AMFA–Southwest Airlines AMT Contract Negotiations Update

Update #71 January 25, 2019

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Dear AMFA Brothers and Sisters:

The Negotiating Committee is providing this update to the AMFA Membership at Southwest Airlines. This report is the only official authorized source of negotiating communications by the Committee.

As you will recall, we presented the Company with a streamlined proposal in November 2018 intended to reach a prompt agreement. The full details of our November proposal can be found in Negotiations Update #70. We were hopeful the Company would respond in similar fashion and focus on reaching a deal that could promptly be voted upon by you. However, the Company proposed an 18.25% snap up to wages effective April 1, 2019, and three percent (3%) raises in the out years with an amendable date of August 16, 2023. The Company's proposal assumed an April 1, 2019, ratification date with a ratification bonus of $132.8 million. This offer is only marginally better than the tentative agreement (TA) that you rejected.

Our economist has determined the Company's ratification bonus calculation is undervalued, and the Company's forward-looking increases only amount to approximately $17 million over the entire life of the contract. The economics of the Company proposal would have caused concern standing alone; however, the Company also introduced proposals to language it characterized as "offsets."

As you will remember, the Company was steadfast in its position for the past three (3) years that it intended for LOA #1 to sunset, and with that, the Company had no further need for international vendors to perform aircraft maintenance. Now, the Company has altered that position by 180 degrees, and asked for the following change to Scope as one of the "offsets" in its January 24 proposal:

- *Article 2 Modification:*
  - *Strike 2.9. Proposal conditional upon industry standard language allowing outsourced heavy maintenance to be performed by an international vendor.* *[**Note: this is verbatim language from the Company proposal**]*

The Company, after years of advising it had no intention of returning maintenance to international vendors, has now, once again, asked for consent to do so, but without offering any of the protections and growth pieces that were included in LOA #1.

In addition to the international outsourcing "offset," the Company also proposed to reduce your duty day to sixteen (16) hours. This proposal would entirely eliminate paid rest. The Company's proposal to reduce the duty hours and eliminate paid rest was as follows:

- *Articles 6, 8, and 24 Modification:*
  - *Modify Articles 6, 8, and 24 to include a reasonable duty day for our Mechanics, not to exceed 16 hours in any consecutive 24-hour period. Employees working 16 consecutive hours will be given a mandatory rest period of at least 8 hours. The rest period will be unpaid. Address trading language in Article 24 to be consistent with 16 hour duty day.*
    *[**Note: this is verbatim language from the Company proposal**]*

We received the Company's proposal on day 1 of this session. Our economist spent the first day costing the proposal and addressing concerns with the Company. In addition, we reconvened with the Company to express our deep disappointment that Southwest chose to drive the parties further apart by opening issues that had long since been put to bed in these negotiations.

We spent most of the second day working on an economic counterproposal as well as a comprehensive information request designed to elicit all relevant information in the Company's possession regarding its newly expressed need to revert to sending maintenance to international vendors. This information is necessary in order to allow us to evaluate what exactly the Company has proposed with respect to Article 2. Our economic counterproposal struck the Company's international outsourcing and duty day asks, and included a wage snap up of 23.44% effective January 1, 2019, with an amendable date of August 16, 2023. The counterproposal included 3.25% increases in the out years, and a ratification bonus amount of $158.0 million.

We conveyed the message, in no uncertain terms, that it was our opinion the Company had moved in the wrong direction with its January 24 proposal, and that the pathway to a prompt deal, which would start repairing the fractured relationship, is to focus purely on economics. We ask that you stay engaged with your Union updates and continue to watch what the Company does as opposed to what it says in written updates or video messages.

We thank you for this continued support. The solidarity that we have seen since conclusion of the ratification process continues to increase with each passing day and that is exactly what we need in order to bargain for what you have rightfully earned.

Sincerely,

Your Negotiating Committee