

NP 2020

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NP 2020

SWAPA[®]
SOUTHWEST AIRLINES PILOTS ASSOCIATION

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INTRODUCTION

COMPETITIVE AND AGILE

On March 1, 2020, SWAPA intends to open formal negotiations with Southwest Airlines. If you've been through a formal airline contract negotiation here or elsewhere, you know what to expect. If you haven't, let me just say it will probably be eye-opening for you. Southwest may be the LUV airline, but it's notorious for being a tough negotiator. Boeing, airport authorities, and contractors all know that Southwest Airlines fights for every penny. And that's true for our Company's approach to employee contracts as well.

No matter what happens in the upcoming negotiations, know this: SWAPA is committed to the continued success of Southwest Airlines. We fully understand that the success of our Pilots is wholly dependent on the success of our Company, and SWAPA has not and will not make financial or work rule demands that jeopardize the future of the airline we love. I have been steadfast in this approach since I was first appointed to chair the Negotiating Committee. You can see this in one of the earliest emails I sent to our membership a little over three-and-a-half years ago. Those sentiments were true then, and they are true today. Any agreement reached between SWAPA and the Company will not come at the cost of Southwest Airlines' competitiveness or agility.

The foundation of much of our CBA was written in 1994 when Southwest was little more than an upstart regional airline. Our operation has been transformed with service to major airports like LaGuardia in New York and Reagan National in Washington, D.C. We now serve international destinations and Hawaii. A contract written for the old "Texas Two-Step" no longer fits our needs. In 1994, our language was written with a focus on intent ("do the right thing") but now that intent language is exploited by management by reading the letter of the agreement. The result is a record number of pending grievances and arbitrations that cost both our Company and our Pilots money and goodwill. We need these conflicts to end and a full rewrite is our best chance at accomplishing that goal.

SWAPA has spent two years studying, educating, and polling our membership on a wide range of issues and now we're expanding that effort to our Pilots' families. If your family has been at Southwest Airlines for a while, you have probably seen or heard about at least a few things that our Company could be doing better. Whether it's problems with United Healthcare (UHC) or issues when non-revving or times your Pilot missed an important family event due to an unwanted scheduling delay or reassignment, share those experiences with us. On the other hand, if you're new to the SWAPA family, we want to hear from you as well. Fresh eyes and

new perspectives are important to this process too.

I implore you to participate in this process. Fill out surveys. Send us an email (contract2020@swapa.org). Join SWAPAFamily. Talk to your families and let them know your priorities. Read this *NP* and other education pieces that our Subject Matter Experts (SMEs) produce. An informed and unified Pilot group is a powerful one.

CASEY MURRAY

SWAPA Negotiating Committee Chair

In November 2015, shortly after SWAPA Pilots voted down the Company's first offer for Contract 2012, Casey Murray was appointed to serve as the new chair of the Negotiating Committee. From the beginning of his tenure, Casey has been steadfast in his commitment to the long-term success of Southwest Airlines. Below is one of his first-ever emails to the membership.



We want Southwest Airlines to remain competitive and agile. Many opportunities are well within our grasp and it is our sincere hope that the Company will capitalize on them. We are ready to lock down a deal which allows the Company to maintain its competitive edge and plan for the future.

Moving forward, SWAPA is truly optimistic that management will come to the table with a ratifiable offer that rewards us for our efforts and sacrifices. We have stepped up to the plate every time we have been asked.



30 NOVEMBER 2015

Getting Back to the Table

I hope everyone had a wonderful holiday. Thanksgiving is a time to give thanks for our family and friends, our careers, and during this particular season, our peers. During this time of record industry profitability, our peers at American Airlines ratified an industry-leading contract. Meanwhile, Delta Air Lines put forth an equally competitive offer to its pilots (which ultimately fell short of what its pilots felt they deserved.) And now, United Airlines has a tentative agreement before its pilots that pushes the bar even higher. It's refreshing to see airline management partner with pilot leaders in order to recognize the contributions that pilots across the industry have made which in turn allowed corporations to push profits and revenues to record levels. While Delta will be going back to the table, Richard Andersen has committed to providing his pilots with an industry-leading contract. Meanwhile, United CEO Oscar Munoz has offered his pilots an industry-leading economic package that allowed "for improvements without any offsets."

So, where does that leave Southwest and its pilots? We truly hope that our management team is sincere in their stated desire to get back to the bargaining table. SWAPA is prepared and eager to reengage in the process and looks forward to the opportunity to do so sooner rather than later. Our first round of polling is complete and the results have been analyzed. More polling will follow, so please stay engaged and participate when asked to do so. Your domicile reps have been actively speaking with you and compiling your wishes and thoughts on the failure of the Company's last offer. Empirical polling, anecdotal pilot input, and technical analysis of the rapidly changing positions of our peers are being compiled to continuously reassess what is considered a fair and reasonable offer from the Company. We want Southwest Airlines to remain competitive and agile. Many opportunities are well within our grasp and it is our sincere hope that the Company will capitalize on them. We are ready to lock down a deal which allows the Company to maintain its competitive edge and plan for the future.

Moving forward, SWAPA is truly optimistic that management will come to the table with a ratifiable offer that rewards us for our efforts and sacrifices. We have stepped up to the plate every time we have been asked. The list is common knowledge: the -800 for a single rate, international flying for no additional compensation, ETOPS and ETOPS bid groups, red-eyes and codeshare with AirTran, just to name a few. We have been there for the Company at every turn. During a time of unrest across the vast majority of labor groups at Southwest, our professionalism and unity has been a constant. Southwest has capitalized thanks to our sacrifices and we are proud to have been part of that unparalleled success. Now, with more opportunities on the horizon, it's time to be remembered for those sacrifices and properly thanked during this time of Thanksgiving.

Fraternally and in Unity,

Casey Murray

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SWAPA
family

LET YOUR VOICE BE HEARD!

A little over four years ago, your SWAPA executives, along with the Board of Directors and key committee members, created a new vision for SWAPA — one they hoped would take us to new heights in all aspects of our professional lives as Pilots for Southwest Airlines. The strength of our Union has grown because of the leadership that we have in place as well as our determined and resolute membership. The evolution of our Association has established a whole new dimension with the introduction of SWAPAFamily. Designed to bring our Pilots and their families together to share information and understand what's going on with contract negotiations, it has created friendships and comradery that will undoubtedly live on indefinitely. What was a missing key component is now a thriving program that supports our membership and their families in so many ways.

SWAPA has produced a dozen *Negotiating Points* on everything from scheduling to retirement to hotel issues. This *Negotiating Point* is an attempt to condense most of those topics into a single issue. It's devoted in its entirety to bringing valuable information about our contract to you — our spouses, significant others, and family members.

Why should I care?

For the first time in our history, our Negotiating Committee (NC) wants to know what we as family members would like to see changed or improved in our contract. As NC Chair Casey Murray mentions in his message, it's time to take a look at the landscape as our "early opener" is coming up on March 1, 2020. There has never been a more important time to be engaged.

How do I make sure my voice is heard?

To take the SWAPAFamily web-based poll we need your email address, so send it to commoffice@swapa.org and we will add you to the list. The questions will be straightforward, and it usually takes about 15 minutes to complete the survey. The SWAPAFamily cycle of polling will be July 8-22.

What kinds of questions will I be asked?

You will be asked a series of questions regarding your priorities on issues such as Pilot schedules, pay, disability, and retirement.

The NC and the entire SWAPA team is determined to speak loudly for us as they complete a total rewrite of our current contract, line by line. Within this rewrite, they are carefully crafting our ideas, hopes, and dreams into words. The survey questions will give you the opportunity to offer your suggestions.

How can I prepare? How can I educate myself?

Read this *NP* cover to cover. The articles in this edition offer lots of information and a very interesting comparison on how our contract stacks up with our peers' contracts. And if you're new to formal bargaining in the airline industry, we've included a [separate online blog on the Railway Labor Act \(RLA\)](#) which governs our mediated negotiation process.

Join the SWAPAFamily Facebook group and ask questions. If the members of the group can't answer questions, we'll go directly to the source (the NC) when we can.

Attend a SWAPAFamily event. Throughout the year, we host family-friendly events at domiciles and where you live. You will meet SWAPA executives, committee members, and staff who can answer your questions and discuss your concerns.

Your participation is crucial. Not only does this process affect us all, but it's paramount for us to realize the leverage we have as one collective voice. The preservation of our future is more important now than ever ... this is our time.

JEAN PECK

SWAPAFamily Outreach Chair



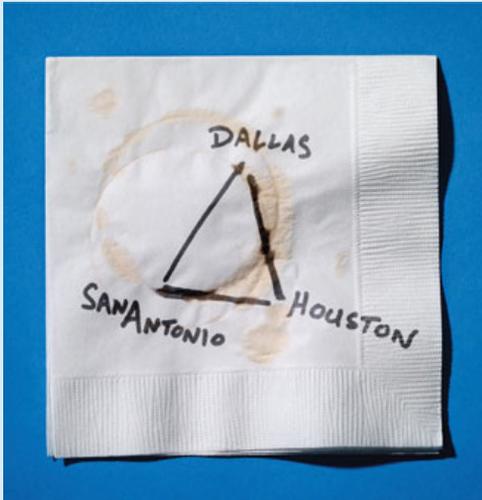
COMPENSATION & PRODUCTIVITY

Pilots love to fly. It's in our DNA. But we fly at Southwest Airlines to provide for our families. At the heart of our collective bargaining agreement (CBA) are Pilot rates of pay. Almost all major airlines benchmark payrates to a topped-out Captain rate, which generally occurs at 12 years of service (longevity). First Officers earn a percentage of the equivalent Captain rate depending on their longevity. While targeted raises are sometimes worthwhile, most often Pilot unions strive to increase the topped-out rate upon which all others are based. Figure 1 shows our current rates of pay.

FIGURE 1

| PAY YEAR | CAPTAIN | FO PERCENT | FIRST OFFICER |
|----------|----------|------------|---------------|
| 1 | \$204.06 | 35% | \$71.42 |
| 2 | \$206.54 | 50% | \$103.27 |
| 3 | \$209.06 | 55% | \$114.98 |
| 4 | \$211.54 | 60% | \$126.92 |
| 5 | \$213.90 | 65% | \$139.04 |
| 6 | \$216.56 | 67% | \$145.10 |
| 7 | \$219.05 | 68% | \$148.95 |
| 8 | \$221.54 | 69% | \$152.86 |
| 9 | \$224.06 | 69% | \$154.60 |
| 10 | \$226.54 | 70% | \$158.58 |
| 11 | \$229.05 | 70% | \$160.34 |
| 12 | \$231.54 | 70% | \$162.08 |

As you know, Southwest likes to do things differently than everyone else. That's true even when it comes to pay. Instead of an hourly wage like every other carrier, SWAPA Pilots are paid on a Trip for Pay (TFP) basis. Back when we were starting out and flew the Dallas-San Antonio-Houston triangle only, Pilots would get paid by the trip, or leg. When the value of a TFP was institutionalized, it worked out to about 55 minutes of flying.



Although in his later years, co-founder Rollin King confessed that the story wasn't entirely true, according to legend, Southwest Airlines began when he and Herb Kelleher sat in a bar in San Antonio 50 years ago. Over drinks, one grabbed a cocktail napkin, took out his pen, and said to the other, "Here's the plan." He then drew a simple triangle on the napkin. At the apex of the triangle he wrote Dallas. The bottom left he labeled San Antonio. On the bottom right he wrote Houston. He said, "There – that's the business plan. Fly between these cities several times a day, every day."

"Herb, let's start an airline."

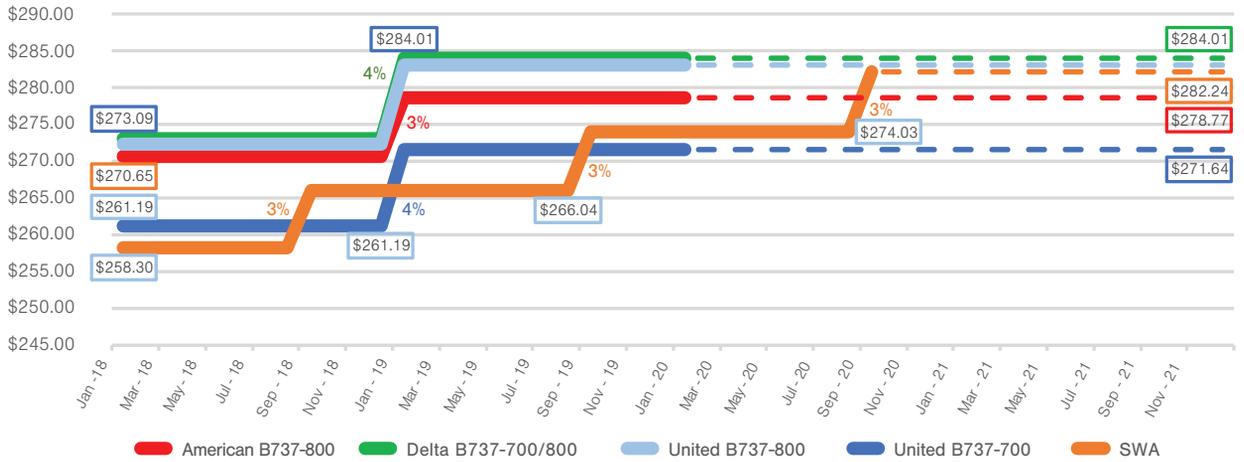
"Rollin, you're crazy. Let's do it!"

Due to countless differences between airline CBAs, the industry has settled on a standard compensation measurement of pay per flight hour to provide the closest thing we can to an apples-to-apples comparison. Our TFP formula has changed a little since the days of the Texas Triangle and it varies based on a few factors, but in order to compare SWAPA Pilots to our peers, we use a 1.149 TFP per hour conversion rate. It's not perfect, but it gives us something to measure ourselves by.

Today, the Big Four U.S. airlines — Southwest, Delta, United, and American — control about 85% of the U.S. market. You can [read this blog](#) to see that the Big Four oligopoly is a powerful competitive advantage in an industry in which the big just get bigger. Southwest must remain competitive with the other Big Four airlines in order to recruit and retain qualified Pilots during the growing Pilot shortage the industry will continue to face in the coming decade.

You'll notice that the Big Four comparison in Figure 2 only shows Boeing 737 rates. Keep in mind that SWAPA Pilots have one aircraft type that we fly throughout our entire career and therefore only one pay scale. Our competitors have the ability to offer Pilots opportunities to move to larger aircraft as they gain seniority which can pay far greater than a B-737.

FIGURE 2
BIG FOUR PAY COMPARISON – 12 YEAR CAPTAIN

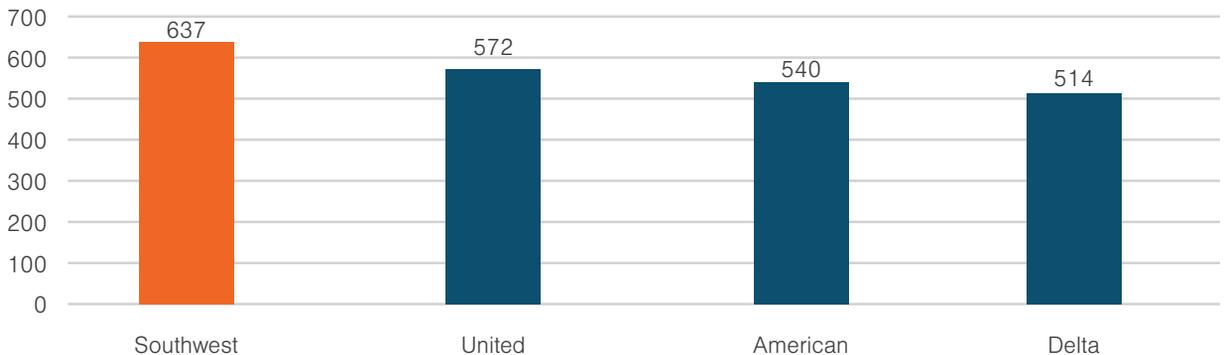


SWA rate multiplied by 1.149 TFP/hour conversion factor. Dashed lines indicate amendable periods of respective CBAs.

Consider Delta Air Lines. A SWAPA Pilot trails a Delta B-737 Pilot by about 5%, but the payrate is at least in the ballpark. But a senior Delta Captain can earn \$353.85 per hour when he can bid and hold a B-777. That’s about 24% more per hour than even our most senior Captains. SWAPA Pilots will never have that opportunity and for our Company to attract and retain the highest-quality Pilots out of the shrinking pool of qualified aviators, our pay scales need to account for total career earnings.

The Company likes to point to total annual wages to highlight the fact that we often out-earn Pilots at other carriers. The problem is that this ignores the fact that we are the most productive Pilots in the industry (see Figure 3). We work extra to earn extra. The Southwest manning model relies heavily on the average Pilot picking up additional flying each month.

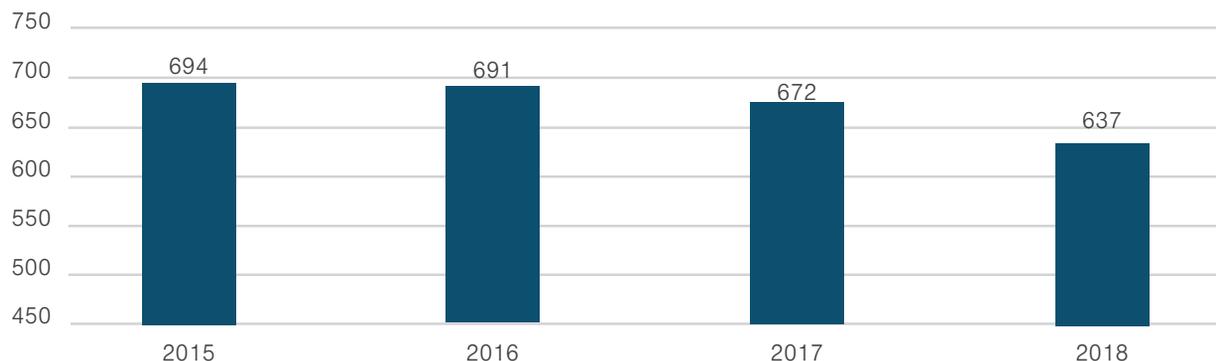
FIGURE 3
PILOT PRODUCTIVITY – BLOCK HOURS FLOWN (2018)



Source: DIIO

We take great pride in our Pilot productivity. The problem is that the Company’s decision to add extra headcount and its mismanagement of our reserves and uncovered flying has been forcing our Pilots to fly less (and therefore earn less). We’ll discuss this further in the Scheduling section of this NP, but you can see the impact in Figure 4, which shows Southwest average hours flown per year. Unless something changes, our title of the most productive Pilots in the industry is in jeopardy and with it, the Company’s competitive advantage.

FIGURE 4
AVERAGE BLOCK HRS PER PILOT



Source: DII/O



Polling for this special SWAPAFamily SEP cycle will be from July 8-22. If you haven’t already shared your email address but want to participate in polling, please drop us a line with your email address at commoffice@swapa.org. You can also send a direct message to Jean Peck on the [SWAPAFamily Facebook page](#).

And if you haven’t been to a SWAPAFamily event, please make plans to attend one of the following upcoming events:

2019 SWAPAFamily Celebration Events

| Date | Location | Venue |
|------------------------|----------|---------------------------------------------------------------------------------------------------------|
| August 8 (Thursday) | DEN | SWAPAFamily “Denver Disco” Event Main Event 64 Centennial Blvd • Highlands Ranch, CO 80129 |

2019 SWAPAFamily REACH Events

| Date | Location | Venue |
|-------------------------|----------|-----------------------------------------------------------------------------------------------------------------|
| July 11 (Thursday) | SLC | SWAPAFamily SLC REACH Event Dave & Buster’s 140 S Rio Grande St • Salt Lake City, UT 84101 |
| August 15 (Thursday) | MSP | SWAPAFamily MSP REACH Event Dave & Buster’s • Southdale Center 500 Southdale Ctr • Edina, MN 55435 |



BENEFITS

A competitive Company-provided benefits package that includes healthcare coverage, disability insurance, retired/disabled Pilot medical coverage, and other ancillary plans is essential for the welfare of our Pilots and their families. Second only to pay, benefits allow the Company to continue to attract the industry's best aviators and Southwest must make them a priority.

DISABILITY INSURANCE

In nearly all of our households, the SWAPA Pilot's income is essential, making disability insurance critical for most of us. At Southwest, income replacement is provided by the Company in two ways: via our individual sick banks and the Loss of License (LOL) plan. Due to critical gaps in coverage for our Pilots, SWAPA has been forced to step up and establish Short-Term Disability (STD), Long-Term Disability (LTD), and Voluntary LOL (VLLOL) plans. These plans require funding by the Pilots themselves. Unlike our peers at other major airlines, SWAPA Pilots carry the burden for this coverage through premium costs and VEBA charges (more on this later).

FIGURE 5
COMPANY-PROVIDED LONG-TERM DISABILITY (LTD)

| | Waiting Period | Benefit | Benefit Limit | Duration | Chemical Dependency |
|------------------|--------------------------------------------|------------------------------------------------------------------------------------------------|---------------|----------|---------------------|
| American | 90 days or exhaust sick/vacation | 60% of average monthly compensation for previous 12 months or the highest year of past 5 years | \$8,000 | Age 65 | 24 months |
| Delta | 26 weeks | 50% of final average earnings | NONE | Age 65 | 30 months |
| United | 90 days or exhaust sick leave to 120 hours | 50% x 85.5 hours x current rate | \$8,000 | Age 65 | 12 months |
| Southwest | NONE | NONE | NONE | NONE | NONE |

When it comes to LTD, no matter if it's 50% or 60% of average earnings like our Big Four peers (see Figure 5), a Company-provided plan starting at 90 days would be a major improvement to our current benefit, which is zero. When it comes to LTD, it's eye-opening to look at even the smaller and ultra-low cost carriers around industry.

FIGURE 6
COMPANY-PROVIDED LONG-TERM DISABILITY (LTD) – OTHER MAJOR AIRLINES

| | Waiting Period | Benefit | Benefit Limit | Duration | Chemical/Mental Dependency |
|-----------------|-------------------------------------------------|----------------------------------------------------|-----------------------|----------|----------------------------|
| Alaska | 6 months | 50% of previous 12 months | None | Age 65 | N/A |
| FedEx | Exhaust sick leave | 60% of FAE first 24 months, 50% of FAE thereafter | 60%/50% of 401(a)(17) | Age 65 | 30 months |
| Frontier | 90 days | 60% x 75 hours @ current rate | \$5,000 | Age 65 | 24 months |
| Hawaiian | Later of 90 days or exhaust occupational injury | 10% x FAE at 2 years, increased 5% per year to 50% | None | Lifetime | 24 months |
| JetBlue | 180 days | 55% x gross compensation | \$15,000 | Age 65 | 24 months |
| Spirit | 90 days | 60% of FAE | \$5,000 | Age 65 | 24 months |

Note: FAE is Final Average Earnings

Figure 6 just drives home the point that every other major carrier in the industry, from Spirit to Delta, provides LTD until age 65. Southwest must improve our disability coverage in 2020.

COMPANY-PROVIDED LOSS OF LICENSE

Instead of LTD, Southwest offers Loss of License (LOL) coverage. It’s similar to LTD, but it’s much more complicated and offers less coverage than those offered at the other Big Four. Our LOL plan pays up to 60% of pre-disability earnings with a maximum benefit of \$11,500 per month. Unfortunately, the SWA LOL Plan has some significant deficiencies. For instance, it requires our Pilots to exhaust their sick bank before they can start to receive the benefit. This means that a Pilot with a large sick bank could take nearly a year and a half before he or she qualified for benefits. And a Pilot who suffers multiple illnesses or injuries may not have enough sick time accrued to reach the six-month minimum elimination period. The biggest problem with SWA LOL is that it only pays a benefit for half the length of service (but no less than five years). For example, a Pilot with 16 years of service will only receive eight years of LOL before he is without any Company disability benefit.

Even if a Pilot does collect the LOL benefit, the \$11,500 maximum monthly benefit ends up not being enough for many of our families. Based on current pay rates, the cap means LOL will only pay 47% of gross wages for a 12-year Captain who flies the system average of 108 TFP per month.



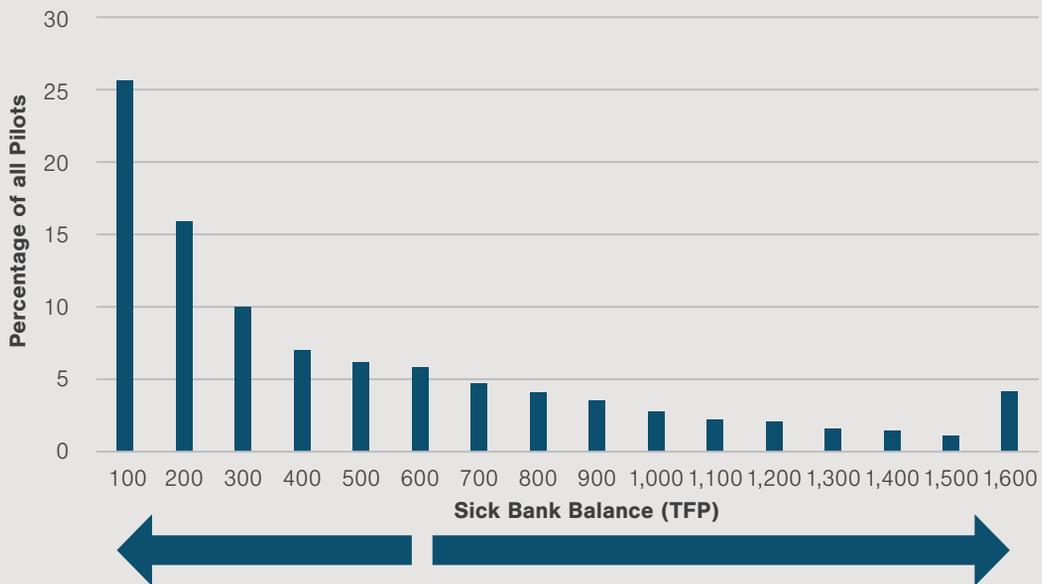
Every other major carrier in the industry, from Spirit to Delta, provides LTD until age 65.

HEALTHCARE IN RETIREMENT

Every other carrier besides Southwest Airlines offers contractual protections to ensure not only income protection for disabled Pilots, but also long-term medical coverage. It's especially important to us because the FAA holds Pilots to much higher physical and mental standards and we can be removed from duty for conditions that would have little to no impact on ground personnel.

LOSS OF LICENSE NEEDS AN OVERHAUL

Total Pilot Sick Bank Balances (as of May 2018)



← These Pilots need SWAPA STD/LTD to bridge the gap between sick leave and LOL.

→ These Pilots will have to wait longer than 6 months to receive LOL benefits because they need to burn all of their sick leave first.

SWA LOL doesn't begin for a minimum of six months (the elimination period) and the exhaustion of the Pilot's sick bank. Pilots who have less than 600 TFP in their sick bank will have a gap in income before LOL kicks in unless they have opted into the SWAPA disability plans. (Worth repeating: Our Pilots pay premiums for those.) Thanks to a number of complex rules, Pilots who have more than 600 sick TFP will have their LOL benefit delayed until their sick bank reaches zero. And again, unlike every other major airline, our benefit is the only one not guaranteed to age 65

Once a Pilot becomes disabled at Southwest Airlines, the ticking time bomb of healthcare coverage begins. The average duration of disability is nearly three years – 31.6 months. For Pilots waiting on FAA approval to return to work, that time can be much longer. Today at SWA, disability healthcare coverage has four stages as you can see in Figure 7.

FIGURE 7
COMPANY-PROVIDED HEALTHCARE FOR DISABLED SOUTHWEST PILOTS

| STAGE | HEALTHCARE COVERAGE | COST |
|-------|-------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|
| 1 | Until 120 days after sick bank exhaustion | Active employee rate |
| 2 | COBRA is offered for 18 months | COBRA rates (102% of active rates) |
| 3 | After exhaustion of COBRA, Supplemental Medical Plan Choice C (standard) or Choice+ (optional upgrade) Timeframe: 2 to 2.5 years | No premium for Choice C, additional cost for optional Choice+ |
| 4 | If Pilot is still disabled at the exhaustion of Pilot Supplemental Medical, THERE IS NO COMPANY-PROVIDED MEDICAL COVERAGE | N/A |

What this table doesn't show is that the SWAPA Voluntary Employees' Beneficiary Association (VEBA) (that, you guessed it, our Pilots pay for) covers COBRA costs in Stage 2 and provides health insurance for our disabled Pilots in Stage 4 after the Company has abandoned them. Collectively, our Pilots carry the burden because Southwest won't.

BENEFITS CONCLUSION

For too long SWAPA Pilots have had to pay for benefits that are provided as part of an industry-standard compensation package to our OAL peers. When we face the uncertainty of disability, our families shouldn't have to be worried that medical insurance and disability payments will end. Many of these issues simply come down to management agreeing to do what's right.

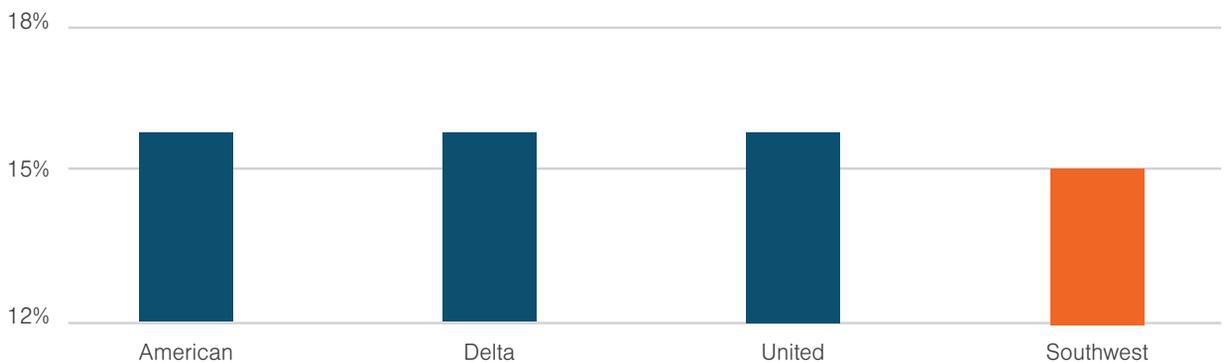
The to-do list is long: contractual medical provisions, medical insurance and better protections for disabled Pilots, sick leave issues, post-retirement healthcare, life insurance, medical savings accounts, flight physical reimbursement, mitigating environmental risks, and improved mental and substance abuse treatments are just some of the areas that we must improve in 2020 just to reach industry average. We've just scratched the surface of Benefits in this NP. If you'd like to read more, you can [read the full Benefits NP here](#).



RETIREMENT

Contract 2012 (which was signed in 2016) moved Southwest Pilots to within reach of an industry-standard retirement plan, but the work isn't finished. Today, the market rate for a professional Pilot at a Big Four carrier includes a 16% Non-Elective Contribution (NEC) to his or her 401(k) Plan (see Figure 8). SWAPA Pilots currently receive a 15% NEC. And while 16% is the mark today, the other Pilot unions are all in active bargaining and have publicly stated that they will be seeking greater retirement benefits. Delta Pilots have publicly announced a goal for retirement that is effectively 25% of wages.

FIGURE 8
COMPANY 401(k) CONTRIBUTIONS



PROFIT SHARING

Southwest Airlines was an industry leader in the 1970s when it implemented a profit sharing plan to help its employees save for retirement (see Figure 9). Arriving long after ours, the other Big Four airlines established profit sharing as cash bonuses. The systems are different, but there are advantages to each. Some Pilots want to save as much money as they can in qualified retirement accounts. Others are in different life circumstances and may need more income to pay for things like a new home or college tuition or a new addition to their family. That's why SWAPA wants to know what's more important to our Pilots and their families.

FIGURE 9
HISTORIC PROFIT SHARING AT SOUTHWEST



OTHER RETIREMENT NEEDS

Our SEP on retirement turned up a number of concerns our Pilots have when it comes to getting ready to retire. Chief among them were the issues of medical and disability insurance. One benefit SWAPA is still pushing the Company to implement is a Retiree Health Account (RHA) which was agreed to in our current CBA. You can read about [RHAs here](#). Beyond insurance coverage, our Pilots highlighted a need for more financial and estate planning – areas SWAPA is actively investigating. Rest assured that when it comes to retirement, our Union is looking at all aspects and will work to provide our Pilots with their best chance at enjoying their well-deserved Golden Years.

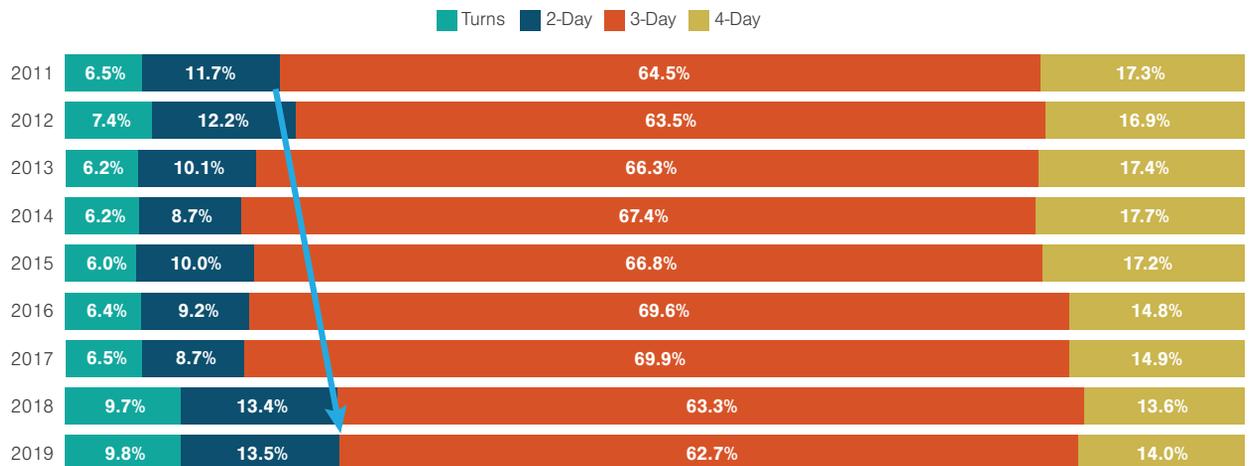


Anyone who’s been around this industry for any time realizes how important a Pilot’s schedule is. An efficient schedule lets us earn a living for our families while being away from them as little as possible and is thus the key to our quality of life. Trip length, commutability, duty day length, rest periods, overnight locations, and unplanned disruptions (reassignments and involuntarily working on days off) are just some of the quality of life factors SWAPA has studied over the past two years of this SEP process.

BUILDING TRIPS TO MEET OUR NEEDS

Trip construction is the starting point for a Pilot’s schedule. Therefore, a variety of pairing types is the key to making schedules so everyone can at least try to get their needs and desires met. Currently there is very generic contract language regarding required percentages of various trip lengths, no consideration for the demographic make up of the domicile, and no required commutability parameters. Shorter pairings allow in-base Pilots to be at home more nights, are easier pieces of the scheduling puzzle for Pilots to move around with our trading programs, and Pilots are legal to pick them up if they want to supplement their pay.

FIGURE 10
PLANNED PERCENTAGES OF TRIPS BY LENGTH

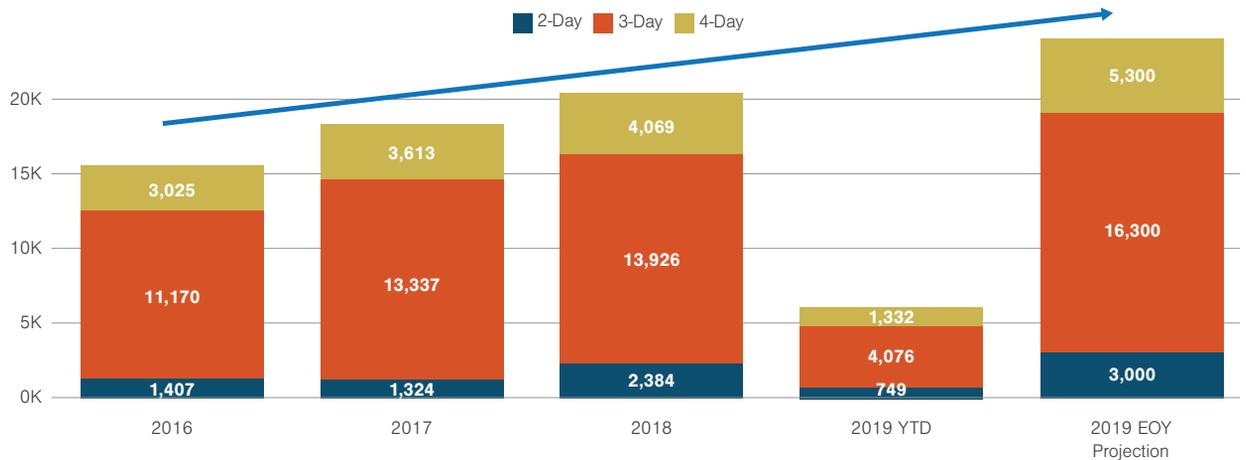


COMMUTABLE TRIPS

More commutable pairings and trips with overnights in typical commuter cities, especially in domiciles with a lot of commuters, allows those Pilots to avoid the additional time and expense of extra nights away from home before and after their trips as well as potentially getting a mid-trip night at home (think holidays or family events). Certainly, with Southwest’s point-to-point, rather than hub-and-spoke, flight schedule these can

be more challenging to produce, but SWAPA's data shows that they are feasible without greatly increasing planned costs. While SWAPA has been working with Crew Planning for several years to improve some of these metrics voluntarily (see Figures 10 and 11), having better contractual provisions to create trips and bid lines that are more in-line with Pilot preferences in general and in each specific base are goals for Contract 2020.

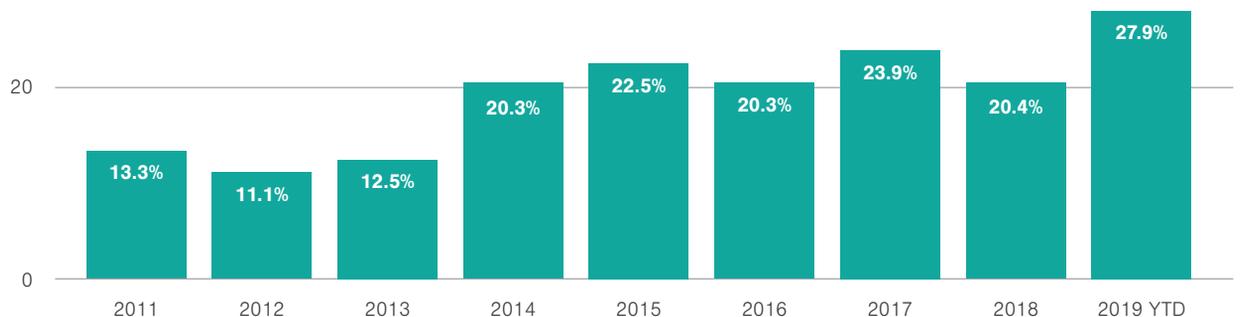
FIGURE 11
COMMUTABLE PAIRINGS



REASSIGNMENTS

The single greatest complaint our Pilots have is involuntary reassignments, especially when they don't make sense or infringe upon their quality of life. Expensive and fatiguing reassignments put strains on our Pilots and our operation. These happen on nearly 1 out of 3 days a Pilot flies and they are trending up (Figure 12). The worst-case result to these choices is that more Pilots get Junior Available (JA) and made to work on their days off which can mean time away from family events, holidays, and other important events. Certainly, we have provisions which can (but not always) make reassignments quite lucrative for Pilots, but wouldn't it make more sense to use more volunteers who prefer to be reassigned versus those who need a more reliable schedule even if it's just for that trip?

FIGURE 12
REASSIGNMENTS (PERCENT OF EXECUTED DUTY PERIODS)

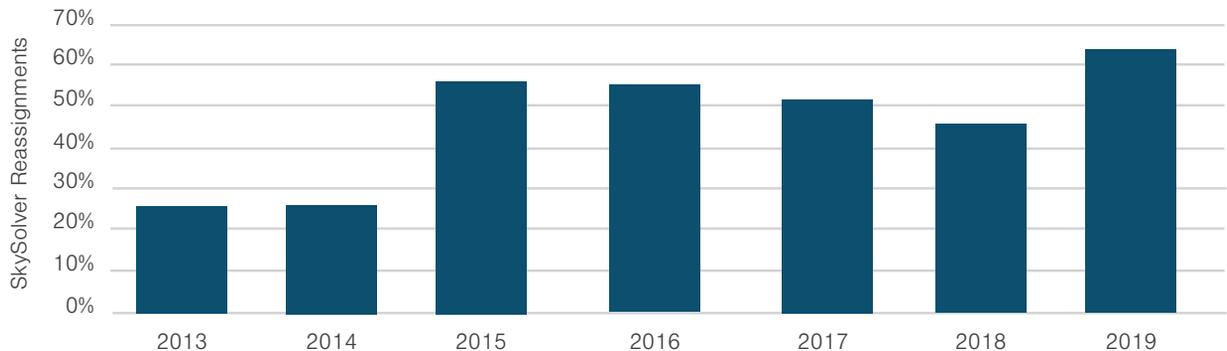


On top of that, SkySolver, Crew Scheduling's same-day operational recovery software, optimizes solutions in a way that is legal but primarily cost-driven. The Company often finds itself wrapped into a "fix" that, while cheap on paper, doesn't get properly vetted and too often fails the common-sense test for actually being completed as rescheduled. Understandably, these new plans — and their often-predictable failure — frustrate us and negatively impact our quality of life. The risk of a "domino effect" of additional reassignments caused by just one unrealistic solution's failure should be an issue the Company wants to address for its own sake.

OK, IT PAYS WELL, BUT IS IT SAFE?

Safety serves as another fail point in SkySolver solutions. Not many people would appreciate less than 11 hours of time off to sleep at a hotel sandwiched between 12-plus hour-long days of flying. Many schedule changes involve this exact formula of short overnights and long days (Figure 13), both of which serve as a fatigue-inducing experience for our Pilots as well as put the operation at risk. Contract 2020 serves as an opportunity to impose greater penalties for introducing these risk factors into the schedule and ensure better treatment of our members when out on the line so your loved ones don't come home to you feeling used and abused.

FIGURE 13
REASSIGNMENTS WITH LONG DAYS AND SHORT REST



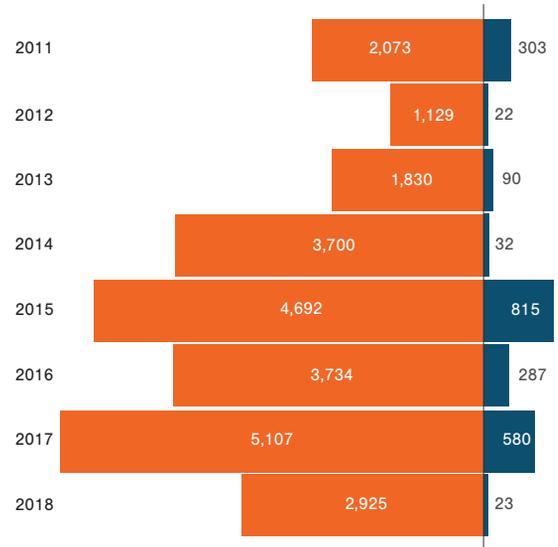
Four out of five short connections fail, but the Company's SkySolver software continues to rely on them to recover an operation that is already under strain.

HOME IN TIME FOR DINNER

There are two ways that Pilots can be involuntarily scheduled on a day off. The Company likes to make a distinction between “true JAs” (you’re the Junior Available Pilot, you’re coming back in tomorrow for a trip) versus reassignments which keep a Pilot out an additional night beyond their scheduled trip. But it’s nonsense because “true JAs” and unscheduled overnights are the same in terms of their impact on Pilots – they mean another day or more away from home working on a day off.

While JAs have been reduced significantly in the past year, online reassignments generated by the SkySolver software extending trips involuntarily remain a huge issue (Figure 14). The legal and cheap solutions inflict a great deal of turbulence to our Pilots’ schedules that wouldn’t occur if more time was spent considering smart solutions. Excessive online reassignments are one of the top issues we must address in Contract 2020.

FIGURE 14
TOTAL JA EVENTS



MANNING MISMANAGEMENT

If there are two ingredients in Southwest’s “secret sauce,” they are its employees’ great attitudes and industry-leading productivity. We all came to Southwest knowing we would work hard and be rewarded for it. SWAPA has never negotiated the highest pay in the industry. Instead, our Union and our Company built a system that encourages and rewards productivity. Unfortunately, that system has come under attack in the last few years with a change to the SWA manning model. Our flying schedule is very seasonal – high in the summer travel months, the holidays, and spring break. But in mid-winter and in the fall after school starts, flying (and the opportunity to earn) can get thin (see Figure 15).

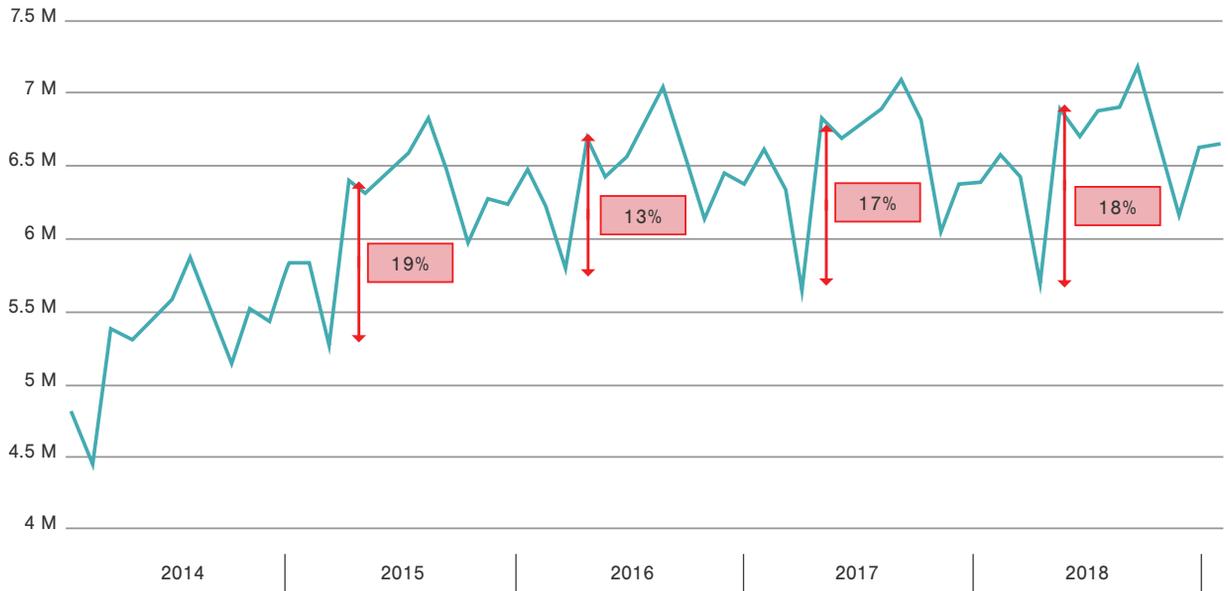
LEGAL, BUT ILLOGICAL

Trip Status:

| Herb Time | | <- Click to toggle. -> | | | | | | | | | | Estimated | |
|-----------|---------|------------------------|----------|----------|-------|------|----|--------|-----------|-------|-----|-----------|--|
| Date | Flight | Depart | Arrive | Eq | Block | Intl | MT | Ground | Wrk Codes | Block | | | |
| 17 Jul | DM 2178 | Rpt 0815 | BWI 0914 | MCO 1117 | 800 | 0 | | | | | 129 | RF | |
| 17 Jul | DM 2564 | MCO 1246 | DAL 1510 | 700 | 0 | | | | | | 105 | | |
| 17 Jul | DM 695 | DAL 1615 | AUS 1657 | 700 | 0 | | | | | | 38 | | |
| 17 Jul | DM 396 | AUS 1735 | MSY 1849 | 700 | 114 | | | | | | 133 | | |
| 17 Jul | DM 182 | MSY 2022 | BNA 2149 | 700 | 0 | | | | | | 9 | PP | |
| 17 Jul | DM 1962 | BNA 2158 | BWI 2330 | 700 | 0 | | | | | | 0 | PP | |
| | | | Rs 0000 | | | | | | | | | 114 | |

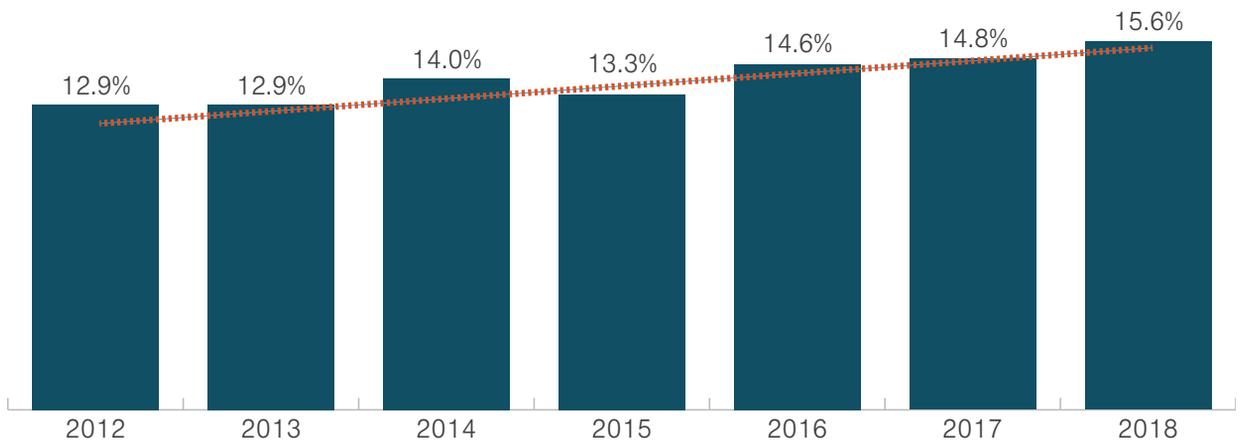
Here’s a perfect example of a solution SkySolver produced that was legal but definitely not smart. This trip sheet shows a Pilot who deadheaded Baltimore-Orlando-Dallas-Austin following a completely unrelated cancellation. He operated one leg from Austin to New Orleans and then deadheaded New Orleans-Nashville-Baltimore. He was on duty for 15:45 hours and was paid over 13 TFP that day. Meanwhile, there were 10 unused reserve Pilots in Dallas that day who could have covered the Austin-New Orleans leg. Talk about wasting our Profit Sharing!

FIGURE 15
SWA SEASONAL FLYING

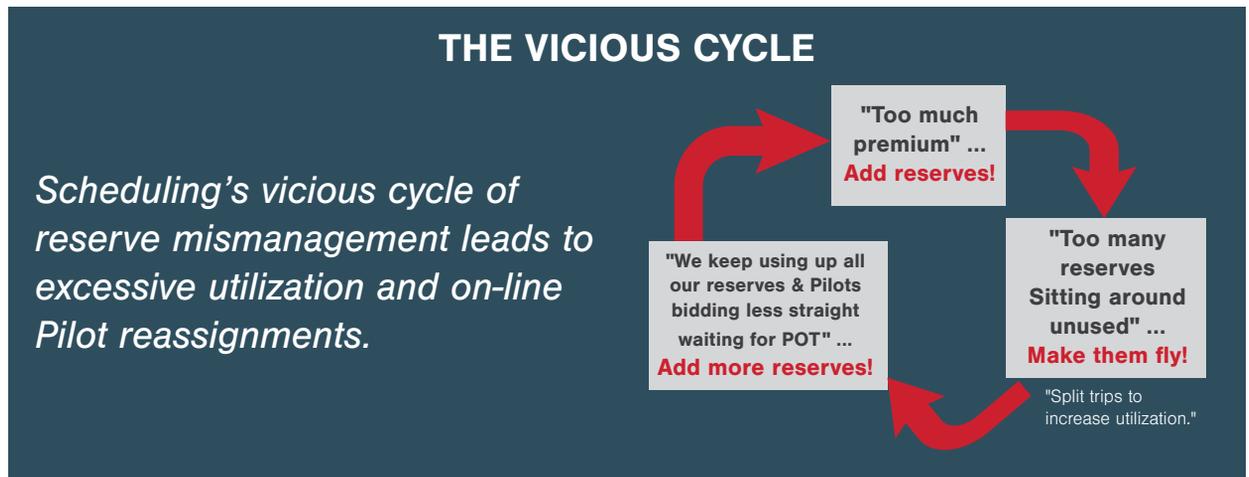


Historically, Southwest always planned its manning model to satisfy the slow months and relied on its Pilots to fly extra during the busy months. But today, the Company is trying to dig itself out of years of scheduling mismanagement by manning the operation for the busy months with a larger Pilot staff and increasing reserve coverage to the highest levels we’ve ever seen (Figure 16). That means that the slow months are slower and the busy months have less opportunity for premium pay because we have more Pilots on property than we truly need to manage the size of our network.

FIGURE 16
SWA RESERVE MANNING



Add to this inflated staffing model the way reserves are used. Rather than serve as a contingency force to prevent JA and assist with operational challenges, reserves are currently a means of suppressing voluntary open time by reducing premium awards as much as possible. SWAPA still questions why hiring a full-time Pilot to sit reserve all year is preferable to letting another Pilot already on property fly premium during a few high-demand months.



The bottom line is that our productivity is driven by the Company's manning model. There's a finite amount of flying to be done and when more Pilots are added to our seniority list, our productivity is diluted as a result. Even though it's cheaper to pay Pilots premium for a couple of months than it is to carry a lot of extra unnecessary headcount, management's marching orders appear to focus more on premium pay costs rather than overall costs.

WORKING SMARTER WHILE ENHANCING PILOT CAREERS

We've covered the issues. We're already seeing progress in our pairing mix which serve as the building blocks of our schedule quality but we need to codify and expand on that. Meanwhile, reassignments, JA, and excessive manning continue to serve as the greatest pain points in how the Company is mismanaging this employee group. If something isn't done soon, Southwest will lose one ingredient of its "secret sauce" — our Pilots' willingness to work extra for extra reward. That means our Company will be less competitive going forward into the rest of our careers — something none of us wants to happen. Rest assured SWAPA has studied the data thoroughly and is ready to present a comprehensive framework to correct the operational failings of recent years and enforce greater emphasis on quality of life in the day-to-day schedule experience.

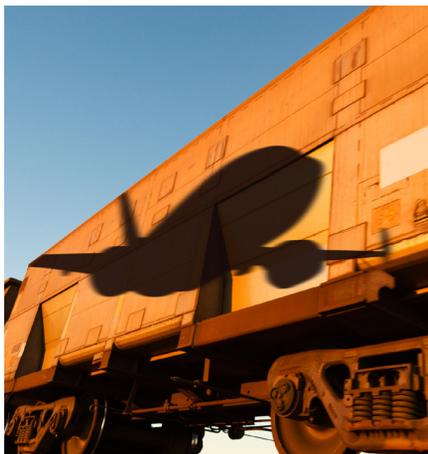


Historically, SWAPA Pilots have not prioritized industry-standard expense reimbursements. Whether it was due to the perception that SWA was just a small Texas start-up airline or because SWAPA Pilots preferred to focus on TFP rates, these expenses have always seemed to fall by the wayside at the negotiating table.

This approach has been a clear win for the Company as these “hidden” costs, which are borne by our Pilots, don’t show up as items on the expense sheet for our airline. While hourly rates of pay are the headline that gets played on CNBC when management insists Southwest Pilots should be “the highest paid 737 Pilots in the industry,” parking, uniform, and physical exam expenses get lost in that news, and from our bank accounts. And not to get too far into the weeds, but there are tax advantages for us to be reimbursed for expenses rather than just increase wages and pay for things out of pocket. It may sound silly to talk about uniform costs and parking expenses when Pilots generally earn six figures, but these and others add up. ([Read more about Expenses \(and Absences, next\) in this NP.](#))

PER DIEM

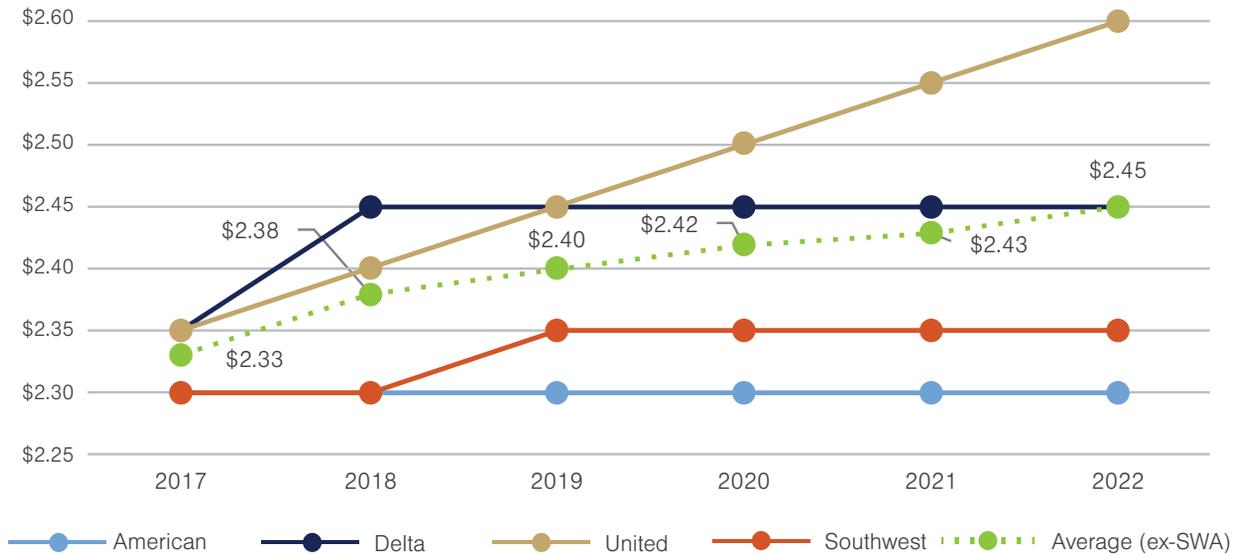
Per diem is an allowance paid to employees for lodging, meals, and incidental expenses incurred when travelling in lieu of paying actual travel expenses. Generally speaking, Southwest ranks third among the Big Four when it comes to per diem rates (see Figure 17). International per diem rates are a little higher across the board, but our relative standing is exactly the same. We are, and will be, below the United/Delta/American average through 2022 without making gains in 2020. And don’t forget that when looking at those carriers, all three provide meals on many domestic flights (not to mention international flights). Obviously, SWAPA Pilots don’t get that luxury, so instead that grab-and-go salad is additional money out of our pockets.



THE RLA

The Railway Labor Act is a United States federal law on U.S. labor law that governs labor relations in the railroad and airline industries. The Act, passed in 1926 and amended in 1934 and 1936, seeks to substitute bargaining, arbitration, and mediation for strikes to resolve labor disputes. It spells out the process that our upcoming negotiations will take. You can [read more here.](#)

FIGURE 17
DOMESTIC PER DIEM



BEFORE MOVING ON

Again, these expenses are nothing more than the cost of doing business for a Big Four airline. Until now, these hidden expenses have gotten lost in almost every compensation comparison published, and they have been ignored whenever Pilot wages were mentioned in the media. Below is a blank sheet response from one of our Pilots that sums it up better than we can:

“The bottom line: these are all costs of the corporation. For too long, this Pilot group has been convinced (hoodwinked) into believing that we have to subsidize the costs of the corporation. ‘It’s part of the culture!’ This needs to stop with C2020. Every crew meal I don’t get, every time I spend above per diem, every medical that I help pay for, every time I park, every time I buy a shirt/dry cleaning, every time I do an aircraft swap for free, all I am doing is putting money in the hands of some Wall Street investment firm and some rich dude. Let’s start being realistic that this is a corporation; we’re stakeholder employees; the corporation needs to pay its costs; we need to negotiate for these things that we need.”



ABSENCES & LEAVES

“Too long” is exactly how long we’ve waited for Southwest Airlines to address other ancillary benefits like leaves of absences for our families. Society has become more enlightened about issues like family care and rules protecting new mothers, but our contract certainly has not kept pace.

THE FAMILY MEDICAL LEAVE ACT

Consider the federal Family Medical and Leave Act (FMLA) which requires employers to provide employees with job-protected and unpaid leave for qualified medical and family reasons. While it’s a cornerstone of protection for employees, it’s still a complicated federal law that calls for detailed policies to be implemented. In our blank sheet surveys, our Pilots have reported complex and contradictory rules and approvals processes. They wanted clearer language to explain exactly how the process should work, which isn’t surprising. Our CBA offers only 53 words on the subject. While quantity is, admittedly, not quality, Delta’s FMLA provisions provide clarity and structure with more than 10 times as many words on the subject. The United CBA provides even more detail. When times are tough and we need to care for our families, we don’t need to worry about inconsistent and uncertain application of the rules. We need clarity and straight-forward guidance. FMLA is one issue we must address in 2020.

MATERNITY LEAVE

If there’s a single issue to illustrate how woefully out of date our contract is, it’s maternity leave. We often point out that much of today’s contract is based on language written more than a quarter century ago (the 1994 CBA), but our maternity language was written long before that. Below is our current maternity language in its entirety compared to the very first time it showed up in our CBA in 1983.

1. Any pilot who becomes pregnant ~~shall will, within fourteen (14) days of learning of her condition,~~ notify her supervisor and present a medical certificate confirming the pregnancy ~~and the~~ expected date of delivery, and containing authorization for the pilot to continue flying. ~~within fourteen (14) days of learning of her condition.~~ The pilot may continue to work ~~through the twentieth (20) week of pregnancy~~ provided that she furnishes the ~~c~~Company with medical authorization every ~~thirty (30)~~ days on a form supplied by the Company. ~~After the 20th week of pregnancy, or Whenever~~ such ~~pilot’s~~ doctor will not provide the required medical authorization, ~~whichever occurs first,~~ the pilot ~~shall will~~ request maternity leave. When maternity leave is requested, such leave will be granted until such time as the disability caused by the pregnancy is no longer present, ~~and thereafter,~~ except for extraordinary circumstances, for a period not to exceed more than one hundred twenty (120) days after the termination of the pregnancy. During such period, she will retain and continue to accrue seniority ~~and longevity.~~ Her accrued sick leave may be used for maternity leave.

2. A pilot *shall* notify the Company, in writing, of the termination of her pregnancy within fourteen (14) days, and of her expected date of return to active service within thirty (30) days after termination of her pregnancy. If a pilot is unable to return to active service because of a certified, bona fide medical incapacitation, she *shall* be entitled to receive a medical leave of absence under the provisions of this *s*Section.
3. A pilot *who* that adopts a dependent child *that is* not currently living in *the pilot's* home will be granted a personal leave of absence for a period not to exceed ninety (90) days and *shall* retain and continue to accrue seniority during such leave.

Over 35 years, maternity leave for our Pilots has undergone a couple dozen style edits but nothing of substance. It's shocking to see how little has changed, even as society has made great strides. And for a Company that claims it's actively seeking better representation of women in the cockpit, it's a subject that is obviously due for substantial improvements in 2020.

MILITARY LEAVE (MILOA)

Family leave isn't the only kind of absence SWAPA must address in 2020. Close to half of our Pilots came to Southwest after military service. Most of us understand the sacrifice those members and their families make to serve. To the outside, Southwest is very pro-military. It even touts its selection as a Military Friendly® Employer on its Investor Relations page. But internally, many of our military members tell a very different story.



Southwest Airlines Named A 2018 Military Friendly® Employer By Victory Media

Just last year, Southwest Airlines settled a class-action lawsuit brought forward by one of our Pilots who claimed our Company didn't follow USERRA (the federal law that protects service members from job discrimination). The suit claimed Southwest failed to make retirement contributions and withheld sick leave credit required by law. As a result of the settlement, the Company agreed to pay more than \$19 million to Pilots who had drilled in the Guard and Reserves as far back as 2001. This year, another federal lawsuit was filed on behalf of service members alleging unequal treatment during short-term military leaves. That suit is currently pending.

When our Pilots came to SWAPA to assist them with these issues, our Union was unable to help. Since management is by law required to abide by USERRA, our contract was written without addressing it. But seeing as how our Pilots regularly contact their Union regarding inconsistent trip pulls and application of the Joint SWA/SWAPA Military Handbook, it's time for those rules to be clarified and codified for everyone's sake.

VACATION

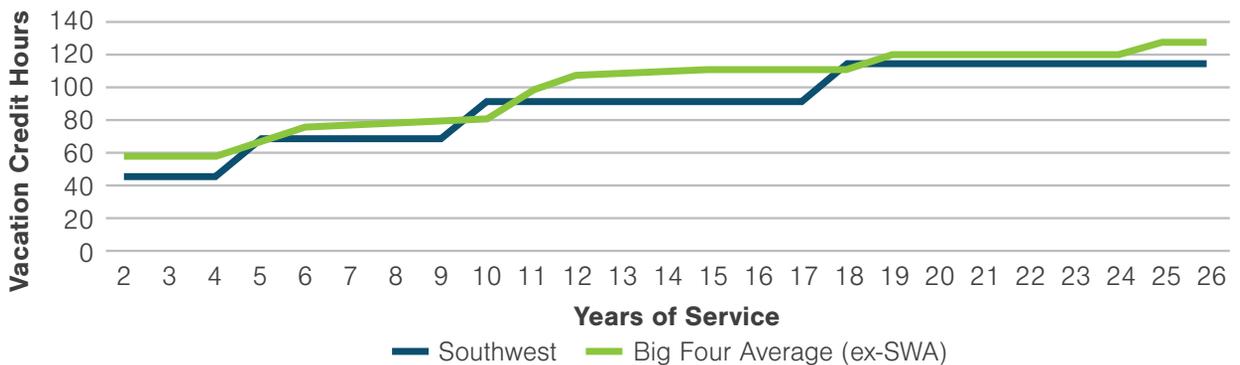
When it comes to vacation accrual, American is the most generous to its newer Pilots. It provides three weeks of vacation starting out with longevity increases above the Big Four average (see Figure 18). But it recoups those days by limiting its most senior Pilots to the fewest annual vacation days (31) among the Big Four. United provides an industry-leading sixth week of vacation to Pilots with 26 or more years of service. Southwest and Delta fall in the middle and are nearly identical to each other when it comes to accrual.

FIGURE 18

| Year | 2 | 4 | 6 | 8 | 10 | 12 | 14 | 16 | 18 | 20 | 22 | 24 | 26 | 28 | 30+ |
|------------------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|-----|
| Southwest | 14 | 14 | 21 | 21 | 28 | 28 | 28 | 28 | 35 | 35 | 35 | 35 | 35 | 35 | 35 |
| American | 21 | 21 | 22 | 24 | 26 | 28 | 30 | 31 | 31 | 31 | 31 | 31 | 31 | 31 | 31 |
| Delta | 14 | 14 | 21 | 21 | 21 | 28 | 28 | 28 | 28 | 35 | 35 | 35 | 35 | 35 | 35 |
| United | 14 | 14 | 21 | 21 | 21 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 42 | 42 | 42 |

But not all vacation is equal. Different CBAs put a different pay credit value per day of vacation (when vacation pulls don't apply). Figure 19 shows the comparison when accounting for contractual daily credit for each day of vacation.

FIGURE 19
ANNUAL VACATION VALUE



SWA based on standard 1.149 TFP/hour conversion rate.

VACATION WEEK DISTRIBUTION

Why can't so many of us get summer vacations?

Our CBA requires the Company to offer 95% of total earned vacation weeks to Captains and 105% of earned FO vacations as regular weeks. The remaining Captain requirements are awarded as "floating vacations," something very few of us want.

Our convoluted vacation distribution language lets the Company average out vacations offered over each quarter. Rather than trying to explain those distribution rules, Figure 20 shows how the Company "optimizes" our vacation weeks under our current contract. Not surprisingly, our usual family time runs directly counter to the Company's vacation offerings. They want us to work when families usually travel. FOs clearly run a deficit starting around spring break, throughout the peak summer, and during Thanksgiving and Christmas.

FIGURE 20
2019 FO DISTRIBUTION OF VACATION WEEKS

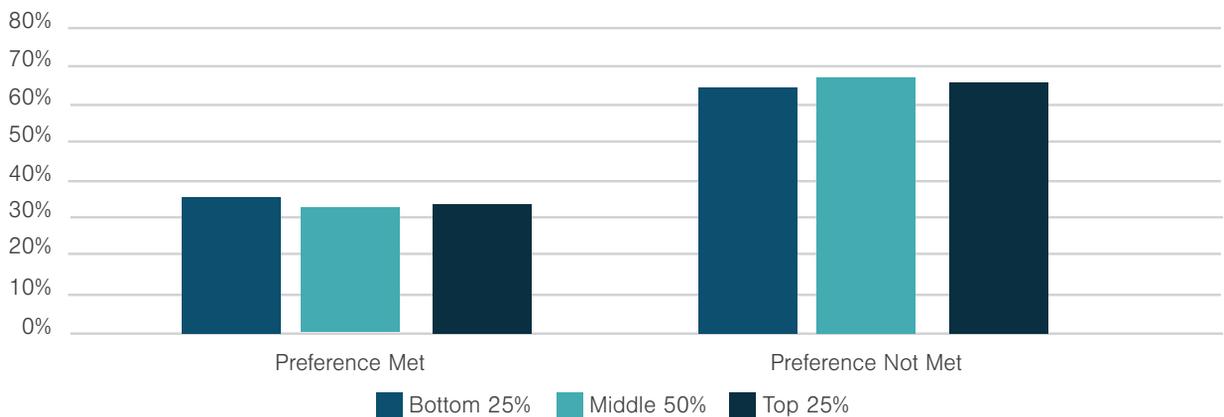


Because the Company is only required to offer 95% of earned Captain vacation weeks, the shortfall on their side is even worse. Requiring a more reasonable distribution of vacation weeks is a good first step to improving our vacation opportunities. And basing that distribution on an inventory of 105% for both seats would be a major improvement as well.



The Pilot profession relies on seniority to assign work. It's a bedrock concept everywhere across the industry. Well, everywhere except at the Southwest Training Center. We get to make our "preferences" known which only give us the illusion of having some say in a system that prioritizes cost savings over everything else — customer service, flexibility, or quality training.

FIGURE 21
TRAINING WEEK ASSIGNED VERSUS PREFERENCE (MAX PAY)

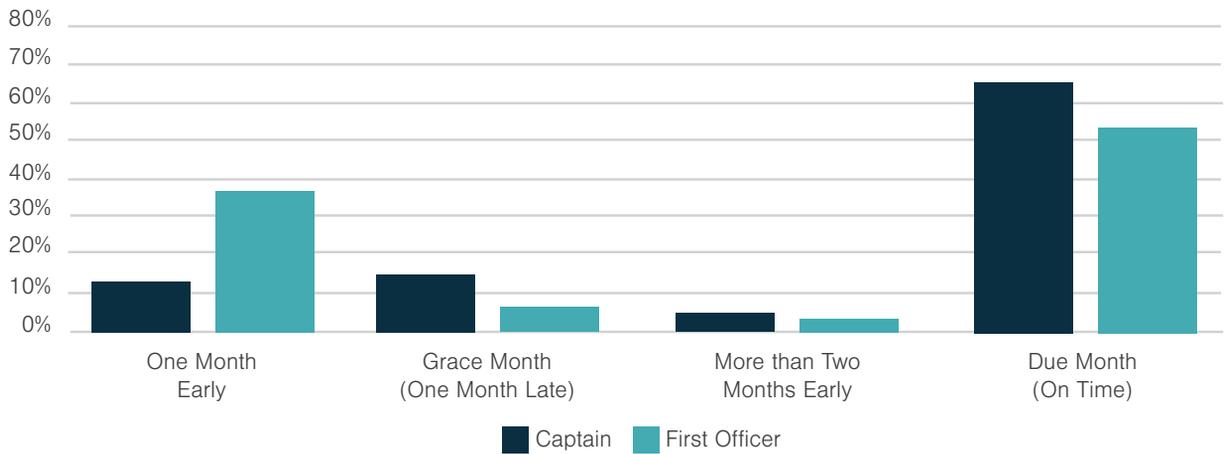


The SWAPA Schedule Research Committee (SRC) looked at training week preferences for Max Pay bidders (see Figure 21). The overall result was that in any given week, about 68% of the Pilots were not assigned the week they bid. If weeks were assigned purely randomly, the number would have been 75% — not a very effective use of preferences! Across the seniority list, the result was the same — seniority effectively played no role.

TRAINING MONTH: ON TIME, EARLY, OR GRACE

A Pilot's training month is important. It can impact most of the month with study time/preparation and extra time spent away from home while in Dallas. A Pilot's CWA board is also frozen for an extended time before his training month so he's prevented from making and offering trades. It's bad enough when a Pilot can plan on which month he will train, but when Training Scheduling involuntarily and without explanation moves him, it can cause even more harm. Our Pilots clearly want better control over their training months. You can see in Figure 22 that only about half of FOs and about two-thirds of Captains train on time in their due month. And they had no choice or input into the decision.

FIGURE 22
2016/2017 SCHEDULED TRAINING MONTH



THE PATH FORWARD

If there is one thing that nearly every SWAPA Pilot agrees on, it is that our current Training Scheduling process does not reflect our preferences or take into account seniority in any meaningful way. And we haven't touched on the numerous issues we face when it comes to excessively long travel/training days, getting properly paid for training, and the harm to quality of life (QOL) we deal with when the Company fails to provide comp days for all required training. It's clear that Training Scheduling is another problem we need to fix in Contract 2020.





CONCLUSION

As you can see, there is a list of wide-ranging issues that SWAPA plans to address in Contract 2020. We've spent the last two years educating and polling our Pilots in order to better understand what matters to them most. Each section of this *Negotiating Point* has been the focus of a 30-40 page *NP* of its own. [You can click here to see all of them on the Negotiating Committee page of SWAPA.org](#). SWAPA has the data and the necessary expertise on these subjects. Now we just need direction.

SWAPA works for our members. And that means SWAPA works for you. You are a partner in your household and it's important that your concerns are recognized and prioritized too.

The path to a new CBA may not be easy. The last several major negotiations that Labor Relations has held against major employee groups have become acrimonious and placed a strain on the people of this airline that we love. However, we can't let their methods prevent us from negotiating a contract that recognizes our work as the most productive Pilots in the industry and our role as on-site leaders each and every day that we operate 737s around the Southwest system.

SWAPA is prepared to go as long and as far as our Pilots, and by extension, our families, are willing to go. You'll hear more from our Outreach Committee as the early opener date of March 1, 2020, gets closer. Until then, stay engaged with us and let us know what we can do for you and your family next month when follow-on polling begins.



The *Negotiating Point's* mission is to unify, educate, and communicate with the Pilots of Southwest Airlines.

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