



An Interview with Mark Shaw, Executive Vice President–Chief Legal & Regulatory Officer, Southwest Airlines

Mark Shaw advises Southwest Airlines' Board of Directors and Senior Management on a range of legal issues related to the development and implementation of Southwest's business strategy, corporate governance, compliance policies, general corporate matters, and litigation. He also supervises the work of outside counsel retained in legal matters involving the Company, and he oversees its Governmental Affairs, Real Estate, Corporate Facilities, and Airport Affairs functions.

A&SL: Tell us a little about your background. How did you come to work at Southwest, and what experiences prepared you for your current position of Chief Legal and Regulatory Officer?

MS: I started my legal career doing bankruptcy and Chapter 11 restructuring work with Akin Gump Strauss Hauer & Feld in Dallas, Texas. I subsequently moved into the firm's Corporate & Securities group, where I did general securities law and M&A work. At one point, I was asked to assist a partner with a client who was selling used 747s to a foreign airline; I had never worked on an aircraft transaction before but jumped in, and that started what would become an aircraft finance and leasing practice. Ultimately, I spent time with GE Capital Aviation in Ireland on a secondment from Akin Gump, where I continued to gain experience in the aircraft finance and leasing area. That ultimately led me to Southwest, where I spent a number of years working on a broad range of matters, including our public company work as well as general transactional work. I ultimately was put over our entire Corporate & Transactions team, which led to my promotion to General Counsel in 2013. Without a doubt, all of the experience I gained in various practice areas at Akin Gump, together with the broad range of projects I worked on in my early years at Southwest, prepared me for my current position.

A&SL: What disciplines report to you, and to whom do you report?

MS: I report to our Chairman and Chief Executive Officer, Gary Kelly. As Executive Vice President—Chief Legal and Regulatory Officer, I have four departments reporting to me: Legal, Governmental Affairs, Airport Affairs, and Corporate Facilities. Our Governmental

Affairs Department handles all initiatives relating to state, local, and federal government. Closely tied to that is our Airport Affairs team, which manages our airport relationships and projects across our system. Corporate Facilities is responsible for all of our construction projects system-wide and the general maintenance of our headquarters and airport facilities. Obviously, our Legal team works closely with all of these departments on a variety of projects.

A&SL: When did it hit you and your colleagues that COVID-19 was an existential threat, and what was your initial take on how the Legal & Regulatory team could contribute to Southwest's survival?

MS: We always talk about being prepared, and fortunately we were as prepared as we could have been this year. While we kept a close eye on the coronavirus in its earliest stages, we probably became aware of the impact to us the last week of February. Our team plays a critical role during a crisis, and especially one of this magnitude. Southwest has a robust emergency response program, so the good news is we all know our roles in a crisis, and we were equipped to activate the plan.

I knew as the crisis started to grow that our Legal & Regulatory team would play a critical role in numerous areas. We've had to deal with a multitude of legal issues, including supporting our Finance team on significant transactions to increase our liquidity as we navigate through this process. On the Governmental Affairs side, our entire team has had to deal with issues around federal, state, and local requirements and restrictions on our operations arising from the pandemic. Our Airport Affairs team has been partnering with our airports as we have decreased our operations around the system, and our Corporate Facilities Team has been instrumental in the adjustments we've had to make to our airport facilities and headquarters campus—for example, all of the issues around making our airport facilities as safe as possible for our customers, and our headquarters campus as safe as possible for our employees.

A&SL: Did your contingency/business continuity planning include a scenario where demand falls by 90-plus percent, and did it provide a useful playbook?

MS: No, and I'm not sure anyone could have predicted this scenario. But again, we were as prepared as we could have been with our focus on keeping a strong balance sheet, keeping our costs and fares low, and taking care of our people. I feel we are probably as prepared or more prepared than our peers in the industry. Also, part of our Emergency Response Plan included a Pandemic Response Plan, so we at least had something to start with as the crisis unfolded.

A&SL: Now, approximately two months into this situation, has your role and that of your team evolved?

MS: It's an all-hands-on-deck scenario around this crisis, so we've had to shift our focus to many of the areas I've described above, but our overall function has not changed drastically—except now we are becoming well-versed in best practices working from home.

A&SL: Give us a snapshot of what your days are like. Is there any rhythm or “normalcy” to them?

MS: Yes, and that is a testament to our Emergency Response program. We have a lot of discipline and rigor in our plan, with daily calls from leaders of all departments. That regular cadence helps to collaborate and share critical information in a timely manner. Like other department leaders, I am also actually increasing the number of weekly meetings with our various teams to make sure everyone is on the same page as far as issues and priorities.

Working remotely for many of our employees has been an adjustment, but one we've made fairly seamlessly. I think one of the most difficult parts for me and many others at Southwest, given our unique culture, has been the relative isolation we've had from our colleagues. We really do thrive on interacting with each other at Southwest, so it has definitely not been normal to not see people very often as we do much more of our work remotely and over our computers and telephones.

A&SL: How have you utilized outside counsel during this period?

MS: We've had to rely quite a bit on our outside counsel during this period, particularly to support us and advise us on the critical, and historic in my opinion, financings that we were challenged to complete in an incredibly short time frame. And while many courts have slowed down, the litigation hasn't stopped, so we have had to continue to rely on outside counsel on our cases across the country. We have a great team of in-house lawyers with an enormous breadth of experience across all areas, so my practice is to only hire outside counsel when we (1) need their particular expertise or (2) need additional resources. We've needed both of those things in abundance during this current crisis.

A&SL: What has been the biggest challenge for you during this extraordinary period, and how does it differ from what you would normally consider your biggest challenge(s)?

MS: Fortunately, or unfortunately, we've had a lot of practice dealing with large-scale issues, most recently with the grounding of the MAX. While this is much bigger than that, many of the challenges are similar. Our biggest challenge is the pace of changes daily and the magnitude of the work. But, again, I can't emphasize enough what a great team we have throughout the Company. When people ask me how I'm doing during these challenging times, I tell them that I've been through three major periods of crisis in my 20 years at Southwest: the first was 9/11, the second was the 2008 financial crisis, and the third has been the double whammy of the ongoing MAX/COVID-19 crisis. I have come to realize through it all what an amazing group of people we have working at Southwest. There is no place I'd rather be, particularly in a time of crisis, than here at Southwest.

I think the biggest challenge from the COVID-19 pandemic is just the scale of it and the speed of the response we've had to make to it from both a financial and operational standpoint, even when compared to 9/11 and the 2008 financial crisis—and that's saying a lot.

A&SL: What are the top two or three pieces of advice you would pass on to young lawyers interested in an in-house aviation career?

MS: First, get as much experience as you can get in as many different areas as you can. Second, if you go in-house in an airline or other aviation-related area, be open to working on as many different types of projects in-house as you can. You never know where that might lead you. Third, you have to want to be a member of a team. As our CEO Gary Kelly has said, the airline business is extremely competitive—it is the ultimate team sport!

A&SL: What are you looking forward to doing when things get back to, or approximate, normal?

MS: Getting back to flying more on Southwest, of course! Followed closely by seeing all of my colleagues at Southwest again, sleeping, and hopefully spending a little more time with my family, including playing some golf!