

Southwest Airlines Co.

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February 9, 2021

The Honorable Dereck Davis
Chair, House Economic Matters Committee
House Office Building, Room 230
6 Bladen Street
Annapolis, MD 21401

HOUSE BILL 685 – LABOR AND EMPLOYMENT – SECURE MARYLAND WAGE ACT
TESTIMONY IN OPPOSITION

Dear Chair Davis and Members of the House Economic Matters Committee:

Southwest Airlines submits the following comments in opposition to HB 685, the Secure Wages Act, and respectfully urges an unfavorable report. Southwest is the largest employer at BWI Thurgood Marshall Airport and one of the largest employers in the Greater Baltimore region with nearly 5,000 Employees in Maryland, the vast majority of whom belong to a union.

Enclosed is Southwest's letter of opposition from a year ago, which outlines our concerns regarding the impacts of this bill. Now that we're in the midst a deep economic recession – especially for the nation's and state's travel and tourism sector, including the airlines – the reasons for rejecting HB 685 are even more pronounced.

Since March 1, 2020, Southwest Airlines has lost the majority of its Customers and revenue. This has resulted, so far, in nearly 10 straight months of staggering daily cash losses due to the pandemic. Our last reported monthly revenue (for November 2020) was down 63% year-over-year. In order to get back to cash burn breakeven levels, we need to recover to an estimated 60% to 70% of 2019 revenue levels. This is roughly double of where we are today. It is an understatement to say that the COVID-19 pandemic is the worst economic crisis to ever face Southwest and the U.S. passenger airline industry.

Importantly, despite these staggering financial losses, Southwest has managed not to layoff or involuntarily furlough a single Employee, nor have we cut Employee pay (except our CEO's and named Executive Officers). For the past 50 years, Southwest has never had a layoff, involuntary furlough, or pay cut – a tradition we hold dear and that we are desperately trying to maintain. So far, despite the long odds against us, we have succeeded in keeping our workforce whole, other than through voluntary early retirements and extended leaves of absence that were supported by our Unions.

The Honorable Dereck Davis

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We have been able to survive the pandemic without any draconian actions against our Employees due to a few key factors, which include: a) entering the pandemic with a record amount of cash-on-hand and relatively little debt, b) having investment-grade credit, which

has been instrumental in borrowing nearly \$11 billion in 2020 (this is all debt that we have to repay), and c) the generosity of the federal government, which has provided emergency payroll assistance to the airlines and airline contractors (including the employers of the SEIU, which does not represent any Southwest Employees). But, make no mistake, Southwest still incurred billions of dollars in losses in 2020—our first annual loss since 1972—and those staggering losses continue into 2021.

We respectfully request that the Maryland General Assembly not pass any legislation that would place greater cost pressures on Southwest as we continue to avoid layoffs, furloughs, and pay cuts during these extremely difficult times. Moreover, Southwest supports the State's \$15 per hour minimum wage, which was enacted in 2019, and believes that the new statewide minimum wage should be implemented as planned.

We strongly believe now is not the time to impose a higher wage requirements on BWI Marshall employers, including Southwest, which continues to provide a comprehensive compensation package to its largely unionized workforce, including generous healthcare, benefits, and 401K match.

Thank you for your consideration of Southwest's views concerning this very important matter.

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February 5, 2020

The Honorable Delores G. Kelley
Chair, Finance Committee
Maryland State Senate
Annapolis, Maryland 21401

Dear Chairman Kelley:

On behalf of Southwest Airlines, I write in opposition to SB 62, the "Secure Maryland Wage Act." Southwest opposes this legislation for a few distinct reasons. First, it would make our operations and BWI Thurgood Marshall Airport (BWI) as a whole less competitive vis-à-vis our regional competitors. Second, it would unfairly single-out BWI-based employers for higher costs without conveying a legitimate nexus to safety or security. Lastly, the General Assembly just enacted a higher minimum wage for Maryland-based employees, including those based at the airport, and so we do not understand why the General Assembly is considering reopening this issue.

First, let me say at the outset that, as a lifelong Marylander and a 13-year Southwest Employee, I am particularly proud of the strong and positive partnership between Southwest and the State of Maryland, which now spans over a quarter century. This close working relationship has propelled BWI to become the largest airport in the Greater Washington region. In 1993, Southwest began at BWI with 10 daily nonstop flights and fewer than 100 Employees. Today, we operate over 240 daily nonstop departures at BWI, with over 4,800 Employees, including a Pilot base, a Flight Attendant base, and a Maintenance base. Concerning our Maintenance base, we are partnering with the State of Maryland to construct our first and only Maintenance facility on the East Coast. That facility, combined with other improvements we are working toward completing (e.g., a new baggage handling system), will position Southwest for further growth in Maryland, including more international flights and eventually new international airline partnership(s).

Second, notwithstanding the above, the decision to deploy scarce aircraft and Employee resources at BWI depends in large part on the airport maintaining its low-cost advantage and especially its low-cost advantage over nearby airport competitors. Fortunately, through the superb stewardship of BWI by the State of Maryland, BWI is *the* leader in the region in terms of affordable airport fees, rates, and charges, as well as providing an "easy come, easy go" experience for our shared Customers. And, it is no coincidence that low-cost and ultra-low-cost airlines, in particular, have been attracted to BWI and have grown here. Conversely, it is important to recognize the opposite effect – that any major cost increase to our daily operations would likely make certain markets to/from BWI unprofitable or at least not as profitable as other opportunities in our nationwide network where we are not experiencing the same cost increases. Moreover, BWI's historic cost advantage has narrowed recently, especially in comparison to Washington Dulles International Airport (IAD). All of which is relevant to the legislation being considered. Frankly, now is not the time to impose costly new requirements on BWI's airline tenants, especially those looking to grow in the future and have opportunities elsewhere.

Third, although the debate as to whether there should be a "living wage" (or any increase in the minimum wage) is a legitimate issue within the purview of any state government, Southwest believes strongly that any application of any new minimum wage standard should be applied to all industries and all segments of the economy within the jurisdiction contemplating such a new standard. Employees at an airport should be treated no differently than employees at a factory, hotel, restaurant, or office building. In other words, if a "living wage" is being contemplated, we contend that it should be applied broadly to cover all workers in all industries in the State.

There is nothing unique at BWI that justifies a higher minimum wage for only airport-based workers. In fact, if there's one thing that is unique with the work environment at BWI, it is statistically one of the safest places to work in Maryland. If crime is a concern, we cannot think of a recent incident in which there was a violent crime at BWI, thanks in large part to the fine work of the Maryland Transportation Authority Police, as well as the active presence of multiple federal law enforcement authorities. If safety is a concern, I am proud to convey that, in 2019, Southwest had the lowest rate of on the job injuries in our 49-year history. We have not seen any data to suggest that the work environment at BWI is inherently unsafe or insecure. In fact, we believe an objective review of the facts – as well as common sense – will prove the opposite to be true.

Finally, I want to close by highlighting Southwest's record when it comes to Employee issues. I am not aware of another U.S. company – let alone another airline – of our size and with our long history having such an impressive record in this regard. Highlights of Southwest's commitment to our 60,000 (and growing) Employees include:

- 49-straight years of never having a mass layoff or furlough;
- 49-straight years of never cutting wages and benefits of our Employees;
- 46-straight years of Employee profit-sharing, including the equivalent of 12.2% of wages in 2019;
- The most generous salaries and benefits for frontline workers in the airline industry;
- Likely the most generous retirement benefits in the industry, including a 9.3% 401(k) employer match (on top of the profit-sharing);
- "Cadillac" health care plans for all of our Employees;
- 83% unionized – every frontline Employee at BWI belongs to a collective bargaining unit;
- An all-American-built Boeing 737 fleet – the largest all-American-made fleet in the world;
- Call centers based here in the United States

Thank you for considering Southwest's views. If you, your staff, or any of your colleagues have any questions with respect to this matter, please free to contact me at (202) 263-6287 or david.richardson@wnco.com.

Sincerely,



David Richardson



EDITORIAL

Baltimore by Southwest

Our view: Since 1993, Southwest Airlines has grown from discount upstart to BWI-Thurgood Marshall's dominant carrier helping refuel the local economy

Twenty-five years ago, it was clear that Baltimore Washington International Airport was at a turning point.

The facility was aging and unexciting. It couldn't keep up with its neighboring airports, particularly its nearby competitors in Northern Virginia, even as demand for air travel grew. So state transportation officials under Gov. William Donald Schaefer came up with a plan — build a light rail line connection, expand the number of gates and amenities inside the main terminal, and oh, welcome some Dallas-based low-cost upstart airline that specialized in short-hauls, offered discount prices and liked to fly to and from less-congested airports.

This month marks a quarter-century for Southwest Airlines at BWI-Thurgood Marshall, and few businesses have had a greater positive impact on Baltimore's economy during that same period. The airport's transformation from a hub for USAir, an airline that doesn't even exist anymore (having been absorbed into American), to Southwest's second busiest stop is stunning to behold. Not just because Southwest dominates BWI service, handling about 7 out of 10 airport passengers, but because it's cranked up the volume to record levels — and continues to grow. How fitting that the 25th anniversary of Southwest's arrival coincides with its announce-

ment that it is investing, along with the state, in an enormous \$130 million, 130,000-square-foot hangar to help service and store aircraft.

Traveling by Southwest might not be everyone's cup of tea. It doesn't do assigned seats. It doesn't sell tickets through third-party vendors. The onboard comforts are modest; there is no first-class and the seats are not exactly roomy. But the prices are always competitive. The airline doesn't nickel-and-dime customers on checked or overhead bags. Service is friendly. Compared to other no-frills airlines, Southwest is a Cadillac. The formula has been a winner. It generally ranks high in customer satisfaction surveys, and while not the nation's biggest, Southwest is widely regarded as North America's fastest growing carrier.

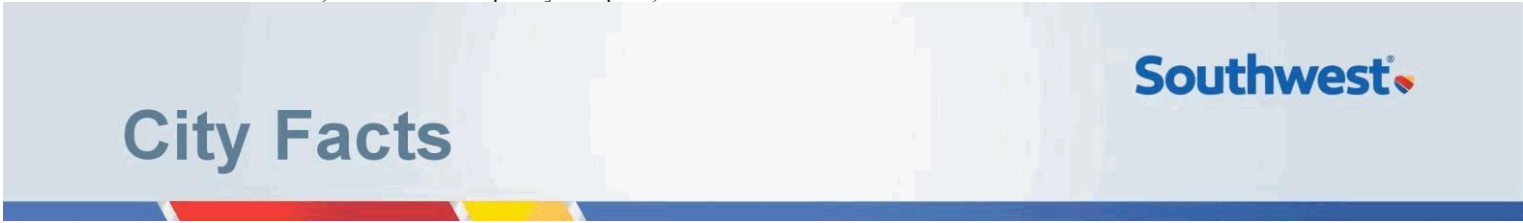
In other words, Southwest found the right business model for the deregulated air travel era, and BWI is flying high thanks to that relationship. Not only do more people fly in and out of BWI than through Ronald Reagan National or Dulles International, but it's generated billions of dollars for the local economy. The most recent state-commissioned study estimates BWI generates a total of \$9.3 billion in economic activity and 106,488 jobs, with roughly half coming from the airport directly and half from visitors. The airport handles more than 26 million passengers per year. That's roughly the

equivalent of every man, woman and child in New York City — times three. Southwest alone employs more than 4,000 people, which makes it an even larger Maryland employer than Under Armour.

Make no mistake, when economic development officials from Baltimore and surrounding counties make a pitch to businesses — like Amazon’s HQ2, for example — to come to Central Maryland, the convenience and affordability of Southwest-driven BWI Airport is near the top of the list of amenities. And how many existing small and medium-sized companies appreciate the convenience of that Southwest connection as well? The ease of business travel is a major benefit for enterprises of all kinds.

Shortly before Southwest’s arrival, The Baltimore Sun editorialized that BWI, which had “capacity to spare,” should

be pleased to welcome Southwest and its flights to Chicago and Cleveland (the only two cities the airline served from BWI initially). But we also fretted it as a “mixed blessing” as it might “drive away marginal competitors.” Ouch. That did, indeed, happen, and it proved to be a good thing. Perhaps BWI’s role in it was a matter of luck, as the airport had the capacity just when a rapidly-growing carrier needed it. Certainly, there are still challenges ahead — dealing with noise generated by federally-approved redirected flight paths, for example. Still, there’s little on the horizon to suggest the growth will falter anytime soon. As a high-octane generator of economic activity, the Southwest-BWI partnership has remained a bright spot in good times and bad.



Baltimore

Airport [Baltimore/Washington International Thurgood Marshall Airport](#)

Starting Service September 15, 1993

Ten daily nonstop departures to two cities:
Chicago (Midway) and Cleveland.

36th city in Southwest's system

Current Service As of Jan 20, 2020, Southwest will offer up to 248 departures a day to 69 cities:
Albany, Albuquerque, Aruba, Atlanta, Austin, Birmingham, Boston (Logan), Buffalo/Niagara Falls, Cancun, Charleston, Charlotte, Chicago (Midway), Cincinnati, Cleveland, Columbus, Dallas (Love Field), Denver, Detroit (Metro), Fort Lauderdale, Fort Myers, Grand Cayman, Grand Rapids, Greenville-Spartanburg, Hartford/Springfield, Houston (Hobby), Indianapolis, Islip, Jacksonville, Kansas City, Las Vegas, Liberia, Los Angeles (LAX), Louisville, Manchester, Memphis, Milwaukee, Minneapolis/St. Paul, Montego Bay, Nashville, Nassau, New Orleans, Norfolk, Oakland, Oklahoma City, Orlando, Panama City Beach, Pensacola, Phoenix, Pittsburgh, Portland (PWM), Portland (PDX), Providence, Turks & Caicos, Punta Cana, Raleigh-Durham, Rochester, Sacramento, Salt Lake City, San Antonio, San Diego, Cabo San Lucas/Los Cabos, San Jose, San Jose (Costa Rica), San Juan, Seattle, St. Louis, Tampa, Tulsa, West Palm Beach

Gates 31

Employees	Cargo & Charters	7
	Communications & Outreach	1
	Facilities	7
	Flight Operations	1,224

Ground Operations		1,402
Inflight Services		2,051
People Dept		7
Regulatory Programs & Compliance		1
Southwest Business	5 SWA University	11
Technical Operations		134
Technology		5
	Total	4,855

Southwest Airlines serves 103 destinations across the United States and ten additional countries. Number of departures reflective of peak weekday in currently published flight schedule. Some gates are common-use or shared facilities. Read more about Southwest's commitment to the triple bottom line: Performance, People, and Planet

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