



AIRCRAFT MECHANICS FRATERNAL ASSOCIATION

AMFA-SWA Airline Representatives

Local 4: Dan Burgess • Local 11: Craig Hamlet • Local 18: Wayne Lampley • Local 32: Ken Patrick

November 23, 2020

To All AMFA Members at Southwest Airlines:

We met with the Company today for the first time since it issued WARN Act notices to our members last week. The Company's actions today served only to reinforce its goal of not letting this crisis go to waste. The parties were engaged in the productive process of identifying voluntary cost saving measures when Southwest abruptly, and with no meaningful notice to your Union, delivered WARN Act notices to our members weeks before the holiday season. Southwest was not interested in continuing that productive dialogue today. Instead, it proposed a new round of concessions to our contracts, claiming the voluntary measures we had identified failed to achieve the savings needed by Southwest. Yet, in nearly the same breath, the Company advised it still had not finished costing the value of savings generated as a result of our insourcing measures. It was clear to your ALR's, given this obvious double talk, the Company is only interested in cost-savings that result from contractual changes. This is crisis capitalism at its finest.

The Company proposed three separate concessionary Agreements to modify our three existing contracts:

AMT Contract (Gray Book)

The Company has moved away from its request for a 10% reduction to our compensation, and instead, has now proposed the following:

- The Company wants to freeze the 3% annual increases to your pay scale for all of 2021 and 2022 without any retroactive pay or accrued interest to make you whole at the conclusion of the freeze. As proposed by the Company, this freeze would not end until August 2023, making it a 2-year and 8-month pay freeze. The Company has proposed that any member currently on either a 12 or 18-month ExTO would continue to receive the contractual pay rates, while those working would be frozen.
- The Company wants complete relief from the Inspector Backfill language contained in Article 10, Paragraph 8, despite the fact this language was changed to partially accommodate the Company's concerns as part of our most recent Section 6 negotiations.
- In exchange for these significant requests, the Company is only offering to "promise" not to furlough our members for 12 months, but that "promise" was still qualified by: "barring any unforeseen or uncontrollable circumstances."

We will provide more context to this proposal from the Company after our economist has had a chance to cost it. However, even on its face, the Company wants to freeze your hard-earned pay scale for two years while only providing furlough protection for one of those years. In addition, the no-furlough "promise" still rings hollow given the Company's "unforeseen or uncontrollable circumstances" language.

Appearance Technician Contract (Green Book)

The Company, as with the AMT contract, pivoted from the 10% reduction request and proposed the following:

- The Company wants to remove holiday pay for 2 to-be-determined contractual holidays during 2021.
- The Company wants to freeze your pay scale for 2021 and 2022 without any retroactive pay or accrued interest to make you whole at the conclusion of the freeze. According to the Company proposal, the freeze would not end until August 2023, making it a 32-month freeze to your wages. The Company has proposed that any member currently on either a 12 or 18-month ExTO would continue to receive the contractual pay rates, while those working would be frozen.
- The Company proposed changes to the workers compensation language so the Company would make up “no less than the difference between that which is paid the Employee by Workmen’s Compensation and what the Employee would have made (after tax withholding) if he had worked his regular shift.”
- The Company proposed changes to Article 11, Section 4 regarding vacation carry-over to mirror that which exists in the current AMT contract (Gray Book).
- The Company wants you to agree, with these proposed changes, to extend your agreement until August 1, 2023.
- In exchange for these sizeable requests, the Company is only offering to “promise” not to furlough our members for 12 months, but that “promise” was still qualified by: “barring any unforeseen or uncontrollable circumstances.”

As with the AMT proposal, we will provide more context to what the Company has passed once our economist has had an opportunity to value the economics associated with this proposal.

FMT Contract (Red Book)

The Company continued with its approach as related to our FMT members and proposed the following:

- The Company wants to remove holiday pay for 2 to-be-determined contractual holidays during 2021.
- The Company wants to freeze your pay scale for 2021 and 2022 without any retroactive pay or accrued interest to make you whole at the conclusion of the freeze. As proposed by the Company, this freeze would not end until November 2023, making it a nearly 3-year freeze to your wages. The Company has proposed any member currently on either a 12 or 18-month ExTO would continue to receive the contractual pay rates, while those working would be frozen.
- The Company wants you to agree, with these proposed changes, to extend your agreement until November 16, 2023.

- In exchange for these overreaching requests, the Company is only offering to “promise” not to furlough our members for 12 months, but that “promise” was still qualified by: “barring any unforeseen or uncontrollable circumstances.”

We will be providing additional information once our economist has had the opportunity to review and analyze the numbers associated with this proposal.

To say your ALR’s were dismayed by the Company’s conduct and proposal today would be an understatement. It does not appear the Company is truly interested in reaching a mutually agreeable solution that would credit our members with cost-savings for their efforts. In addition, the Company showed little interest in continuing our productive dialogue associated with identification of non-contractual cost-savings that would help the Company weather this short-term crisis. The Company’s concessionary conduct is troublesome for, by way of example, a number of reasons:

- We pointedly asked the Company’s lead negotiator today whether the Company had analyzed how much it would cost to furlough AMFA members under our respective contracts. The Company claimed it had looked at this cost but was unprepared to provide us with that amount.
- The Union had previously provided the Company the ability to perform certain outsourced work, on a non-precedential basis, in the intermediate maintenance environment, which the Company recognized produced a reduction in costs. However, despite the Company’s lead negotiator claiming none of these “things were getting close” to meeting the Company’s cost savings target, the Tech Ops representative on today’s call openly admitted he was still waiting on the actual cost reduction numbers from planning as it pertained to insourcing. How can one Company representative claim our proposed savings did not get close while another admits Southwest had not even finished costing certain aspects of those suggestions?
- The Union had pointed to a number of additional insourcing items that we believed generated or could generate cost savings, but yet again, the Company was unprepared with its valuation of those actual savings. And again, despite admitting it had not finished running these cost-savings numbers, the Company’s lead negotiator repeatedly proclaimed none of these non-contractual cost-saving measures “come close to the overall savings we needed.”
- The Company was unprepared, when asked, to provide the total cost-savings it evaluated would be achieved by today’s three proposals.
- The Company provided no meaningful response when asked why it needed pay freezes for 2021 and 2022 in order to help it through this temporary situation, except to say it was trying to achieve a target savings and this method took two years to get there.
- The Company has failed to fully respond to our economist’s request for information that would allow him to analyze all possible non-contractual cost-saving possibilities. We reiterated again today how important it was for the Company to not only provide its costing information to our economist, but it must also supply the underlying data in order to allow AMFA’s economist to conduct an independent evaluation.

We have identified a number of non-contractual cost-saving solutions, including items such as, insourcing, credit for voluntary leave participation, future voluntary leave options and possible outsourcing grievance resolution. Unfortunately, it appears the Company is only interested in securing changes to our collective bargaining agreements and doing so in a manner that will affect your contractual compensation for a longer period of time than is needed to weather this storm. The Company's timing also raises concerns.

The Company abandoned the productive work the parties had accomplished as of last week in order to abruptly send out WARN Act notices. Then, this week, instead of continuing discussions toward those mutually agreeable solutions, the Company decided to propose three new concessionary agreements. Is the Company bolstered by its misguided belief that stoking fear with delivery of WARN Act notices paved the way to secure these newly proposed concessions? If so, the Company has once again miscalculated the resolve of this group.

The Company's lead negotiator repeatedly expressed his position today that the airline was "bleeding cash" and the bleeding needed to stop. In response and at conclusion of today's meeting, we asked why, if the entire airline was bleeding cash, was it only Tech Ops employees that have received WARN Act notices so far. The response from the Company was: "decisions were made, and we moved forward with those decisions that were made." Your team explained that we knew exactly why we were chosen first as we have been dealing with this lack of respect for more than 7 years. We advised the Company negotiator (who was not involved in our lengthy Section 6 negotiations) that we went through nearly a decade of the most prosperous times this airline has seen with a de facto pay freeze because the Company wanted the rest of the industry to catch up to our compensation. We were denied the opportunity to share in the good times. Yet, here we are, as one of the only unionized groups at Southwest to have received WARN Act notices. We advised the Company that this was not lost on a single AMFA member as every one of us understands how this airline feels about us and "we're sick of it."

We will, in the coming days, meet with our legal advisors and economist in order to respond to the material presented by the Company today. We are hopeful the Company will engage with us to provide a true no furlough guarantee in exchange for non-contractual cost-saving measures we believe satisfy the Company's short-term needs. However, at the same time, we will be proceeding to expedited arbitration under all three contracts to enforce the provisions in those agreements, which protect against the Company's attempts at a reduction in force of our members. Grievances under each contract challenging the Company's furlough plans were filed today and will proceed to expedited arbitration absent resolution. As we stated previously, we will take all legal measures to protect the status quo until the arbitrations have been concluded and awards issued.

We will be communicating with greater frequency in the coming days and weeks as to the status of discussions with the Company as well as the grievance and expedited arbitration process that will unfold to defend our contracts and protect your livelihood. This is a trying time for all of us, especially given the Company's conduct. Our group is, however, no stranger to mistreatment at the hands of this Company and we have grown stronger as a Union because of it. As always, stay engaged and stay strong. Our solidarity is our strength.

In Solidarity,

Your AMFA-SWA Airline Representatives