



MARY KAY HENRY
International President

MICHAEL P. FISHMAN
International Secretary-Treasurer

GERRY HUDSON
Executive Vice President

EILEEN KIRLIN
Executive Vice President

VALARIE LONG
Executive Vice President

ROCIO SÁENZ
Executive Vice President

SERVICE EMPLOYEES
INTERNATIONAL UNION
CTW, CLC

1800 Massachusetts Ave., NW
Washington, DC 20036

202.730.7000

www.SEIU.org

25090wm

Service Employees International Union today issued the following open letter to Alaska Airlines shareholders.

May 11th, 2015

An Open Letter to Alaska Airlines Shareholders

Dear Sir or Madam,

Following Alaska's announcement last month that the airline plans to acquire Virgin America, the company stands poised to enter a phase of rapid expansion and, in the process, will take on a host of new operational challenges.

It is a well-documented fact that most mergers disappoint. According to a study by Booz Allen, more than half of all mergers fall short of their stated objectives. Airlines mergers are no exception, since they result in a multitude of issues – from merging computer systems, workforces and different safety, security and operational protocols – that threaten to bring ongoing operations to a standstill.

Labor problems are among the top reasons why airline mergers stumble. And yet, in the midst of a complex and expensive expansion, Alaska Airlines has chosen to simultaneously launch a new ground handling subsidiary, McGee Air Services.

Last year, I wrote a letter to Alaska shareholders [highlighting the impact on working families and neighboring airport communities](#) of Alaska's decision to outsource good, middle class jobs and its fight to overturn a voter-approved initiative raising wages to \$15 an hour for contract airport workers employed at SeaTac.

This year, I think it is important for shareholders to understand that Alaska's failure to invest in its contract workforce and allow workers a voice on the job creates risk for airline passengers, airport workers and investors.

Unresolved problems unnecessarily increase risk to operations for Alaska

Alaska Airlines management has shown itself willing to assume reputational and operational risks in order to maintain a low-cost contract workforce, at least since the "Alaska 2010" plan, introduced soon after 9/11 to cut operational costs. This approach has continued through the lock-out of Alaska's own ramp personnel in 2005, and the company's multi-year fight against the \$15 minimum wage approved as part of SeaTac Proposition 1.

One particularly scary incident associated with Alaska's contract operations -- which [still surfaces in news reports](#) -- occurred in 2005, when a contract baggage handler who was driving a baggage tug bumped an Alaska Airlines jet at Seattle-Tacoma International Airport. After take-off, the plane's cabin depressurized, passengers put on oxygen masks and the plane was forced to make an emergency landing. Although no one was injured, the consequences could have been much greater. A federal safety inspection later revealed a 12 inch by 6 inch hole in the airplane fuselage. But this is only one in a series of workplace safety lapses.

In 2013, Alaska Airlines and its contractor were issued citations for multiple serious health and safety violations for failing to protect workers from exposure to corrosive cleaning chemicals, caustic jet fuel, blood borne pathogens, and body fluids including vomit, urine, feces and blood.

Last spring, Alaska Airlines made international headlines when one of its flights was forced to make an emergency landing at the Seattle-Tacoma International Airport (Sea-Tac) after passengers heard banging and screams from a ramp agent who was trapped in the plane's cargo hold.

This year, at Sea-Tac - Alaska's primary hub - Alaska and its ground handling service contractor, Menzies Aviation, were both [cited for health and safety violations](#) by the Washington Department of Labor and Industries (L&I).

Inspectors found that "Alaska Airlines did not provide safety devices, safeguards, work practices, processes and the means to make the workplace safe from hazards that were causing, or likely to cause, serious physical harm to Menzies ramp agent employees who handle cargo and passenger baggage for Alaska Airlines at SeaTac Airport, Seattle, Washington." L&I also found that "Menzies employees have an approximately four times higher injury rate than other employees in their risk class." The agency found both Menzies and Alaska liable for violations of safety and health regulations, and fined the two companies a total of \$69,000.

Many of the citations issued by the state safety agency relate to airport infrastructure issues. According to Alaska Airlines' contractor Menzies Aviation, these citations could have serious implications for the airport and possibly even the industry. In a press release following release of the results of the safety investigation, the company stated, "Fully mitigating these issues would require a massive reconfiguration of the airport itself, and changes to baggage systems and ground handling equipment used not just at Sea-Tac but throughout the US aviation industry."

The Port has budgeted \$19 million to refurbish the baggage system in the North Satellite Terminal at SeaTac where Alaska operates, part of a half billion dollars in public subsidies slated to be spent on the North Sea-Tac Airport Renovation (NorthSTAR). Workers and their allies are calling for the project to be postponed until workplace safety issues have been addressed.

At Portland International (PDX), Alaska's second-largest hub, low wages paid by Alaska's service contractors contribute to high employee turnover. Employees of Huntleigh USA assist Alaska passengers requesting wheelchairs, and many of Huntleigh's employees report earning minimum wage.ⁱ Even after the state minimum wage increases to \$9.75 on July 1, 2016, the wage for employees providing passenger assistance to Alaska's Portland passengers will still be far below the cost of living for a small family.ⁱⁱ Not surprisingly, most of these workers look for opportunity elsewhere. Huntleigh's employee turnover rate at PDX was *over 60 percent per year* in fiscal year 2015, according to data from the airport authority. Turnover was also remarkably high at Alaska's PDX ground handling and fueling contractors, Menzies Aviation and Aircraft Service International Group (ASIG), with turnover rates of 42 and 38 percent, respectively. Wages paid by Alaska's contractors are insufficient to retain a greater number of experienced staff.

These kinds of low standards are not without consequences. As has been noted by safety experts and airport authority executives, airport safety is not well served when exhausted employees have to work two jobs just to make ends meet. High turnover stemming from low wages also can increase safety and security risks.

Missed opportunities to invest in front-line workers and to safeguard operations

After two years of filing lawsuits to block the voter-approved Sea-Tac airport minimum wage of \$15, Alaska recently changed course and its service contractors at Sea-Tac are now paying their workers in compliance with the initiative's wage requirements. We question what was gained from Alaska's effort.

For not complying with the law, contractors serving Alaska now face class-action lawsuits for back pay, plus interest. These costs are in addition to the already sizeable legal expenses and loss of community goodwill incurred by Alaska.

Alaska has claimed it objected to a “patchwork” of wage rules. The fact is, minimum wages of \$15 or more have become the standard in many of Alaska’s key markets. Alaska has been competing – and thriving – at LAX, SFO, and San Jose, all west coast airports with minimum wages of \$15 or more when including the cost of health benefits paid for by the employer. Why then did Alaska take on such expense opposing comparable wages for their “hometown” workers?

Time to fix these problems, before launching McGee and acquiring Virgin America

The bidding war for Virgin America raised the price to a level that could make it difficult for Alaska Air’s shareholders to realize the full benefits of the acquisition for years to come.

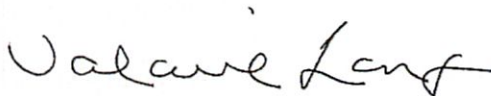
At a time when elected leaders and the traveling public are concerned about the safety and security of the US aviation system, and as Alaska Air seeks to merge Virgin America’s operations into its existing network, the company cannot afford the distractions created by its relentless efforts to prevent contract workers from exercising their rights to a voice on the job.

To maintain stable, safe and secure operations during a difficult transition, the company should instead focus on fixing the longstanding problems associated with the poverty wages and high employee turnover that are prevalent in its contract passenger service operations.

Hundreds of Alaska’s subcontracted airport workers have chosen SEIU as their representative union, and more workers are raising their concerns every day. Alaska Air Group shareholders, like airline employees and their representatives, are invested in seeing Alaska Air Group thrive.

Alaska can do better. We invite Alaska executives to partner with us to improve jobs, safety, and service quality in the airline’s ground handling and passenger services.

Sincerely,



Valarie Long
International Executive Vice President
Service Employees International Union

ⁱ In 2014, SEIU Local 49 conducted a non-scientific survey of 148 outsourced service workers at PDX.

“Airport Worker Survey Reveals Problems Behind the Scenes at PDX.” Portland, OR: SEIU Local 49, July 2014. http://www.seiu49.org/wp-content/blogs.dir/60/files/2014/08/L49_OurAirport_SurveyResults_v5_public.pdf.

Survey participants included 19 Huntleigh employees who reported they served Alaska Airlines. Of these, the average wage reported was \$9.13, three cents above the state minimum wage at that time.

Subsequently, some Huntleigh employees have reported to SEIU Local 49 and public officials that they are paid minimum wage after years of employment. Rede, George. "PDX Leaders Move Forward with Plan to Improve Job Security, Working Conditions for Airport Workers." *OregonLive.com*, April 9, 2015.

http://www.oregonlive.com/business/index.ssf/2015/04/pdx_leaders_move_forward_with.html.

ⁱⁱ When the minimum wage for the Portland metro area increases to \$9.75 July 1, 2016, it will cover less than half the cost of living for a full-time employee with one preschool-aged child. According to Oregon's 2014 Self-Sufficiency Standard, the hourly wage required to maintain such a family in Multnomah County was \$22.27.

Pearce, Diana M. "Self-Sufficiency Standard for Oregon (2014)." Seattle: Center for Women's Welfare, University of Washington School of Social Work, October 2014.

<http://selfsufficiencystandard.org/sites/default/files/selfsuff/docs/OR2014.pdf>, p. 71.