	1,712
3,528	3,474	3,557	3,212	3,093	1,773	1,317	1,085	545	372
165	60	-	-	-	-	-	-	-	-
995	(239)	(316)	1,203	706	1,597	1,671	1,564	1,226	2,922
\$ 12,677	\$ 11,641	\$ 11,764	\$ 12,840	\$ 12,257	\$ 9,876	\$ 7,983	\$ 7,194	\$ 6,686	\$ 8,389
\$ 759	\$ 664	\$ 725	\$ 764	\$ 726	\$ 604	\$ 560	\$ 517	\$ 518	\$ 551
\$ 4,719	\$ 4,526	\$ 4,679	\$ 4,760	\$ 4,562	\$ 4,057	\$ 3,550	\$ 3,158	\$ 2,838	\$ 2,778
82	79	74	70	67	62	58	55	56	55
116,697	111,811	108,299	101,258	92,690	82,290	76,137	69,639	69,101	66,348
162,843	158,569	152,193	150,728	137,491	124,100	114,995	104,547	101,721	101,454
71.7%	70.5%	71.2%	67.2%	67.4%	66.3%	66.2%	66.6%	67.9%	65.4%
12.4 ¢	11.8 ¢	11.3 ¢	11.6 ¢	11.3 ¢	11.5 ¢	11.8 ¢	11.6 ¢	10.8 ¢	10.1 ¢
72.2 ¢	59.5 ¢	58.8 ¢	63.6 ¢	66.4 ¢	71.6 ¢	80.4 ¢	63.6 ¢	56.0 ¢	57.8 ¢
564	558	543	544	536	486	462	429	405	382
86	81	78	85	84	79	74	69	66	64

Directors

John A. Edwardson

President and Chief Operating Officer,
UAL Corporation,
Chicago, Illinois
Public Director, Elected 1994
(9)

Duane D. Fitzgerald

Retired Chairman and Chief Executive Officer,
Bath Iron Works Corporation,
Bath, Maine
(Shipbuilding)
Independent Director, Elected 1994
(1) (2) (3) (5) (6) (7) (10)

Michael H. Glawe

United Airlines Pilots
Master Executive Council Chairman,
Air Line Pilots Association International,
Rosemont, Illinois
(Labor union)
Employee Director, Elected 1996
(2) (4) (5) (6) (9)

Gerald Greenwald

Chairman of the Board and Chief Executive Officer,
UAL Corporation,
Chicago, Illinois
Public Director, Elected 1994
(2) (4) (5) (7)

Richard D. McCormick

Chairman, President and Chief Executive Officer,
US WEST, Inc.,
Englewood, Colorado
(Telecommunications)
Independent Director, Elected 1994
(1) (2) (3) (5) (6) (10)

John F. McGillicuddy

Retired Chairman and Chief Executive Officer,
Chemical Banking Corporation,
New York, New York
(Banking and finance)
Public Director, Elected 1984
(1) (4) (5) (8) (10)

James J. O'Connor

Chairman and Chief Executive Officer,
Unicom Corporation,
Chicago, Illinois
(Electric utility holding company)
Public Director, Elected 1984
(1) (2) (3) (4) (8) (9) (10)

Deval L. Patrick

Partner,
Day, Berry and Howard,
Boston, Massachusetts
(Law firm)
Employee Director, Appointed 1997
(2) (6) (9)

John F. Peterpaul

Retired General Vice President,
International Association of Machinists
and Aerospace Workers,
Silver Spring, Maryland
(Labor union)
Employee Director, Elected 1994
(2) (4) (5) (6) (9)

Paul E. Tierney, Jr.

Managing Member, Development Capital, LLC,
New York, New York
(Investment management)
Public Director, Elected 1990
(1) (4) (7) (8) (10)

John K. Van de Kamp

President, Thoroughbred Owners of California,
Los Angeles, California
(Trade association)
Independent Director, Elected 1994
(1) (4) (6) (9) (10)

Paul A. Volcker

Retired Chairman, Wolfensohn & Co.,
New York, New York
(Investment banking)
Independent Director, Elected 1994
(1) (4) (6) (9) (10)

Officers

Gerald Greenwald

Chairman of the Board and Chief Executive Officer

John A. Edwardson

President and Chief Operating Officer

Stuart I. Oran

Executive Vice President

Douglas A. Hacker

Senior Vice President and Chief Financial Officer

Francesca M. Maher

Vice President General Counsel and Secretary

Legend:

- (1) Audit Committee
- (2) Compensation Committee
- (3) Compensation Administration Committee
- (4) Competitive Action Plan Committee
- (5) Executive Committee
- (6) Independent Director Nomination Committee
- (7) Labor Committee
- (8) Outside Public Director Nomination Committee
- (9) Pension and Welfare Plans Oversight Committee
- (10) Transaction Committee

Directors and Officers United Airlines

*Gerald Greenwald**

Chairman and Chief Executive Officer

*John A. Edwardson**

President and Chief Operating Officer

*Stuart I. Oran**

Executive Vice President Corporate Affairs

Christopher D. Bowers

Senior Vice President International

David A. Coltman

Senior Vice President Marketing

Rono J. Dutta

Senior Vice President Planning

Sara A. Fields

Senior Vice President Onboard Service

*James E. Goodwin**

Senior Vice President North America

*Douglas A. Hacker**

Senior Vice President and Chief Financial Officer

*William P. Hobgood**

Senior Vice President People

Hart A. Langer

Senior Vice President Flight Operations

Bruce D. Parker

Senior Vice President Chief Information Officer

*Andrew P. Studdert**

Senior Vice President Fleet Operations

Graham W. Atkinson

Vice President Atlantic

Judith A. Bishop

Vice President North America Sales

Frederic F. Brace

Vice President Finance

James C. Brennan

Vice President Pacific-North

Montie R. Brewer

Vice President Resource Planning

Larry D. Clark

Vice President Property and Facilities

MacDonald D. Curran

Vice President Pacific-South

Roger A. Gibson

Vice President North America

James J. Hartigan, Jr.

Vice President Worldwide Cargo

Gary S. Jefferson

Vice President Public Affairs

Amos S. Kazzaz

Vice President Shuttle by United

John D. Kiker

Vice President Corporate Communications

Mark S. Liberman

Vice President North America

Shelley A. Longmuir

Vice President Governmental Affairs

Francesca M. Maher

Vice President General Counsel and Secretary

Louis J. Mancini

Vice President Engineering and Technical Support

Cyril D. Murphy

Vice President International Affairs

Thomas A. Mutryn

Vice President and Treasurer

Stephan G. Regulinski

Vice President Engines and Component Maintenance

John R. Samolis

Vice President People Services

Maria Sastre

Vice President Latin America

James V. Sines

Vice President Purchasing

Edmond L. Soliday

Vice President Corporate Safety,
Quality Assurance and Security

Gregory T. Taylor

Vice President Revenue Management

Ronald D. Utecht

Vice President Airframe and Line Maintenance

Daniel C. Walsh

Vice President North America

James D. Whitlatch

Vice President Flight Standards and Training

Glenn S. Wright

Vice President North America

*Director, United Airlines

Stockholder Information

World Headquarters

1200 E. Algonquin Road
Elk Grove Township, IL 60007
(847) 700-4000

Mailing Addresses

UAL Corporation
P.O. Box 66919
Chicago, IL 60666

United Airlines
P.O. Box 66100
Chicago, IL 60666

Stock Listing

UAL Corporation's common stock is listed, under the symbol UAL, on the following exchanges: New York Stock Exchange, Chicago Stock Exchange and Pacific Stock Exchange.

Stockholder Questions

Information relating to a stockholder's dividends, transfer requirements, lost certificates and other related matters may be obtained from the transfer agent:

Harris Trust and Savings Bank
Stockholder Communication Team
P.O. Box A3504
Chicago, IL 60690-3504
(800) 647-4488

The transfer agent's "Telephone Response Center" is open 23 hours a day, 7 days a week. (Account information may not be available from 5:30 pm CST through 6:30 pm CST.)

Stockholders will be asked for their tax identification number, the name(s) in which the shares are registered and their record address. Alternatively, stockholders may write to the office of the Corporate Secretary, UAL Corporation.

Availability of Quarterly Results

UAL Corporation's 1998 quarterly results will be available on approximately the following dates:

First Quarter	April 22, 1998
Second Quarter	July 22, 1998
Third Quarter	October 21, 1998
Fourth Quarter	January 20, 1999

Financial Information

A copy of UAL Corporation's annual report to the Securities and Exchange Commission on Form 10-K may be obtained without charge, as well as other financial information, from:

Investor Relations
UAL Corporation
P.O. Box 66919
Chicago, IL 60666
(847) 700-7365

General Information

General background information on the company or information regarding the United Airlines Foundation may be obtained from Corporate Communications, United Airlines.

Independent Accountants

UAL Corporation's independent accountants are Arthur Andersen LLP.

UAL Corporation Market Prices

	Per share	High	Low
<i>1997</i>	First Quarter	\$ 71 1/2	\$ 55 3/8
	Second Quarter	81 3/8	63
	Third Quarter	87 7/8	71 1/2
	Fourth Quarter	101 3/4	80 1/2
<i>1996</i>	First Quarter	\$ 53 11/16	\$ 38 9/16
	Second Quarter	60 1/8	50 1/4
	Third Quarter	56 5/8	41 1/2
	Fourth Quarter	64 3/4	43 1/4

Per share prices have been adjusted for the four-for-one stock split on May 6, 1996. No cash dividends were paid on the common stock during these periods. As of February 26, 1998, there were 13,155 common stockholders of record, which does not include the 3,567 holders of pre-ESOP common stock who have not tendered their stock certificates as the result of the recapitalization. On February 26, 1998, the market closing price of UAL's common stock was \$86 11/16.

UAL Corporation is a holding company whose primary subsidiary is United Airlines. At year-end 1997, United Airlines provided passenger and cargo air transportation to 139 airports in 29 countries and two territories on five continents. United operated an average of 2,245 daily departures, carrying an average of 230,580 passengers a day.

 **U A L C O R P O R A T I O N**

This is the end of the 1997 UAL Corporation Annual Report. The following pages are text versions of the letters in the "Progress Report" section of the annual report and are provided for readability.

DAVID B. SHEPARD

11 BLYDENBURGH COURT - NORTHPORT, NEW YORK 11768

June 6, 1997

Customer Relations
United Airlines
P.O. Box 66100
Chicago, IL 60666

RE: United Airlines: 'Rising"

Gentlemen:

I often wonder if the people who dream up advertising campaigns ever use the product. From my experience with the airline industry, I don't think so. Your latest campaign, aimed at the 'cynics' proclaims: It's taken the airline industry almost a century to reach the state that it's in... A cynic is liable to reply "You are part of the industry, why did you let it happen in the first place? Did passengers not complain about the cramped seating, the poor food, and the poor service?"

The fact is, the current miserable state of the industry was part of a very deliberate effort to reduce costs regardless of customer satisfaction. As long as they continued to fly (not always having a lot of choice) you continued to reduce the level of just about everything.

I have been a United frequent flier for about 30 years. Several years ago I switched my heavy travel to American and attained their Platinum level. It is going to take a lot more than your new campaign to get me to switch back. I have been through your "things are better now" campaigns before. When the employees "bought" the airline I hoped things might improve. They didn't.

The most important thing passengers want is rock solid on-time performance which, at the moment, is sadly lacking. "Award winning chefs" are no substitute. Next, in order of precedence, are reasonable comfort (not "economy class syndrome") and reasonably good food commensurate with the class of service. It goes without saying that one's luggage should also arrive on the same plane.

Now, when something does go wrong, two things are paramount. First, immediate and completely honest communication with the passengers. They must be updated at frequent intervals until the situation is resolved. Second, alternate arrangements should be made for those who cannot wait, even if it means putting them on another airline. You would be surprised how much loyalty and future business these actions would ensure.

It is not hard to see why things have not gotten better. The same people have been running the airlines (although not always the same ones) almost forever. What we need is some fresh blood, new ideas, and a real commitment to customer satisfaction. When that happens, maybe things will improve.

Yours sincerely,

David B. Shepard

BACK

SANDRA J. SAPPINGTON

June 24, 1997

Mr. Jerry Greenwald
Chairman & CEO, United Airlines
C/O Customer Relations
P.O. Box 66100
Chicago, IL 60666

Dear Mr. Greenwald:

My husband and I recently took our first First Class trip aboard United Airlines. Your letter appeared in the issue of HEMISPHERES on our flight. I thought you may be interested in our experience, since your letter specifically referred to United's commitment to improving the flying experience.

We traveled on June 7 from Washington-BWI to Calgary via Denver. Our flights were 1731 and 1655. As soon as we were seated at BWI a very nice gentleman (Slim with wire-framed glasses, I'm sorry I don't recall his name) greeted us and provided us with drinks. As we were waiting to take off he noticed my reading your article and said, "I hope we can live up to that." I was impressed, he was familiar with the article and wanted to make a point that he was going to try to live up to the promises you made. Throughout the rest of the trip to Calgary we were very impressed with the level of attention and service we received. The food was truly exceptional. The comfortable seats let us relax so that we were able to enjoy several hours of sightseeing in Alberta even after our long trip.

We returned to Baltimore on June 14 taking flights 1602 and 1655. The service we received out of Calgary aboard flight 1602 was exceptional. It appeared that there may have been a new flight attendant on board. Our flight attendant (woman of average weight with shoulder length blond hair) was able to give attention and help to the newer attendant while still giving us the highest level of service I could imagine. When we landed in Denver my husband (who is more budget conscious than myself) said that he was very impressed at the difference in service and the entire experience flying first class. We started to consider going first class on future trips, even if we didn't have the frequent flyer miles to help us out!

Flight 1655 from Denver to BWI did not start out as smoothly as the others. Weather conditions delayed the flight by a half hour and a large group of folks needing extra assistance extended the wait by another half hour. By that time, we had lost our place in line for take off, so we sat for another half hour. This wasn't great, but we recognized the poor weather conditions and really weren't too upset. The big disappointment came once we were up in the air. There appeared to be three flight attendants for the first class section and not a single one seemed happy to be there. At first I thought it was just me but once I started paying attention I realized that none of them cracked a smile, regardless of who they were serving. One even let out a "huff" as she waited to get past another attendant in the process of serving a drink. This was the only flight where I had to request a drink when my glass was empty (I waited 10 minutes after finishing it to see if they would notice.) When they took the orders for dinner I selected chicken with the honey/poppeyseed dressing for the salad. My dinner arrived with the chicken, but the oil and vinegar dressing. When I asked if I could get the other dressing the attendant almost snapped at me and said, "You did order the chicken didn't you?". I got the feeling she thought I was accusing her of screwing up the entire meal. I wasn't, and I was being as nice as possible in my request, because I really did want to see her relax and be a little friendlier. It's not a very comfortable feeling to be relying on someone who looks as if they definitely don't want to be there. By the end of the flight I would have to say it was one of the most uncomfortable flights I have taken and I would have been disappointed even if I had been in coach.

So, now my husband and I are not certain what we will do in the future. Three fourths of our experience was exceptional and we have told our friends and co-workers about that portion of our flying experience. It is the final fourth that makes us nervous. If we buy first class seats in the future and receive the service we did out of Denver we would be incredibly disappointed and feel very stupid for having wasted a significant amount of money.

Thank you for three exceptional flights, I wish you well in putting CSP into practice.

Sincerely,

Sandra J. Sappington
Gaithersburg, MD

[BACK](#)

JERRY CZUBINSKI

Not Just Another Company Program

My name is Jerry Czubinski. I am a ramp serviceman as well as the Chairman of the Grievance Committee in Milwaukee.

Just after the ESOP went into effect my manager called the entire committee into his office and told us that we would now be in charge of developing our work and vacation schedules. He said that in the future this would expand to taking responsibility for other work related functions that up until ESOP were the responsibility of management.

The big question was how were we supposed to take over these functions when we didn't have any experience in this type of decision making.

We needed some direction so I called on our Assistant General Chairman, Don Wilson, and explained the difficulties we were having. He explained that the company was putting a new program into effect and asked if we would be interested in getting involved. He said it was a program which was supposed to involve all employees in making major decisions that effect their workplace.

My first thoughts were that this was just another way for the company to pacify its employees by making them think that they were part of the decision-making process. In reality, they wouldn't be empowered to do anything.

With very little enthusiasm, I attended my first Best of Best (B.O.B.) meeting. My attitude was one of really not caring because I thought I had heard it all and nothing ever changed. After listening to the presentations, I began to think that maybe this program was different.

I became more and more impressed with the program by the end of the three days. This was the first time that I heard from the senior vice presidents and the company president that the employees and management were going to change. They said local managers would change or that they would change them. WOW! Although I was impressed, I still had some doubt as to any follow through from the top down.

Through the meetings we had with the employees, we told everyone how the B.O.B. program was supposed to work. Responses ranged from it's just another program that will last only a few months to why should I waste my time. The feeling was I don't want to get involved, management won't change. There wasn't a single positive response. We knew we had a lot of work to do.

It wasn't easy, but today the program is working in our station. Not everyone is involved and we are still having growing pains, but the program is working. The more people see it work, the more they want to get involved. So I have made a commitment to see this program through and give it all my support.

I want to extend a hand to anyone who feels they need support or help with putting this process into effect.

The company is changing. Believe it. We are moving forward to a new and better United Airlines with all employees involved in making decisions. Those that do not want to change will be left behind. This is a new beginning. It will work if we just stay with it.

NGJIEP “NICK” DAO

COMMENT CARD

Please send us your ideas! Write your comments on this issue and suggestions for future articles below. Send them via co-mail to: *Our Times/WHQPR.*

With regards to “Measures of Success” in Vol. 3, No. 3, why is United’s goal in the Ratings Schedule not AAA+ for S+P and Aaa for Moody’s?

Name, company address code, phone number:

N. Dao / LAXCS

[BACK](#)

STAN JUSTICE

19 May 1997

UAL Customer Relations
P.O. Box 66100
Chicago, Illinois 60666

To Whom It May Concern:

Once again, United has proven their concern for their agenda, ignoring the needs of this customer. Your Shuttle service, which provides treatment akin to that of Trailways, Greyhound, or the worst of the bargain-basement airlines, Southwest, is good for United, necessitated by loss of market share to less expensive airlines, according to staffers I have asked.

Tonight, I checked in for my flight at the LAX counter, approximately 45 minutes prior to scheduled departure, 710pm. I bought and used upgrade certificate(s) and proceeded to the gate area, where I noticed an 830pm departure was posted. Since I wasn't told at the counter of the delay, my luggage was checked, making changing to another airline very difficult at best. Since I reside in Manhattan Beach, 15-minutes from the airport, and am a Premier Executive, whose phone number(s) are always in my record, I take issue with the fact that United did not even attempt to contact me when aware of the pending delay, which would have either afforded me a pleasant dinner at home, or most likely, prompted me to change to another carrier, or a Tuesday morning flight.

Since it's almost 10pm, dinner is an afterthought, and I must say that offering \$25 certificates that can only be used to purchase *another* United ticket, is truly an insult. I refused another one, as there are at least three in my briefcase presently.

What compels United to feel that a \$25 certificate can suffice for the inconvenience caused by not caring enough to make even their most frequent fliers aware of schedule changes; particularly when they are in the evening? Is it inefficiency, or like the Shuttle service, another blatant effort to ignore all but the company's selfish interests. While this might happen on any carrier, I find that your staff has become increasingly indifferent to providing professional service since the Shuttle service originated. I am confident that your market share has benefited from it, but must say that every time I traverse the crowded concourse to the Shuttle gates, it reminds me that your employee-owned airline cares more about itself and profits, than the service it provides.

Sincerely,

Stan Justice

[BACK](#)

DAVID S. HOLTON

P. O. Box 275
Twain Harte, Calif. 95383
June 8, 1997

Mr. Jerry Greenwald, Chairman & CEO
United Airlines
1301 Carolina Street
Greensboro, NC 27401

Dear Mr. Greenwald:

I was quite interested to read your "Note to our Customers" in the June 1997 issue of Hemispheres magazine. I appreciated your candor and constructive response to United's customer survey. As a result, I thought it would be worthwhile to write you about our most recent experience on United Airlines.

We returned from London to San Francisco on Thursday, June 5, in Economy class on Flight 931. We checked in at Heathrow and encountered several frustrations.

The first United security woman whom we met was brusque and unfriendly. On the other hand, the check-in clerk was friendly but her message was not. She told us there would be a 1-hour delay, and that the plane had been changed from a 777 to a smaller 767, so our preferred seat locations had been changed from window and aisle seats to interior and aisle seats. We asked her to try for something like our original locations, but she said nothing was available. This is hard to understand, since we had arrived at 12:30 for our 2:45 flight. I can't believe that most of the other passengers had checked in ahead of us. Who gets the choice of new seat locations, and how can we get some consideration?

When our gate was finally posted and we arrived there, we were quizzed again by the same unfriendly security woman. In addition to her unpleasant attitude, the noise and echoing in the corridor where we were checked made it difficult to hear and respond to her questions.

Next came the usual frustration of being called to board by row numbers but having many passengers charge ahead regardless of rows. Why don't airlines enforce the order of boarding at the gate and prevent the congestion in the cabin when the early, out-of-order boarders jam the aisles?

But our whole feeling about the flight was changed by the attendants in our cabin (row 27). They were friendly and cheerful from the beginning of the flight to the end. They were helpful in getting people settled and making some changes to seat a family together. They were efficient in their meal service, and they continued to come around with water and other beverages throughout the flight. A friend who was also in our cabin agreed that this was the best experience we could remember on any airline.

If it is possible, we would like the crew to know how much we appreciated their good work. In any case, I wanted you to know that there are also very good things happening on United flights.

Very truly yours,

David S. Holton

BACK

August 23, 1997
Sandi Levinson
United Airlines
WHQWS
Chicago, IL 60666

Dear Sandi:

This letter is to bring to your attention the outstanding service I received from one of your employees, Ms. Sandra Vanpuymbrouck.

I had a shipment of cut flowers AWB # 0936-7455 from SFO to BOS which had a booking on flight 32/21. The freight was held back due to weight restrictions, and was set-up for flight 24/22, I still do not know why it was not set-up for the red eye.

When I was notified by my driver that there was no freight on the morning of the 22nd, I called Chicago and was told it was set-up for 24. Later in the day I was informed that it was a no show at the gate and the cart that the freight was on could not be located. After talking to Dennis (one of your Supervisors) in Chicago as well as my Account Exec. in Boston, and the shipper who was receiving information from SFO, I was losing hope that we would be able to get the product in time for a wedding on Saturday.

Later in the day I called Chicago to see if there was any additional information available on the shipment and Ms. Vanpuymbrouck answered the phone. After explaining the details, Sandra gave me her extension and told me that this was her "little project" for the evening and her confidence was refreshing to hear. Sandra verified my phone number, took my pager number and told me she would call with an update. I believed what she said even though that statement was made to me throughout the day with no return phone call.

Within 90 minutes I received a call from Sandra to inform me she had located the freight and that it was on-hand in Boston. I thanked her and we ended the call.

Although some people in your organization may look upon this as an employee just doing her job, the confidence she instilled in me that she would "follow through" allowed me to believe that we might get the freight to Boston in time.

I have instructed my shippers on the west coast to discontinue using United for my shipments until I have some confidence that your west coast stations have the ability to handle my shipments in the manner which I expect, and may I suggest that more of your employees take some lessons from Ms. Vanpuymbrouck on how to deal with a customer when they have a problem. She is a credit to United Airlines.

I would like you to once again give my thanks to Sandra, and I am willing to discuss my decision to discontinue using United at any time.

Sincerely,

Gordon L. Howell
Wholesale Div. Mgr.

GRAHAME & OLGA SPEER

SEPTEMBER 11TH 1997.

DEAR UNITED AIRLINES,

MY HUSBAND & I EXPERIENCED UNITED'S WARM AND FRIENDLY SERVICE FROM SYDNEY TO LOS ANGELES, THEN ONTO LAS VEGAS, & BACK TO SYDNEY.

STAFF WERE WELCOMING & EFFICIENT, EVIDENT OF GOOD TEAM WORK. BEING ECONOMY CLASS TRAVELLERS, A WELCOMING TREAT ON THE LONG HAUL IS THE LUNCH BOX SNACK. GREAT IDEA.

FROM OBSERVATION, THE FLIGHT CREW WERE HOSPITABLE & OBLIGING IN MEETING THE DEMANDS OF THE PASSENGERS.

THANKFULLY YOURS
GRAHAME & OLGA SPEER
SYDNEY, N.S.W.
AUSTRALIA.

BACK