

## A potential solution is to engage our Unions in joint problem solving instead of traditional negotiations



### Activities for SWAPA

#### Share story & align on problem

- ☐ Develop basic company level fact base
- ☐ Create change story
- ☐ Align on problem by holding 1-on-1 and small group meetings with Union leaders

#### Agree on detailed set of facts

- ☐ Build detailed workgroup-level fact base
- ☐ Align on joint fact base with Union (potentially using 3<sup>rd</sup> party to help mediate)

#### Set specific financial target

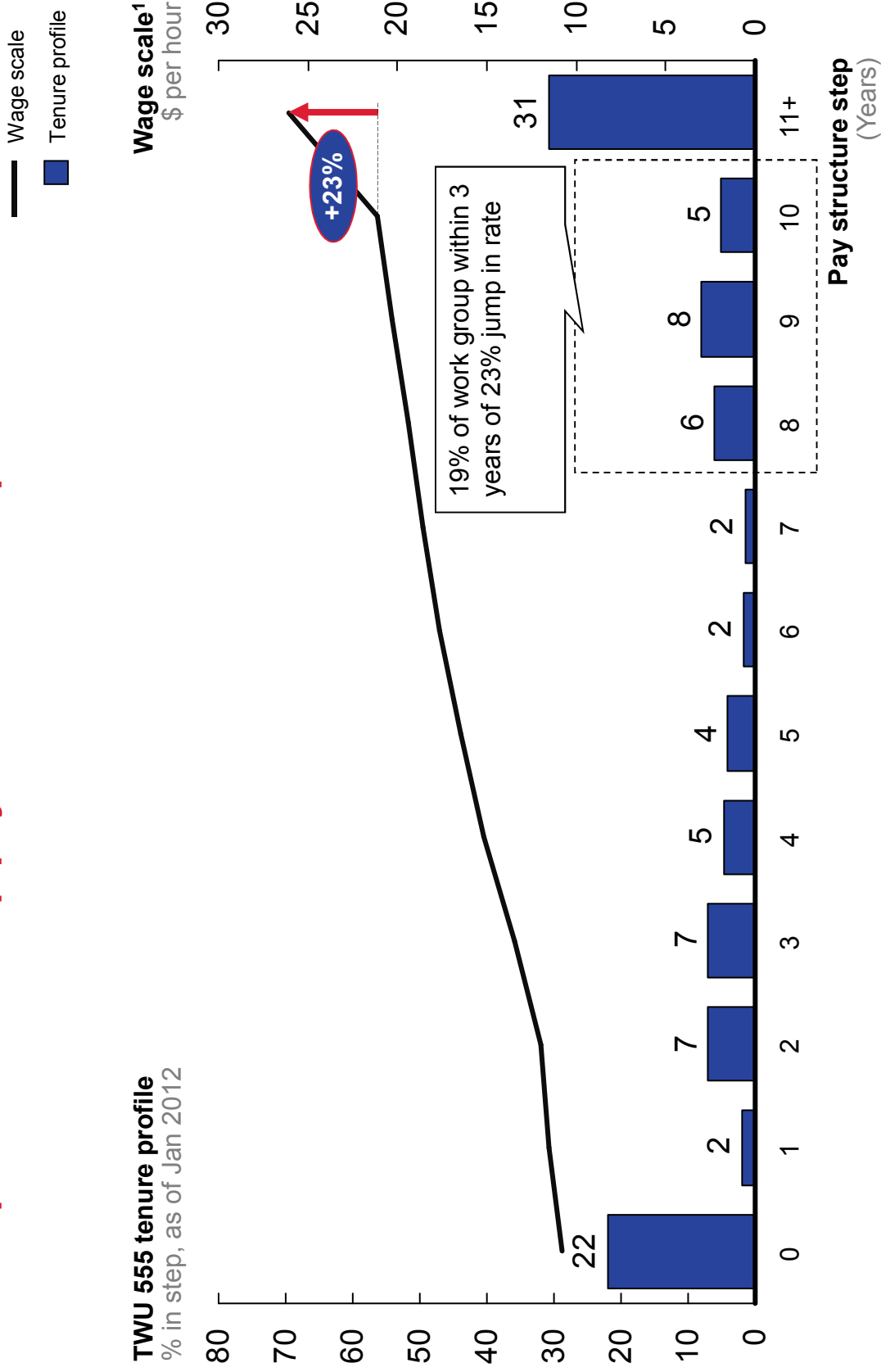
- ☐ Develop Company target and timing
- ☐ Agree on specific financial target and timing by holding 1-on-1 or small group meetings with Union leaders

#### Jointly problem solve how to meet goal

- ☐ Hold internal sessions to generate creative ideas to close gap
- ☐ Prioritize potential paths to meet objectives (e.g., productivity, wage reset)
- ☐ Work jointly with Union to identify the best way to achieve target
- ☐ Translate high level concepts into contract language



## The projected growth in TWU 555 labor costs is driven by the tenure profile and steep pay increase at Step 11



<sup>1</sup> Wage scale based on weighted average scales of Ramp/Provo agent and Ops/Cargo agent  
Source: TWU555 Seniority cost model, as of Jan 2012

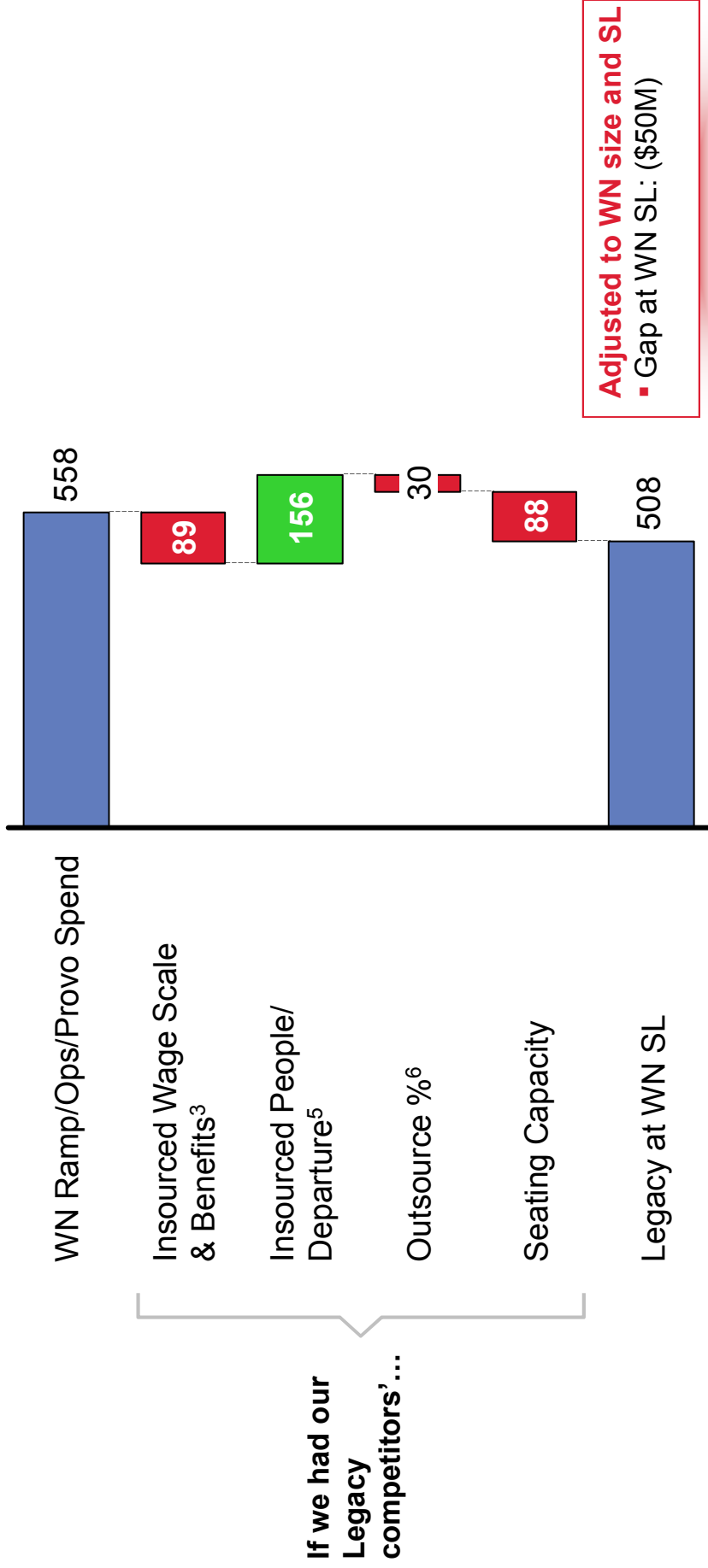
## Legacy Ground Ops: Gap is driven by higher compensation, smaller aircraft, offset by higher productivity



Disadvantage  
Advantage

### Ramp/Ops/Provo labor spend 2011

\$ Millions, adjusted to WN ASMs<sup>1,2</sup>



<sup>1</sup> Last twelve months as of September 30, 2011

<sup>2</sup> Legacy competitors include: Alaska, American, Continental, Delta, United, and USAir. Comparisons made using form 41 comparison data

<sup>3</sup> Average Legacy wage scales derived by weighting wages by block hour. Includes payroll tax impact of changing wage scale

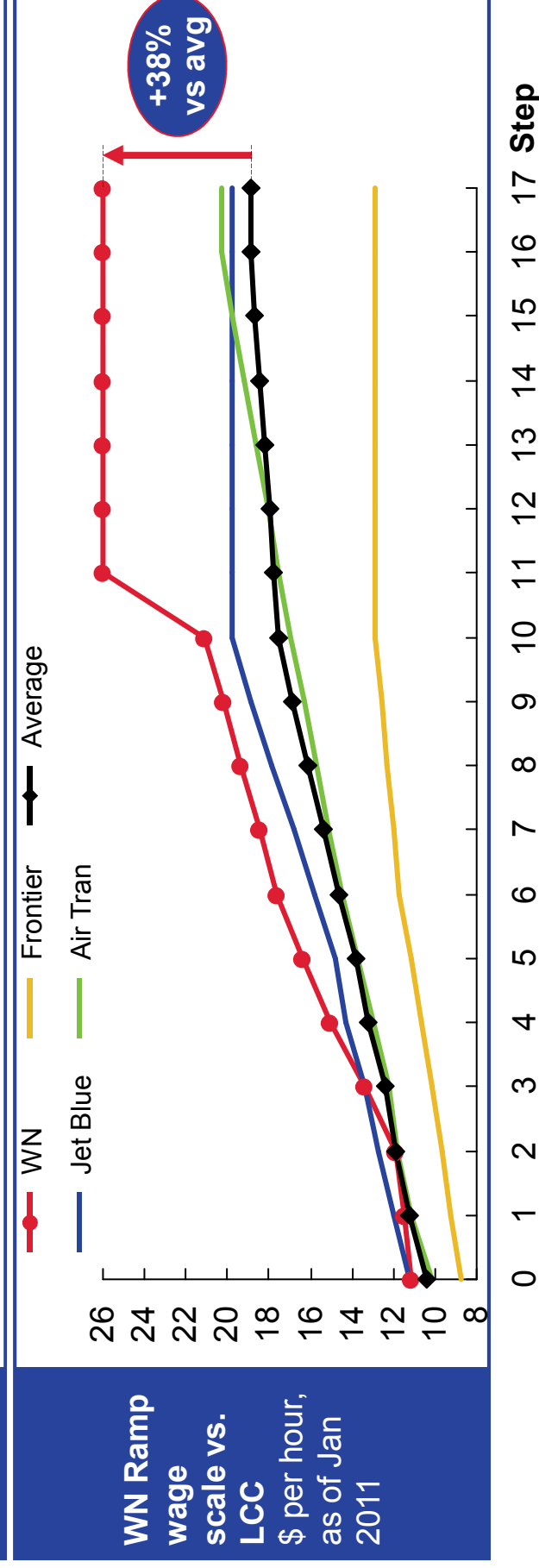
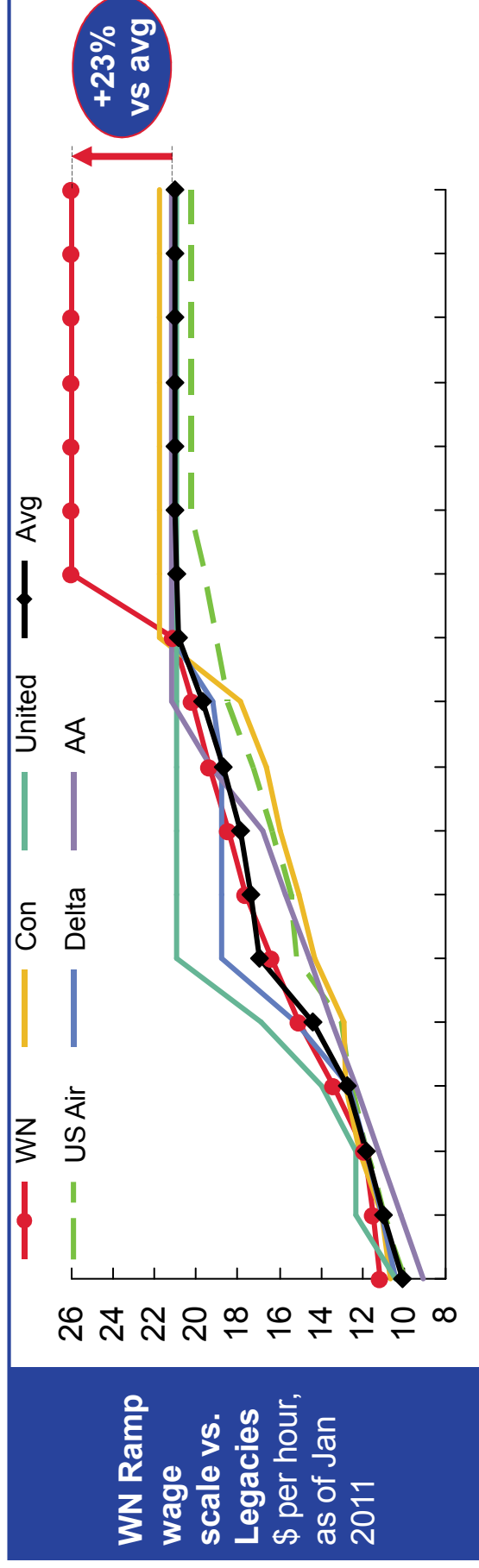
<sup>4</sup> Legacy ground personnel is estimated to work 2 hours or overtime per shift vs. Southwest ground personnel at less than 1 hour of overtime

<sup>5</sup> Insourced People / Departure = estimated number of ground operations personnel employed to turn an aircraft. For WN, excludes Ops Agents, who are in CSA comparisons

<sup>6</sup> Assumes that Legacy stations with less than 7 flights per day are outsourced except for Alaska Airlines where outsourcing is estimated at 75% of flights  
SOURCE: Form 41 via OAGAVIATION, Schedules P6, P5.2 and T2



## 555 Ramp wage scale

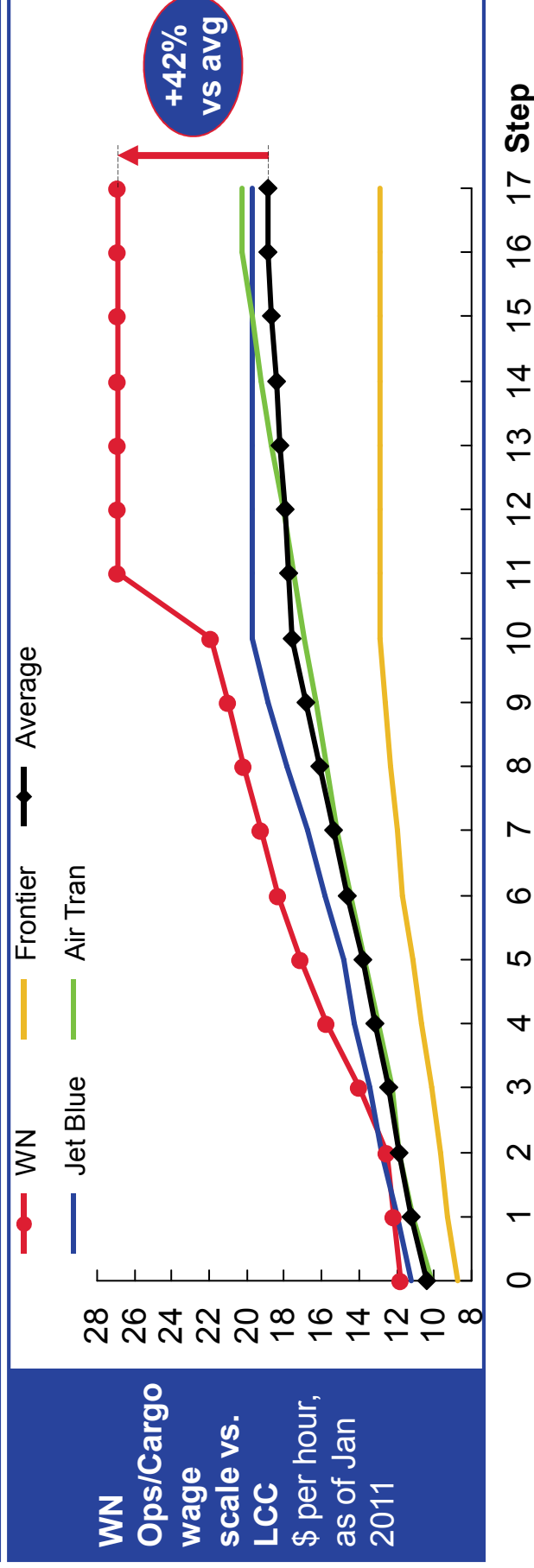
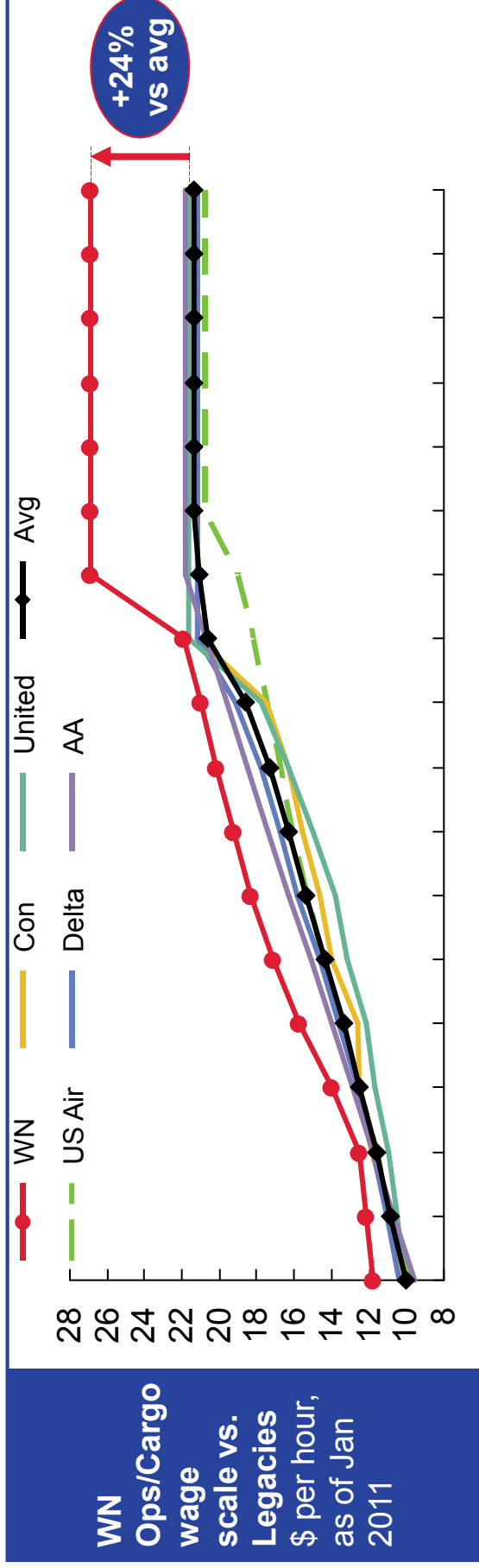


Source: Jan 2011 Air Conference results; Airline Pilot Central; Publicly available contracts

Footnote: Average weighted by total domestic block hours. WN uses standard 1.16 TFP to Hourly conversion rate



## 555 Ops/Cargo wage scale



Source: Jan 2011 Air Conference results; Airline Pilot Central; Publicly available contracts

Footnote: Average weighted by total domestic block hours. WN uses standard 1.16 TFP to Hourly conversion rate