

**“Strengthening Airline Operations and Consumer Protections”**  
**Testimony of Andrew Watterson, Chief Operating Officer, Southwest Airlines Co.**  
**U.S. Senate Committee on Commerce, Science, and Transportation**  
**February 9, 2023**

Chair Cantwell, Ranking Member Cruz, and members of the Committee:

My name is Andrew Watterson, and I am privileged to serve as Chief Operating Officer at Southwest Airlines. Thank you for inviting Southwest to testify regarding airline operations and consumer protections, with an understandable focus on Southwest’s operational disruption during the last week of December.

First and foremost, I want to take a moment to sincerely and humbly apologize to those who were impacted by this disruption. It caused a tremendous amount of anguish, inconvenience, and missed opportunities for our Customers and Employees during a time of year when people want to gather with their families and avoid stressful situations. Again, on behalf of Southwest Airlines, I am sorry.

As a Company, we are intensely focused on learning from this event by taking immediate mitigation efforts, undertaking department-level assessments and actions, and conducting a systemic review supported by a third party. Our Board of Directors also has formed an Operations Review Committee to guide ongoing management efforts. We are committed to thoroughly examining our operation, route network, processes, and technological capabilities to avoid putting our Customers and Employees in that situation again.

While I am not proud of what happened, I am very proud of how our People responded. We have a long, proud record of delivering on Customer expectations. And, when we fall short, we aim to do what’s right. This includes prioritizing Customer refunds and reimbursements, which we have accomplished within government-mandated timeframes, as well as providing additional gestures of goodwill. We are working to repair the trust our Company has earned over our 52-year history, and we’re committed to being America’s most loved and reliable airline. I believe we’re on our way to achieving that goal.

### **Why Did This Happen?**

Let me be clear: we messed up. In hindsight, we did not have enough winter operational resilience.

Leading up to the event, our operations performed well throughout 2022 relative to the rest of the industry. In the fourth quarter, we had seen our on-time performance of 80.0% improve over the prior year’s result of 72.6% and experienced a multi-year high by achieving a flight completion factor of 99.1%. However, from December 21<sup>st</sup> to December 29<sup>th</sup>, Southwest experienced a historic event with a combination of challenges we hadn’t experienced before. What began as a weather event on December 21<sup>st</sup> turned into a Crew Scheduling event by December 24<sup>th</sup>.

As we normally do for large weather events, we developed a plan that included pre-canceling flights to reduce activity to an hourly rate that was consistent with our proven capabilities. However, the sub-zero temperatures, high winds, and frozen precipitation were worse than forecast, which had a wide-ranging impact on our station operations, especially at Denver and Chicago Midway. During this time period, we struggled to keep the operation moving at these key airports due to a number of factors, including the amount of deicing equipment and related infrastructure, the effect of the extreme cold on jet bridge hydraulics and ground support equipment fuel, and even, for example, the location of our gates and deicing pads. It became clear that, with the storm severely disrupting our Denver and Chicago Midway stations concurrently, we did not have enough resiliency in our operation for the severe effect this winter event had on us.

Due to these factors, among others, we could not execute the plan we had established for operating during the storm. We were forced to cancel almost the entirety of our flight schedule in Denver, which is our largest station, between the evening of December 21<sup>st</sup> and the morning of December 23<sup>rd</sup> and in Chicago Midway, which is our second largest station, between midday on December 22<sup>nd</sup> and through the end of day on December 23<sup>rd</sup>.

Denver and Chicago Midway are two of our eleven Crew Bases where Flight Crews begin and end their duties, and they collectively account for 25 percent of Flight Crews. Flight Crews are generally assigned to three-day work periods where they operate flights across our network. When flights in a Crew Base are cancelled, the Flight Crews assigned to those flights are unable to begin their three-day pairings. This leaves subsequent flights in their schedule uncovered. If the Crew can be assigned to work, or travel on a later flight, they can catch back up to their assignments and aircraft. With such a large percentage of flights cancelled, for such a long duration, in Denver and Chicago especially, the Southwest Airlines Crew Network was under severe stress as we entered December 24<sup>th</sup>. Our Crew Schedulers worked diligently to re-assign Crews, where possible, and use Reserve Crews from the other Bases to cover the open flying.

As the storm moved east, other Southwest airports—large, medium and small in size—in the central and eastern part of the country began experiencing similar winter weather operational challenges. Communications among our Network Operations Control (NOC), local Station Control Centers, and Crew Scheduling deteriorated as the developing operational challenges continued. This lack of effective communication and coordination resulted in compounding, frequent, close-in flight cancellations, rather than our normal practice of batched pre-cancellations further in advance of departure times. This created an unprecedented amount and frequency of required changes to Crew schedules that overwhelmed our Crew Scheduling processes and technology.

Given the volume of ongoing flight cancellations, we, ultimately, decided on December 26<sup>th</sup> that the best course of action for getting back on track operationally was to pre-cancel our flight activity by two-thirds for December 27<sup>th</sup> through December 29<sup>th</sup>. That decision gave us time to reset the operation by getting Crews and aircraft into their needed positions so that we could return to normal flight levels beginning on December 30<sup>th</sup>. That tactic proved successful, as we operated very smoothly at those reduced levels. The fact that we were able to go from operating one-third of our schedule from December 27<sup>th</sup>-29<sup>th</sup>, and, then,

bounce back to a full schedule on December 30<sup>th</sup>, with so few issues, is truly a testament to our People and the tireless work they put into serving our Customers. However, at the end of the day, our response to the severe weather and operational challenges did not live up to our standards.

Since December 30<sup>th</sup>, our operational performance has been solid. The month of January saw several ATC outages, historic precipitation in California—where we are the largest carrier—and multiple snowstorms in Denver—which, as mentioned, is our largest airport operation. Despite these headwinds, our on-time performance was ranked third out of the ten largest U.S. airlines for January.

### **Crew Scheduling**

To be clear, our Crew Scheduling software didn't stop working during this event. However, the pace and volume of close-in Crew and schedule changes over multiple days left our Crew Scheduling professionals unable to efficiently address the state of the operation. As the situation escalated and close-in cancellations grew, Crew Scheduling simply couldn't keep up with the overwhelming volume of changes, resulting in individual Crew assignments not being updated in a timely manner. Without updated Crew schedules, the Crew decision support software could not reassign Crews to solve for flights with Crew coverage issues. Of the three moving parts in our point-to-point network—the flight network, the aircraft network, and the Crew network—and as far as our technology is concerned, the disruption primarily revealed a need to add functionality to our Crew Scheduling software to solve for a large backlog of broken Crew pairings.

Since the disruption, we have prioritized enhancements to our Crew software. I will address our other short-term mitigation efforts later. However, please know that with the mitigations we have in place, we are confident in our flight network and the schedules we have published for sale. The upgrade to the Crew software will equip us to better handle recovery from a mass cancellation event.

### **Network Schedule**

We are also aware that questions have been raised about our flight network. We have been flying at or near the same flight activity levels over the past several months and have continued at that level throughout January 2023 with high reliability. Thus, we are confident in our ability to operate our published flight schedules and respond to irregular operations, such as weather and ATC outages. We have been purposeful in increasing our ratio of Employees to aircraft, which is currently the highest in our history, to support proper staffing coming out of the pandemic. In 2022 alone, we added more than 11,600 new Employees, and we intend to continue significant hiring in 2023. Our flight network is also supported by sophisticated technology that regularly produces new aircraft solutions during more-routine irregular operations. These tactics further strengthen our operational reliability in less-than-ideal conditions.

## **Immediate Mitigation Efforts**

In the wake of this disruption, we have taken immediate actions. I have already mentioned the upgrades to Crew Scheduling that are in progress. In addition, we moved swiftly to put mitigation efforts in place to reduce the risk of future operational disruptions and help fortify our operational resilience. We strengthened our early indicator dashboard that closely monitors operational health and alerts us if we approach predefined operational thresholds. We enhanced and will continue to add functionality to our existing tools for Crews to communicate electronically to Crew Scheduling during irregular operations, and we established supplemental operational staffing that can quickly mobilize to support Crew recovery efforts at the first sign of a potential backlog. We also implemented organizational changes designed to improve coordination and communication between our Network Operations Control, Network Planning, and Crew Scheduling Teams. Finally, we are doing a system-wide review of our preparedness for winter operations and will implement any measures necessary to mitigate the risk of an event like this occurring in the future.

As a note, we had an opportunity to test some of these newly-implemented mitigation efforts during the FAA's Notice to Air Missions (NOTAM) technology outage in January. Our Network Operations Control Team worked around the clock in constant contact with the FAA and the industry so that the NOTAM delivery process was restored and valid before we pushed any of our flights. We prioritized Safety, verification, and compliance, which is why we did not dispatch flights before the FAA ground stop was lifted. We did not sacrifice Safety during December's event or the NOTAM event, and we simply won't compromise on Safety at any time.

## **Comprehensive Review**

As we continue to work on immediate efforts, Southwest is also taking additional steps to analyze the disruption and understand how the accumulation of events led us to the final result. As I mentioned, our Board of Directors engaged early on, and the committee it has established will work with management and help guide the Company's response.

In addition to the ongoing analysis being conducted by teams in several departments such as Flight Operations, Inflight Operations, Ground Operations, Network Planning, Crew Scheduling, Network Operations Control, and Operational Performance, we've also engaged an internationally-respected consultancy, Oliver Wyman, to do a third-party assessment and make recommendations to inform other mitigation efforts—such as opportunities to improve performance on bad weather days. We've also asked our unions to participate in the work that is being conducted. With this third-party review, and our own review in hand, we will reassess the operational modernization plans we already had in place for 2023 and make any necessary changes in light of the challenges we experienced.

Additionally, I would like to take a moment to address Southwest's technology and systems. We have a long history of innovation and continuous improvement, and we have implemented numerous large-scale technology and business projects over the past five years. We have always invested heavily in technology and will continue to do so.

For 2023, we are currently budgeted to spend \$1.3 billion of our annual operating plan on investments, upgrades, and maintenance of our IT systems. Now, our internal review of the event, along with the work of our third-party consultant, will enable us to validate our go-forward plan and determine what sequence of improvements is most appropriate in terms of supporting our Customers, Employees, and technology infrastructure. We will dedicate the capital needed to execute that plan in a timely, efficient manner.

### **Taking Care of Our Customers**

As stated previously, we are keenly aware of the impacts that disrupted holiday travel plans have on our Customers and their relationship with Southwest. An apology alone, no matter how heartfelt or how often stated, would not suffice to make things right. In addition to apologizing, acknowledging our shortcomings, and acting to strengthen our operational reliability, we immediately recognized we had to take care of our Customers.

Our pro-consumer actions included:

1. Implementing Dynamic Waivers, which allowed rebooking at no cost, between December 19<sup>th</sup> and January 7<sup>th</sup> and increasing our normal two-week rebooking timeline to 30 days for added Customer convenience.
2. Making the unilateral determination that every flight disruption between December 24<sup>th</sup> and January 2<sup>nd</sup> was treated as “within the airline’s control,” regardless of the actual cause, meaning that we would grant all reasonable reimbursement requests for our Customers’ out-of-pocket expenses (i.e., hotels, rental cars, meals, tickets on other airlines, etc.), which have totaled hundreds of millions of dollars to date.
3. Quickly creating a highly-visible, user-friendly webpage where Customers could easily find information and directions on how to request refunds and reimbursements, and we implemented automation that allowed us to process those requests quicker.
4. Promptly processing refunds requested by Customers for unused airfare for any Southwest flight cancelled or significantly delayed during the disruption.
5. Prioritizing the return of bags to their rightful owners. This included delivering bags to Customers’ homes with the assistance of outside vendors.

I am happy to report that, except for a small percentage of remaining reimbursement requests, we have completed the action steps I just outlined. Importantly, these actions go above and beyond applicable DOT requirements relating to airline refunds and baggage and travel expense reimbursements for flights cancelled or significantly delayed by an airline. It has truly been an all-hands-on-deck effort, and our People will not let up until all requests are complete.

As a gesture of goodwill to our Customers, and in addition to hundreds of millions of dollars in refunds and reimbursements, we gave 25,000 Rapid Rewards points—roughly a \$300

value—to every Customer who was significantly impacted by our disruption between December 24<sup>th</sup> and January 2<sup>nd</sup>. While the specific circumstances that resulted in Customers being impacted differed, we felt it was important that this gesture of goodwill go above and beyond regulatory requirements. It was simply the right thing to do.

Finally, we recognized that our internal Customers—our Employees—were also affected by this event. During an unprecedented set of circumstances, our People were seen coming together, as they always do, to care for our Customers and each other. Many volunteered to assist with the surge of Crew Scheduling and Customer Service needs, and it was humbling to see the Southwest spirit at work under such adverse conditions. On top of expressing deep gratitude, all operation frontline employees were paid gratitude and premium pay through the disruption and beyond.

### **Looking Forward**

As we move forward, Southwest is focused on having the right People, equipment, processes, and technology in place to efficiently operate the network in all conditions when it is safe to fly. With the short-term mitigation elements that we put in place, along with any other areas of opportunity that we identify, we believe we are well prepared to execute our schedule with the level of reliability that Customers and Employees expect and deserve.

As we evolve our schedule, nearly all of our planned 2023 capacity additions will go to existing Southwest markets. These additional flights will help to add depth and greater resiliency by providing better re-accommodation options for Customers, Crews, and aircraft when we have weather or delays that create irregular operations. Importantly, our growth plans will also foster greater airline competition and all of the consumer and economic benefits which more competition produces.

Southwest believes in building lasting relationships with the communities we serve. We are the only major airline that has not ceased service to any U.S. airport since the start of the pandemic. We're also an airline with a proud history of no bankruptcies since our inception in 1971—a 52-year record that no other airline can match. We remain committed to being exceptionally pro-Customer and pro-Employee, and that includes operating a reliable schedule and providing consumers with low fares, more nonstop itineraries, and exceptional service.

### **Conclusion**

Let me conclude by reiterating that Southwest is intensely focused on reducing the risk of repeating the operational disruption we experienced in December. We are committed to running a great operation each and every day, and I have the utmost confidence that our People, processes, and technologies will do just that. Above all, I am beyond grateful to our incomparable Southwest Employees for running a safe operation, restoring our reliability and resiliency, and providing excellent Customer Service.

Thank you, and I look forward to answering your questions.