



AIRCRAFT MECHANICS FRATERNAL ASSOCIATION

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Update on SWA–AirTran Integration and Negotiations on AMFA–SWA Transition Agreement

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This update will provide AMFA members at Southwest Airlines (SWA) with current information concerning the status of SWA–AirTran integration as it relates to SWA Mechanics. This update will first address AMFA’s negotiations with the Company concerning a transition agreement and then provide an overview of the Company’s seniority integration proposal dated November 4, 2011.

AMFA–SWA Transition Agreement Negotiations

As you may know, the Teamsters have submitted the Company’s seniority integration proposal dated November 4, 2011, to its members for ratification, together with a transition agreement negotiated between SWA and the Teamsters. This SWA–IBT transition agreement addresses dates by which AirTran mechanics will obtain SWA-equivalent wages, benefits, and work rules contingent upon both mechanic groups successfully completing their respective ratification processes.

It is AMFA’s position that there are critical transition issues that must be addressed before our own seniority ratification vote can proceed. These issues relate to AMFA’s efforts to increase maintenance work throughout the system, confirm the creation of addition premium positions as required by the AMFA–SWA CBA, and to protect the union representation and contract rights of certain employees.

AMFA negotiators met with the Company in Dallas, Texas on December 13 and 14 to address a range of issues, including:

- The implementation of a fourth line of heavy maintenance, which is required when the Southwest fleet reaches the level of 621 aircraft;
- An increase in B717 maintenance work to satisfy the AMFA–SWA CBA’s more rigorous scope requirements;
- The date by which the Company will create additional Lead Mechanic and Lead Inspector positions;
- The representation and contract rights of Technical Instructors and Technical Support Mechanics; and,
- A Letter of Agreement to provide basic contractual rights for Facility Technicians pending the August 16, 2012, date on which the Mechanics Agreement becomes amendable.

While progress was made with respect to several issues, AMFA is still awaiting Company counters in critical areas.

With respect to the potential expansion of B717 work, the parties reached a tentative agreement on a process whereby the Company will provide AMFA with program-related documents to facilitate a determination as to the proper application of the scope provisions of Article 2, Paragraph 6 to the 717 maintenance program. If the parties cannot reach an agreement on the proper scope of work, an arbitrator will be authorized to render a final and binding decision no later than April 1, 2012.

Unfortunately, the Company has stated they do not intend to implement the fourth line of heavy maintenance by the date at which it receives a single operating certificate from the FAA. The Company has asked that AMFA agree to defer the implementation of the fourth line of heavy maintenance in exchange for in-sourcing other work and specific commitments to increased hiring. While AMFA is still waiting for a specific proposal, its negotiators plainly stated to Company representatives that AMFA is reserving its rights to take appropriate legal action in response to this anticipated breach of contract.

Upon completion of the negotiations over these transition issues, both the seniority integration proposal and a transition agreement will be subject to a membership ratification vote. In view of the approaching holidays, it is AMFA's expectation that informational meetings regarding these two agreements will commence the second or third week of January.

The Company's Seniority Integration Proposal dated November 4, 2011

With respect to seniority integration, tripartite negotiations between AMFA, SWA, and the IBT culminated in a Company proposal dated November 4, 2011, which the AMFA Seniority Integration Committee has determined should be submitted to the membership for a ratification vote. The voting process will not commence until AMFA negotiators have completed its informational road shows.

As discussed further below, the proposal provides a significant seniority enhancement for pre-merger SWA Mechanics in all stations that were not exclusively staffed by AirTran mechanics prior to the merger, including any new stations created over the next five years. The proposal also provides for station-specific protections for both Mechanic groups.

Neither the seniority integration proposal nor the AMFA-SWA transition agreement will provide for any direct increases in compensation for SWA Mechanics. The Company has stated to AMFA that it will not provide signing bonuses, wage scale increases, or stock to any of the pre-merger SWA employee groups.

The November 4, 2011 proposal has ten paragraphs and each is reviewed below:

Par. 1 - Requirement of Ratification

The seniority integration proposal is subject to ratification by both Mechanic groups. If either Mechanic group fails to ratify, the proposal will have no effect.

Par. 2 - Concept of "OSD" (Original Seniority Date)

For those Mechanics on either the SWA or AirTran seniority lists as of May 2, 2011 (the closing date for the acquisition), their listed seniority date will be declared their OSD.

Par. 3 - Concept of "RSD" (Revised Seniority Date)

In addition to an OSD, mechanics on the SWA seniority list as of May 2, 2011, will also receive a RSD. The RSD will reflect a 70% increase over a mechanic's OSD, with a minimum increase of four (4) years.

Examples:

Southwest Mechanic with an OSD of 10 years would have a RSD of 17 years
(i.e. 10 years + 70% = 17 years)

Southwest Mechanic with an OSD of 1 year would have a RSD of 5 years
(i.e. 1 year + minimum 4 years = 5 years)

Par. 4 - Mechanics hired since acquisition closing date

Mechanics with seniority dates later than May 2, 2011, will not receive a RSD.

Par. 5 - Pre-May 2, 2011 Southwest Mechanics Use of OSD and RSD

At those stations that have been exclusively AirTran (i.e., ATL, FLL, MKE, BOS, IND, and MCO hangar), SWA Mechanics bidding into the station may use only their OSD seniority.

At all other current SWA stations, SWA Mechanics will utilize their full RSD seniority.

SWA mechanics will also have the full benefit of their RSD seniority at any new stations created and staffed within five (5) years of ratification of the seniority integration proposal. At new stations created subsequent to this five-year period, OSD seniority will apply.

Par. 6 - Use of OSD

At all stations, AirTran Mechanics shall use their OSD for all seniority related purposes while assigned to any station.

Par. 7 - Concept of "protected slots" at BWI and MCO

There are unique rules applicable to BWI and MCO line maintenance. These rules take into account that both SWA and AirTran work at these stations now.

Key points:

1. At these two locations, the Company will maintain the same respective number of day, evening, and RON line positions and days off as existed on May 2, 2011. These positions will be designated as "protected slots."
2. Any vacancy on a protected slot held by a SWA Mechanic will be filled by a pre-merger SWA mechanic. If no pre-merger SWA mechanic bids for a protected slot, the slot will be deleted from the SWA portfolio of protected slots.
3. Any vacancy on a protected slot held by an AirTran mechanic will be filled by a pre-merger AirTran mechanic. If no pre-merger AirTran mechanic bids for a protected slot, the slot will be deleted from the AirTran portfolio of protected slots.
4. New vacancies resulting from growth at these points will be filled in accordance with Article 5 (Hours of Service) and Article 10 (Filling of Vacancies) of the AMFA–Southwest collective bargaining agreement.

Par. 8 - Reduction in protected slots.

Protected slots at BWI and MCO may also be reduced in response to significant reductions in flying.

To trigger these slot reductions, there must be a reduction of 20% of flights over a rolling 12-month period, measured against the level of flying at the time the Company obtains its single operating certificate (SOC), which the Company anticipates will occur on or about March 1, 2012. This requirement of a minimum 20% reduction in flying will automatically expire upon ratification of the second Southwest collective bargaining agreement following this seniority integration proposal.

Par. 9 - Clarification of the March 29, 2011, Letter of Agreement

The Letter of Agreement dated March 29, 2011, between AMFA and SWA is amended to clarify that its provisions (1) apply only to those RSD points identified in Paragraph 5 above and (2) do not apply to the overlap stations of BWI and MCO line maintenance. However, SWA Mechanics at the BWI and MCO line stations will have the full benefit of RSD seniority.

Par. 10 - Reciprocal protections for mechanics at exclusively AirTran points

This paragraph provides protections, similar those provided to SWA Mechanics in the March 29, 2011, LOA, to AirTran Mechanics hired prior to January 1, 2011, at the AirTran-exclusive stations of: ATL, FLL, MKE, BOS, IND, or MCO.

As stated above, the final decision in these matters is in the hands of the membership. Moreover, AMFA members will not be required to cast their votes until our informational meetings have been completed.

We thank you for your patience in this matter.

Fraternally,

Seniority Integration Committee