

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

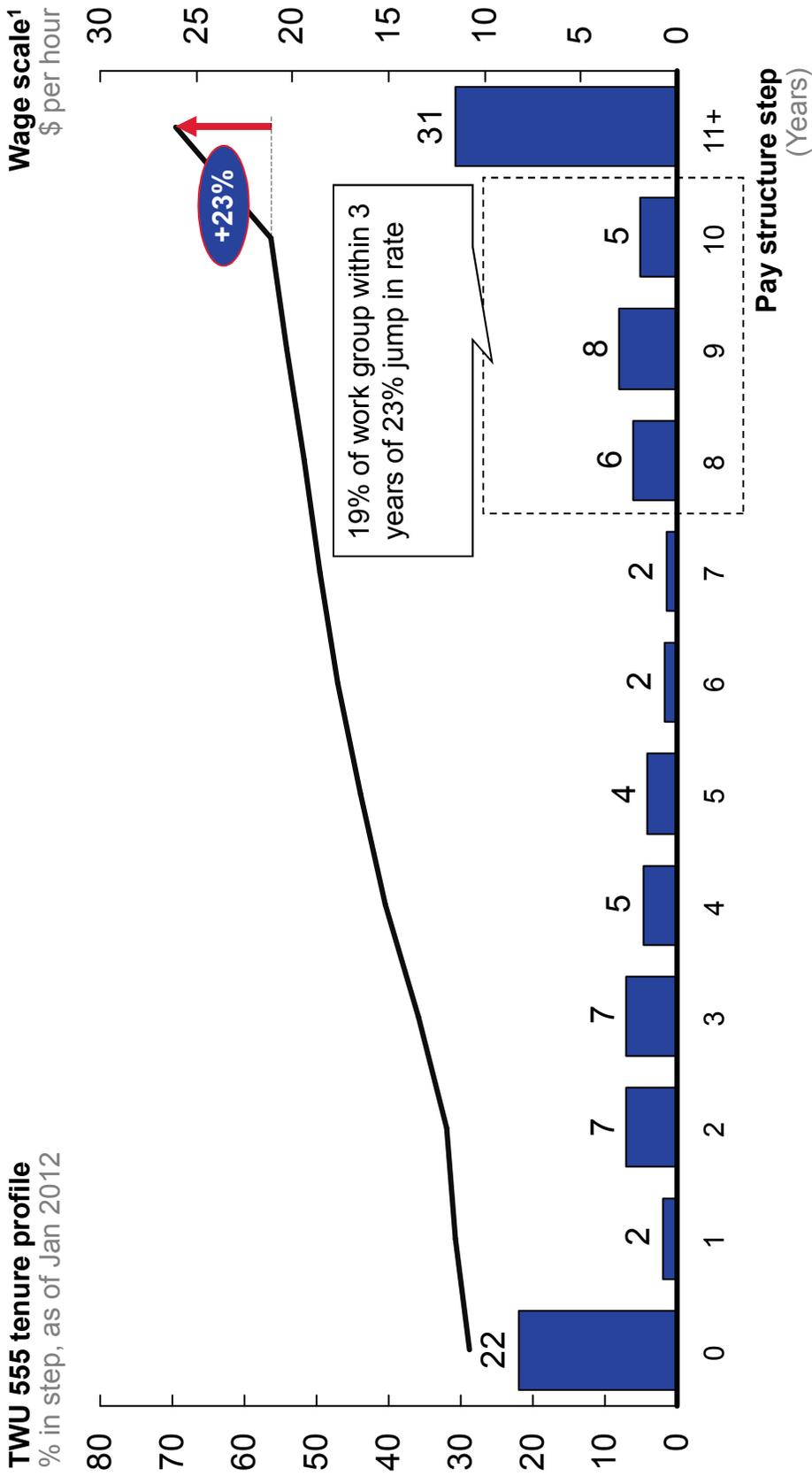


Activities for SWAPA	
Share story & align on problem	<ul style="list-style-type: none"><input type="checkbox"/> Develop basic company level fact base<input type="checkbox"/> Create change story<input type="checkbox"/> Align on problem by holding 1-on-1 and small group meetings with Union leaders
Agree on detailed set of facts	<ul style="list-style-type: none"><input type="checkbox"/> Build detailed workgroup-level fact base<input type="checkbox"/> Align on joint fact base with Union (potentially using 3rd party to help mediate)
Set specific financial target	<ul style="list-style-type: none"><input type="checkbox"/> Develop Company target and timing<input type="checkbox"/> 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	<ul style="list-style-type: none"><input type="checkbox"/> Hold internal sessions to generate creative ideas to close gap<input type="checkbox"/> Prioritize potential paths to meet objectives (e.g., productivity, wage reset)<input type="checkbox"/> Work jointly with Union to identify the best way to achieve target<input type="checkbox"/> 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

— Wage scale
 ■ Tenure profile



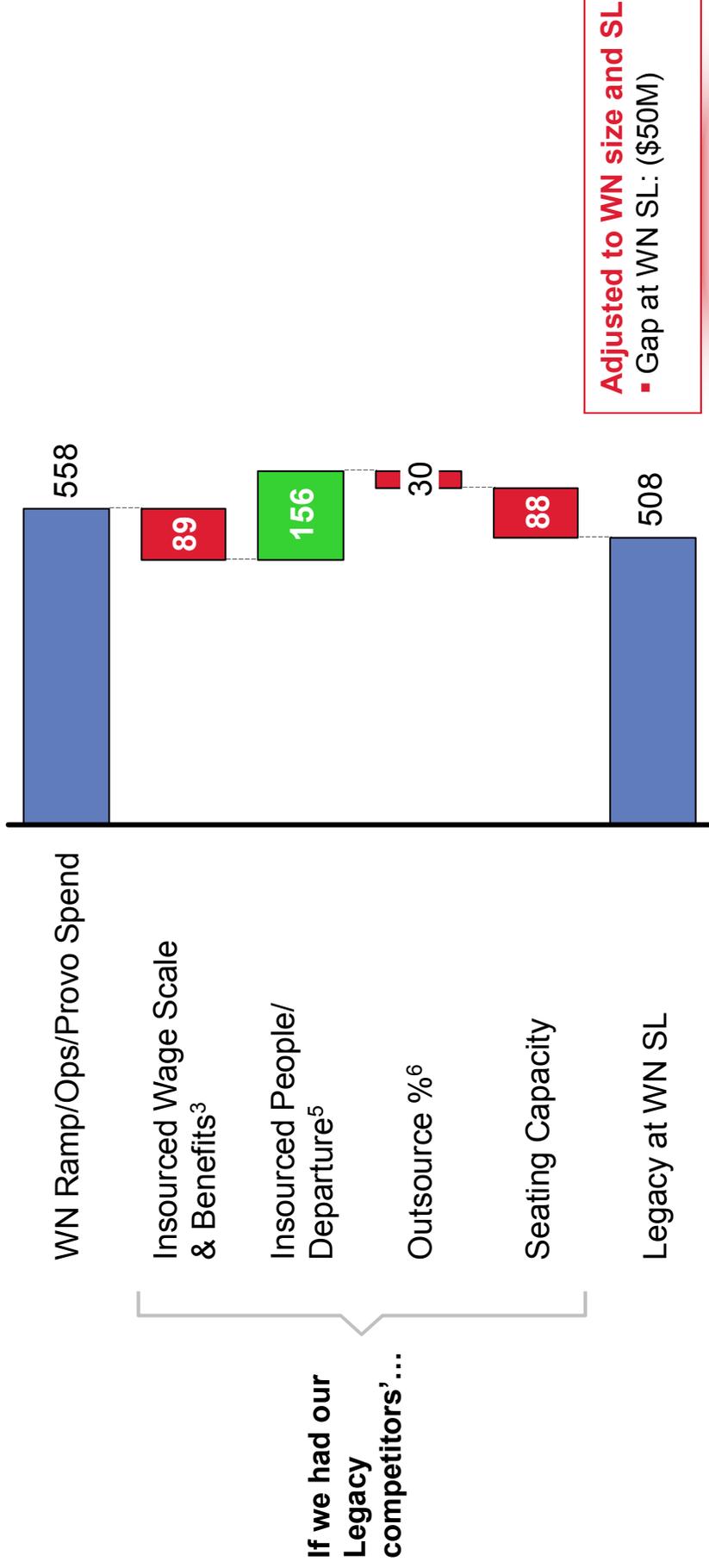
1 Wage scale based on weighted average scales of Ramp/Provo agent and Ops/Cargo agent
 Source: TWU555 Seniority cost model, as of Jan 2012

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^{1,2}



If we had our Legacy competitors' ...

¹ Last twelve months as of September 30, 2011

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

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

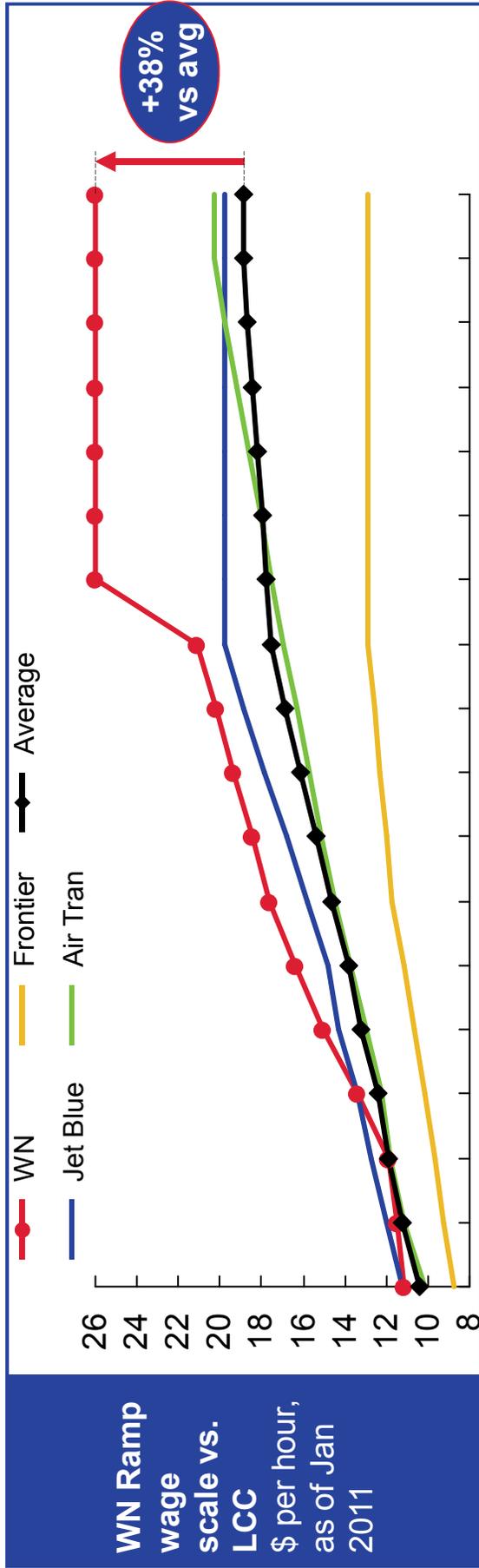
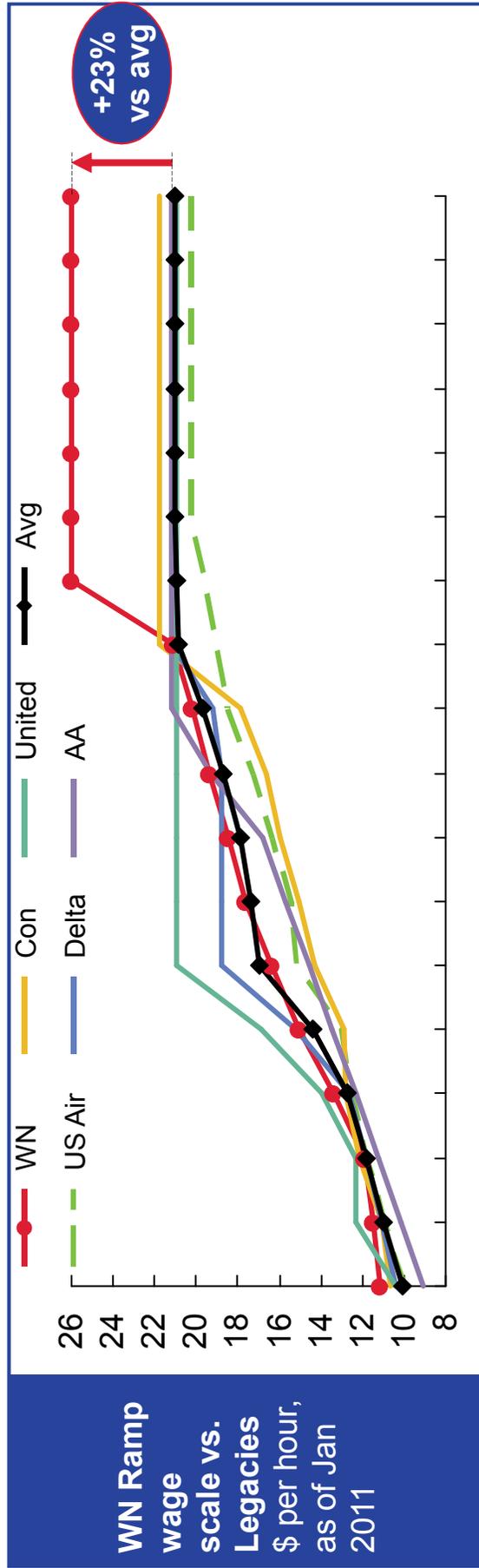
⁴ Legacy ground personnel is estimated to work 2 hours or overtime per shift vs. Southwest ground personnel at less than 1 hour of overtime

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

⁶ 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: Form41 via OAGAVIATION, Schedules P6, P5.2 and T2



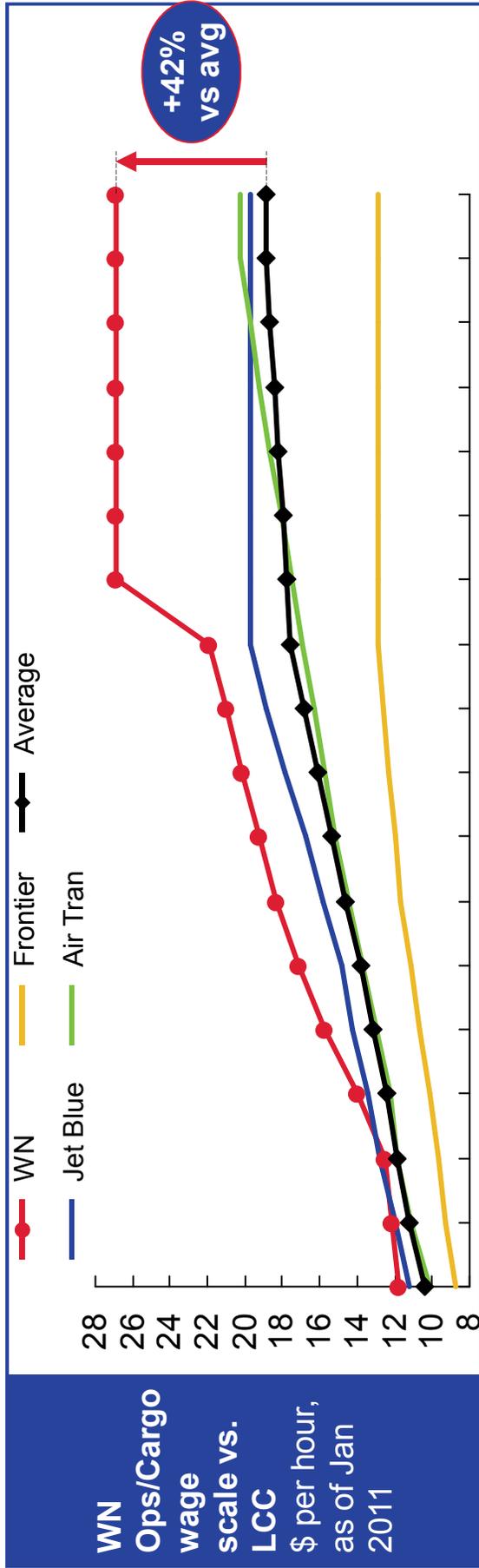
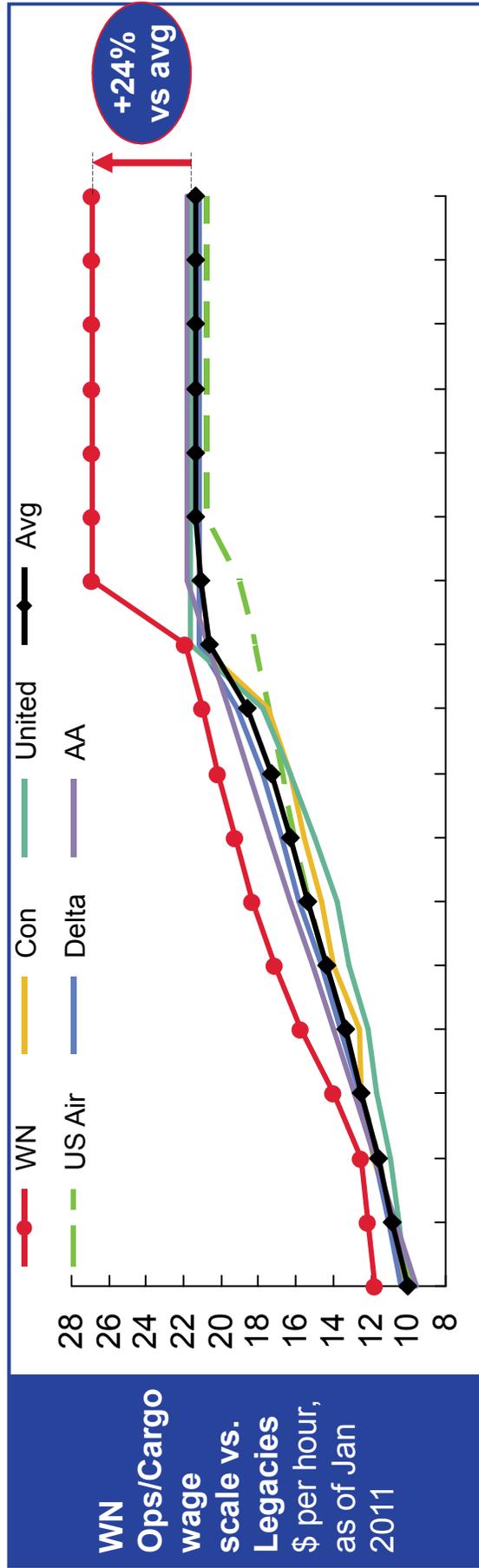
555 Ramp wage scale



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