

# *U.S. Fines Southwest Airlines \$140 Million for Holiday Meltdown*

The penalty is by far the largest ever imposed by the Transportation Department on an airline for consumer protection violations.

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New York Times

The Transportation Department on Monday announced a \$140 million fine against Southwest Airlines over a meltdown last winter that disrupted travel for about two million people during the holiday season.

Of the \$140 million, Southwest Airlines will pay \$35 million to the federal government. For the remaining amount, the department is giving the airline credit for providing frequent-flier points as an apology to customers affected by the meltdown, and for agreeing to give out tens of millions of dollars in vouchers to customers affected by future delays and cancellations.

The fine is roughly 30 times what had previously been the department's largest penalty against an airline for consumer protection violations, a [\\$4.5 million settlement](#) with Air Canada in 2021 over customer refunds.

"Today's action sets a new precedent and sends a clear message: If airlines fail their passengers, we will use the full extent of our authority to hold them accountable," Transportation Secretary Pete Buttigieg said in a statement. "Taking care of passengers is not just the right thing to do — it's required, and this penalty should put all airlines on notice to take every step possible to ensure that a meltdown like this never happens again."

The department said that Southwest had run afoul of consumer protection laws by failing to provide prompt customer service, flight notifications and refunds to passengers affected by the meltdown. In a statement, Bob Jordan, Southwest's chief executive, said the airline had worked since last winter to improve its service.

"We have spent the past year acutely focused on efforts to enhance the customer experience with significant investments and initiatives that accelerate operational resiliency, enhance cross-team collaboration and bolster overall preparedness for winter operations," Mr. Jordan said.

As part of the announcement on Monday, the Transportation Department said it would require Southwest to hand out at least \$90 million in vouchers to customers who experience severe disruptions caused by the airline in the future. Under that policy,

which the airline plans to put in place by May, passengers will be able to request a voucher of \$75 or more if they arrive at their final destination at least three hours late because of factors within Southwest's control. That voucher would be in addition to compensation provided for hotels and food.

The fine against Southwest comes nearly a year after the holiday meltdown, which began when the airline struggled to overcome severe weather. Ultimately, Southwest canceled nearly 17,000 flights. Many travelers [were forced to make expensive and onerous last-minute plans](#), with some spending hundreds of dollars or driving long distances to get to their destinations. Southwest customers also reported being on hold for hours to speak with the airline's customer service representatives.

The meltdown cost Southwest about \$1.2 billion, mostly in lost business and reimbursements. For weeks, the airline was the butt of late-night jokes and the subject of widespread criticism, culminating in a [Senate hearing in February](#) in which lawmakers grilled the company's chief operating officer.

Southwest has identified three root causes of the meltdown: The airline was underprepared for severe weather, it lacked the ability to reshuffle planes and crews as fast as needed, and it had communication gaps among teams. To address those problems, the airline has invested in equipment and infrastructure to improve its response to cold winter weather. It has made organizational changes to better monitor and respond to disruptions, and it has accelerated investments in its operations, including upgrading crew scheduling and notification systems.

So far, Southwest has successfully avoided a repeat of last year's debacle. Over the first nine months of this year, it has performed in line with the rest of the industry, with about 75 percent of its roughly one million flights reaching their destination within 15 minutes of their scheduled arrival time, according to federal data. Southwest has also canceled slightly fewer flights than the industry average.

Despite incurring a small loss early in the year, Southwest has earned a \$717 million profit through the first nine months of 2023. In a securities filing last week, the airline said it had earned record revenue over the Thanksgiving holiday and that near-term ticket sales had performed better than expected in recent weeks.

As part of its announcement on Monday, the Transportation Department also said it was closing an investigation into whether Southwest had offered an unrealistic flight schedule over the holidays last year, which the department considers an unfair and deceptive practice. The department said it was closing the inquiry without reaching a finding in the matter but that it would continue to monitor the practice across the industry.