

# Alaska Airlines

Bradley D. Tilden  
President & Chief Executive Officer

February 27, 2015

The Honorable John Kerry  
Secretary of State  
US Department of State  
2201 C St, NW  
Washington, DC 20520

The Honorable Anthony Foxx  
Secretary of Transportation  
US Department of Transportation  
1200 New Jersey Ave, SE  
Washington, DC 20590

Dear Secretaries Kerry and Foxx,

I am writing to express our company's strong support for the longstanding US policy of pursuing open skies agreements with other countries.

Alaska Airlines is the 6<sup>th</sup> largest U.S. airline. Our company was founded in 1932 and, 83 years later, we remain the only airline in existence prior to deregulation that has not either filed for bankruptcy or gone out of business. With over 13,000 employees and more than 450 daily flights, we are easily the largest airline in our hometown of Seattle, have far and away the most extensive service to our namesake state of Alaska, and the 3<sup>rd</sup> most flights from the mainland to Hawaii. Our solid, steady growth in the decades since airline deregulation in 1978 resulted in our recent attainment of Fortune 500 status.

As a large, longtime customer of Boeing, Alaska Airlines operates a fleet of 147 737 aircraft and has 79 additional Boeing jets on firm order (with an additional 46 options). Couple this with aircraft orders from other carriers (both U.S. based and foreign) whose own growth is at least partially driven by Open Skies and it is easy to see the significant positive impact this policy has had on well paid, middle-class union jobs like those at Boeing and Alaska.

Despite our successful growth story, we carry only slightly more than 4% of the US domestic airline industry passengers. Industry consolidation has resulted in the 4 largest U.S. airlines dominating the domestic landscape with over 80% of US passengers. This dominance extends to the international arena as well. The 3 primary global airline alliances control 82% of all US international seats and enjoy 78% of the passenger share (year ending third quarter 2014). This global leverage allows the 4 largest U.S carriers to achieve even greater domestic revenue performance (85%) vs. their capacity share (81%).

Alaska Airlines has benefited from Open Skies in the form of new access for both US and foreign carriers to serve numerous international markets. While not part of a formal alliance, Alaska has long maintained bilateral agreements with several global airlines. In fact, 6 of our international partner carriers (Air France, British Airways, Emirates, KLM, Korean, LAN, and Qantas) are from countries with Open Sky agreements. This has allowed Alaska to offer our customers in key markets on the West Coast a virtual global network with greater value to consumers than our relatively small size would otherwise allow.

The US Open Skies policy has served as a catalyst for international service growth throughout the US, and Seattle is one of the beneficiaries. Without this important policy, Seattle would not enjoy the frequency, level of competition and international access it has today. Absent Open Skies, we believe that Emirates may not have been able to enter the Seattle market in March of 2012, yet their non-stop service to Dubai is often the quickest and most direct way for our US customers to travel to the Middle East, Africa and India from the Pacific Northwest. This access plays a key role in facilitating international growth in Seattle and for our airline, as for the year ended June 30, 2014, 70% of the total connecting international traffic departing Seattle was carried by Alaska Airlines as a direct result of our relationships with international carriers.

Alaska Airlines competes every day against domestic competitors far larger than ourselves and with considerably more resources at their disposal. We bring low fares and strong value to consumers on the West Coast while providing meaningful careers to thousands of employees. Open Skies enables carriers such as Emirates to have access to the U.S., which in turn fuels Alaska Airlines growth so we can effectively compete as a 4% market share carrier in a consolidated US industry. This access levels the playing field, and allows for an effective loyalty program for mileage accrual and redemption. Our growth and success have long been supported by reasonable government policies that allow fair and competitive access to markets, both domestic and international. Open Skies is such a policy and we urge you to continue this important work to allow more international access.

Sincerely,

A handwritten signature in black ink, appearing to read "Ben O'Connell". The signature is fluid and cursive, with a long horizontal stroke at the end.