



AMFA/Southwest Airlines AMT Contract Negotiations Update

Update #40 April 21, 2016

Participants for AMFA:

Louie Key- National Director
Michael Nelson – Director, Region II
Bob Cramer – Airline Representative, Local 4
Craig Hamlet – Airline Representative, Local 11
Shane Flachman – Airline Representative, Local 18
Mike Young- Airline Representative, Local 32
Lucas Middlebrook – AMFA Counsel

Participants for Southwest Airlines:

Mike Ryan – VP, Labor Relations
Gerry Anderson – Sr. Director, Labor Relations
Cindy Nagel- Sr. Director, Labor Relations
Bill Venckus – Director, Labor Relations
Scott Colling- Director, Central Region
Mark Lyon – Sr. Manager, Labor Relations
John Donnelly – Manager, Financial Planning

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.

We met with the Company in Chicago, IL on April 14-15 and on April 18-20 for mediated Aircraft Maintenance Technician (AMT) and related negotiations. Unfortunately, these were the most unproductive sessions since we entered into mediation. Of the four and a half days scheduled, we actually met with the company for less than four hours.

On Thursday morning, April 14, the Company discussed an economic package in our Interest Based negotiations. The Company wants a five-year deal going forward from the Date of Ratification (DOR). The Company negotiators advised they were unwilling to provide retroactive pay despite the fact that our members have demanded it. The Company's verbal economic supposal contained a 12% signing bonus in lieu of Retro Pay. The next piece was an 8% "snap up" raise in the first year followed by unknown percent increases in years 2 through 5. The unknowns were said to be between 2-3% based on how far we were willing to give with respect to the Company's remaining large work rule asks.

Their first change to your work rules that the Company insists it must have would be to eliminate any paid rest except for when it falls on your normal shift. The Company continues to insist on this change despite the fact that in 2005 AMFA negotiated work rules for our members, which helped the company with their safety concerns and introduced the 24 hour duty limit. Then again in 2009, the membership approved a change in language to help the Company reduce its exposure to paid rest at rate, returning from paid rest at the applicable rate, and allowing the rest period to reset a member's clock for overtime calculations. These were huge concessions our group gave to the company in a bad economy to help it remain successful and aid it to be in the position it is in today. Prior to the conclusion of the most recent session, we informed the Company that we could offer no relief on this issue. It was the Company's desire for duty limits that created this issue and we felt that we have given enough relief in the past.

The next must have item the Company continues to request is the Quality Control (QC) backfill issue that AMFA was forced to arbitrate on three separate occasions. They said they wanted the ability to backfill as operationally needed. On this issue the Committee offered relief where the Company had limited control to vacancies. The Committee offered relief whereby the Company would not be mandatorily required to backfill when a QC day-traded with a mechanic, this was to preserve another one of the company asks that QC not be allowed to day trade with a mechanic. We also offered similar relief to the mandatory backfill requirement for On the Job Injuries (OJI) and Leaves of Absences (LOA).

The Company's third requested alteration to your work rules was the ability to outsource all downlines, both domestic and International. They want the ability to call a local vendor to work on our airplane if the

part can be obtained locally. They also want the Maintenance Control Department to be the determining body as to when a field service trip would be performed by our technicians. We questioned if it would be a MX Controller or supervision that made the decision, but we received no answer. We told them we would not allow our domestic field service language to be altered. We did offer them relief at an International location where they have limited opportunities to get parts to the plane, but only for Category 1 parts. Any Category 2 or 3 parts that were sent would require our technicians to install.

The last of the remaining Company wants are in Article 2. Although, without knowledge of what our maintenance program will look like for the Next Generations and the MAX, we cannot begin talking about our Scope. The Airline Representatives will begin meeting outside of negotiations with Scott Colling and his team to begin looking at the future plans for our maintenance program. The two items the Company indicated it wanted modified was the 10-hour rule for a task to be completed and the 15-day reach out for when an aircraft is at a vendor. We told the Company we cannot begin to discuss anything in Article 2 until we have an understanding of what our maintenance program will look like moving forward.

In the past the Company has also referenced a desire to move technicians from some of our stations where they choose not to utilize the current headcount to stations where they need technicians to perform overnight work. We continue to ask them what their plans are, but have not received an answer. The Company either does not know what its plans are in this respect or has chosen not to be fully open with its responses.

Most of you will be adversely impacted by the work rule changes requested by the Company. We questioned the Company as to what an economic package would look like if it did not get these work rule changes, and the response was that “there would be no deal without those offsets.” Today our Company posted a record quarterly profit of \$511 million, and yet it continues to subject you to a three and a half year pay freeze, while expecting all of us to sell our language so that we can earn enough to barely keep up with the cost of living. The Company, by advising that there will be no deal without its asks, means it recognizes no value in the sweat equity you have invested to make this Company the success it has become.

We also asked the mediator if we could return to traditional bargaining. We feel that the Interest Based process has run its course, and we would like to have our observers present again. This approach was put in place to allow the Company to feel less-guarded and discuss issues without concepts reaching the floor inaccurately, but after this past week of sessions, we need more of you to hear firsthand what the Company truly feels about our workgroup and the product we produce on a daily basis. Please do not hesitate to contact your Airline Representative and have the issues explained to you. The Company, by negotiating like it is in bankruptcy while reaping record profits, has given an entirely new meaning to corporate greed. Our next scheduled AMT negotiation session is scheduled for May 10-12. The mediator thought we should stay with the Interest Bases Format so this will be a mediated, Interest Based session dealing specifically with the Maintenance Control Group.

Sincerely,

Your Negotiating Committee