AMFA – Southwest Airlines AMT Contract Negotiations Update

<u>Update #62 Addendum</u> **<u>March 10, 2018</u>**

<u>Participants for AMFA</u>:
Bret Oestreich – National Director
Earl Clark – Director, Region I
Will Abbott – Director, Region II
Bob Cramer – Airline Representative, Local 4
Craig Hamlet – Airline Representative, Local 11
Wayne Lampley – Airline Representative, Local 18
Mike Young – Airline Representative, Local 32
Lucas Middlebrook – AMFA Counsel
Peter Manikowski – AMFA Economist

<u>Participants for Southwest Airlines:</u>
Gerry Anderson – Sr. Director, Labor Relations
Alexa Kern – Labor Relations
Bill Venckus – Director, Labor Relations
Mark Lyon – Sr. Manager, Labor Relations
Scott Colling – Regional Director, Central Region
John Brutlag – Director of Aircraft Standards
John Donnelly – Manager, Financial Planning
Sam Moser – Director of Finance
Russell McCrady (Day 3 Only) – Labor Relations

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.

No good deed goes unpunished. Your Committee attempted to focus on the positive aspects of this week's negotiations with Southwest; however, Southwest decided instead to denigrate your Committee even at a time when the parties are closer to a deal than they have been since these negotiations began. The fact the Company cannot seem to alter its path of negative propaganda speaks volumes as to its negotiation playbook. Let us focus on the actual facts from this week.

On Tuesday, March 6, the Company presented a revised Scope proposal and their economics did not move one penny from the last offer from Washington, DC in January. In response, your Committee specifically asked the Company if a deal with Scope at book was off the table. The Company confirmed that it was. Therefore, your Committee advised the Company that any deal wherein it demanded massive changes to Scope would drive the economics of the package upward. The Company understood this, and your Committee began the intensive process of providing a counter-proposal to the Company's Scope proposal.

On Wednesday, March 7, your Committee spent the majority of the day responding to the Company's Scope proposal. We delivered that proposal late in the afternoon, and as we explained to the Company, the price tag associated with the massive changes to Scope increased from our last offer, which was premised on Scope remaining at book. The Company accepted our counter-proposal, broke for the day, and did not return to engage your Committee until 1:00 PM on Thursday, March 8.

The Company returned in the afternoon of March 8 and responded to our Scope proposal, but this time it had once again flip-flopped its position. The Company, for the first time in these negotiations, passed a proposal that kept Article 2, Scope at current book – despite the fact that only one day before it had informed our Committee that concept was a non-starter. The outline of the Company's Scope-at-book counter was outlined as follows (Company left and Union counter right):

Company Supposal – March 8, 2018

- **Company withdraws proposed changes to Art. 2**
- **Economics are 14.8% snap-up, 3% annual increases, 30% ratification (same as Company's Jan. 19, 2018 proposal)**
- **Five-year agreement. Snap-up effective April 1, 2018. Annual increases April 1, 2019, 2020, 2021, and 2022.**
- **Amendable date April 1, 2023. Six-month early opener (180 days rather than current 90 days)**
- **Union may opt for a six-year agreement. Under this scenario, there would be another 3% pay increase April 1, 2023 and the amendable date would become April 1, 2024.**
- **LOAs 1 and 2 are allowed to expire in accordance with existing CBA language (e.g., 4 lines of international outsourcing, liaison)**
- **All items previously agreed to by the parties during these negotiations (e.g., ETOPS, vacation bank) remain part of this agreement**

AMFA Counter to Company ~~S~~Proposal – March 8, 2018

- **Company withdraws proposed changes to Art. 2**
- **Economics are ~~14.8%~~ 16.9% snap-up, 3% annual increases, $74MM Ratification paid 2018, $17MM Ratification paid 2019~~30% ratification (same as Company's Jan. 19, 2018 proposal)~~ Maintenance Controllers top of scale pay to 2.8% above industry ($64.70) on a scale aligned to AMT (top pay six years) upon April 1, 2018. Technical Instructor equal to Lead AMT pay.**
- **Five-year, four-month agreement. Snap-up effective April 1, 2018. Annual increases ~~April 1~~ August 16, 2018, 2019, 2020, 2021, and 2022.**
- **Amendable date ~~April 1~~August 16, 2023. Twelve ~~Six~~-month early opener (~~180~~ 365 days rather than current 90 days)**
- **~~Union may opt for a six-year agreement. Under this scenario, there would be another 3% pay increase April 1, 2023 and the amendable date would become April 1, 2024~~.**
- **LOAs 1 and 2 are allowed to expire in accordance with existing CBA language (e.g., 4 lines of international outsourcing, liaison) Maintain Union Outsourcing Liaison.**
- **All items previously agreed to by the parties during these negotiations (e.g., ETOPS, vacation bank) remain part of this agreement contingent upon full review of all items previously agreed to by the parties.**
- **A stay of all Federal Court Litigation pending Ratification of any T/A.**

The Company responded to the Union's counter-proposal and introduced an eleventh-hour demand that unraveled previous TA's between the parties. The Company now wanted additional relief related to ETOPS, as seen below, which would allow it to perform ETOPS work within the contiguous 48 states with vendors at stations where Southwest has less than 75 flight departures. This is in direct contravention of our previous agreement on ETOPS, and also undermines the TA reached years ago, which covered small station opening and closing:

Applies to ETOPS stations in contiguous 48 states

Southwest Mechanics will be used to perform ETOPS work once a station has at least 75 flight departures per day (including at least two ETOPS flights).

If this station subsequently falls below 60 departures per day, the requirement to use Southwest Mechanics to perform ETOPs work at the station will be suspended until the number of departures returns to 75 or more.

Departures per day are measured over a rolling 12-month period.

In addition to the introduction of brand new ETOPS language that regressed from previous TA's on both ETOPS work and small station issues, the Company countered with the following:

Company Response to AMFA Counter – March 8, 2018

- **Company withdraws proposed changes to Art. 2 OK**
- **Economics are 14.8% ~~16.9%~~ snap-up, 3% annual increases, $74MM Ratification paid 2018, $17MM Ratification paid 2019~~30% ratification (same as Company's Jan. 19, 2018 proposal)~~ Maintenance Controllers top of scale pay to 2.8% above industry ($64.70) on a scale aligned to AMT (top pay six years) upon April 1, 2018. Technical Instructor equal to Lead AMT pay. OK with everything except snap-up, subject to resolution of ETOPS issue (see below).**
- **Five-year~~, four-month~~ agreement. Snap-up effective April 1, 2018. Annual increases April 1 ~~August 16, 2018~~, 2019, 2020, 2021, and 2022.**
- **Amendable date April 1~~August 16~~, 2023. Twelve ~~Six~~-month early opener (~~180~~ 365 days rather than current 90 days) Amendable date is April 1, 2023. But OK with 12-month early opener.**
- **~~Union may opt for a six-year agreement. Under this scenario, there would be another 3% pay increase April 1, 2023 and the amendable date would become April 1, 2024~~. OK.**
- **LOAs 1 and 2 are allowed to expire in accordance with existing CBA language (e.g., 4 lines of international outsourcing, liaison) ~~Maintain Union Outsourcing Liaison.~~ All of LOA 1 sunsets.**

Your Committee received this pass late in the afternoon on Thursday, March 8, and immediately went to work costing the proposal and generating a counter-proposal. However, the Company complicated the positive momentum by introduction of new ETOPS language that requested to undo previously agreed-upon TAs. The Company's last minute, regressive tactic made it more difficult for your Committee to cost and counter the proposal.

Therefore, at 7:15 PM, our economist had to depart as he was previously scheduled to do in order to make a flight. Our economist is a busy and sought-after professional with clients and obligations outside of his work for AMFA. The entire AMFA Committee, including our economist, would have remained in Dallas throughout the weekend if the parties were near a closeout. And, if the Company had not regressed from previously-agreed upon language as part of its counterproposal the parties would have, most likely, been in that closeout stage.

We explained to the Company that we were not comfortable costing and responding to a proposal without our economist's input. It was at this point that Mr. Russell McCrady became visibly angry and lashed out at members of your Committee. Mr. McCrady was quickly reminded by your Committee that he did not have the right to lash out at anybody given that he had managed to only attend one and a half sessions over the course of a nearly six-year negotiation. Interestingly, Mr. McCrady managed to show up on Tuesday to pose for a photo opportunity to sign the Facilities Maintenance Technician (FMT) Agreement, but then promptly departed – not to return until the afternoon of Thursday when he thought there may be a chance to reach a deal on the AMT contract.

We remain positive and optimistic that the parties are closer now than we have been in many years. We are dismayed that, despite this forward progress, the Company felt compelled to sling mud and attempt to discredit your Committee because its retained economist had another professional obligation to meet at 7:00 PM on the final scheduled day of negotiation. However, the reality is the Company's regressive tactics all but guaranteed another session would be needed to reach the closeout stage. We will be prepared to counter when we reconvene in April. We hope the Company does not decide to, once again, regress from previously TA'ed items.

As of now, the Mediator's next open dates for both parties to reconvene have been tentatively scheduled for the week of April 9-13, 2018. Again, AMFA is willing to continue negotiations outside of the Mediator's open calendar dates; however, the Company has been unwilling to do so. It is time now, more than ever, to keep our eye squarely on what matters, which is securing the best possible deal for you to vote on. The Company finally relinquished its demand to gut our Scope clause and outsource a majority of your work, and now we must dedicate our time and focus on securing the compensation you have earned with your sweat and hard work.

Everybody engaged in these negotiations, including the Company, should be focused on the positive developments. The mudslinging and finger pointing only drives a wedge between the parties at a time when mutual collaboration is the path toward a deal. Unfortunately, Mr. McCrady has only one manner of operation, which is to disparage his negotiation partners. Mr. McCrady has not found it necessary to attend these negotiations for the past five years, and we would encourage him to remain on the sidelines at this point. His presence, quite simply, impedes the process.

Sincerely,

Your Negotiating Committee