$3 Million Reasons Why Southwest Management Refuses to Take Federal Loan

November 12, 2020

All five of Southwest Airlines’ named executives would be subject to strict pay limitations for up to six years if the company takes a loan from the U.S. Treasury as part of the CARES Act emergency relief legislation.

CEO Gary Kelly, who received $8.8 million in total compensation in 2019, would be limited to no more than $5.9 million (the equivalent of a nearly $3 million pay cut) in any twelve month period until 12 months after the loan is repaid – likely until the year 2026. Any officer severance packages would also be limited for years by the CARES Act if the company takes a loan.

Additionally, until 12 months after any CARES Act loan is repaid, Southwest would be prohibited from buying back stock and paying dividends to shareholders. Last year Southwest returned $2.4 billion back to investors in the form of share buybacks and dividends.

These are the conditions that Kelly described as “onerous” back in July and almost certainly the reason he and Southwest management would far prefer layoffs and pay cuts for Southwest workers than take a federal loan. Additionally, while Kelly himself has promised to forego his base salary, his $750,000 base salary made up just 8.5% of his total compensation in 2019.

With the company deciding not to take a federal loan, all the remaining terms and conditions of the CARES Act will go away in less than 18 months. And Southwest management will be free to pay themselves and investors as much as they please while insisting that their workers, the backbone of Southwest Airlines, suffer real concessions.

To save the company…or save the executive gravy train? Southwest Warriors are tough – Southwest Warriors are smart – Southwest Warriors are not fools!

Sincerely and fraternally,

Dave Supplee
PRESIDENT DIRECTING
GENERAL CHAIR

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