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## Southwest Airlines Co. F1Q09 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from Jamie Baker with J. P. Morgan.

#### Jamie Baker - J. P. Morgan

Gary, I was a little surprised to see that the pilot CA does appear to have some minimum fleet requirements included in it. Is there some flexibility on management's behalf or forced major that would allow the fleet to be smaller than 568 units by the end of 2012?

#### Gary Kelly

Well Jamie, thank you for that question, because I know that some of the coverage has said that. It hasn't implied it, it's said that and that is not correct. We, of course, cannot commit Southwest Airlines to a fleet schedule. We may find ourselves if the economy gets worse from here that we have to reduce our fleet. I'm not predicting that, but I'm just pointing out that this company, like all companies, needs maximum flexibility with regards to that.

Now, with regards to our pilot needs and desires and our tentative agreement, we do have targets to grow the fleet, but they are not commitments. So, our pilots, like me and like all Southwest employees, would love to consider to grow Southwest Airlines. We do think that we will have opportunities to do that in the future.

The remedy if we don't hit those targets is we simply have more restrictions about how large our code share can be. If my memory serves me right, it is in the Mexican, Canadian, Caribbean and maybe Hawaiian markets. Our pilots want us to grow and they don't want us to code share in lieu of growing the fleet. So, I felt like that was the best way for us to demonstrate to our pilots that in fact, yes, we do want to grow the fleet too, and we will put some fences around how large we'll make the code share to prove that to you. I think that gives the Company added flexibility to boost profits and revenues via code share and also provides a nice balance to protect our pilots.

Again, the bottom line answer is what I told you at the outset which is absolutely we are not committed contractually to grow the fleet. We cannot do that and of course we wouldn't do that.

#### Jamie Baker - J. P. Morgan

Okay, well I appreciate that very important clarification.

I have a second follow up question on the contract. It does look like there are some protections for the pilots in the event of a merger. I realize that is not as hot a topic these days as perhaps a year ago, but I am also less familiar with the prior contract. My question is whether this TA makes any difference in how you personally view the potential for consolidation under certain circumstances with another US airline.

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