

ASSESSING THE ECONOMIC IMPACTS OF ALASKA AIRLINES

OCTOBER 2018



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SUMMARY

Since its founding in 1932, Alaska Airlines has grown to become the fifth-largest air carrier in the United States, providing service that connects 44 million guests a year to over 115 destinations in the US, Mexico, Canada, and Costa Rica. To achieve this growth, Alaska has had several periods of strategic expansion. Alaska Air Group (AAG), which includes Alaska Airlines, Horizon Air, and McGee Air Services, most recently acquired and integrated Virgin America in 2016.

The Seattle metropolitan area is an important partner in Alaska Airlines' development as it has been home to the corporate headquarters since the 1940s. Today, about 40% of the 21,000 employees with Alaska Airlines and Horizon Air are sited at the corporate headquarters in SeaTac, WA and the main hub at Sea-Tac International Airport. Understanding the role of Alaska Airlines in the regional economy and communities throughout the state is essential for managing regional and statewide partnerships. Alaska Airlines provides benefits across different areas, ranging from increased economic activity from operations to improved regional, national, and international access for business travelers and tourists.

Some of the major economic impacts from AAG operations include:



The total economic impact of AAG companies across the economy of Washington state was **\$7 billion** in 2017 and has grown at an average of 5.9% per year over the past five years. This total impact consists of about **\$4.1 billion in direct impacts, \$1.6 billion in indirect impacts, and \$1.2 billion in induced impacts.**



The operations of AAG companies supported **23,561 jobs in Washington state** in 2017. This includes **9,916 jobs directly with AAG companies**, as well as 5,978 jobs with companies in the supply chain and 7,667 jobs supported by the earnings of employees. This amounts to a total of 2.4 jobs in the economy for every job with AAG companies, or about 5.7 jobs per \$1 million in output.



Alaska Airlines and Horizon Air accommodated **22 million passengers** through Seattle-Tacoma International Airport, representing about **half of all traffic from Seattle's main airport**. Passenger service supports access to national and international destinations for cities across Washington state.



Over the past five years, Alaska Airlines has made nearly **\$2.4 billion worth of aircraft purchases** from Boeing, which created **\$3.4 billion of additional economic activity** in Washington. This activity has also supported an average of nearly 1,600 jobs across the state per year.



AAG companies did business with **3,557 vendors** in 2017, which has more than doubled the number of companies in its immediate supply chain over the past five years. This has expanded the number of regional businesses that benefit from growth of AAG companies, and provides exposure to locally sourced products, primarily food and beverages, with airline customers.



Outgoing cargo from Seattle-Tacoma International Airport amounted to **\$24 million in freight revenue** in 2017, which is 97% of the total cargo revenue generated from Washington state airports. Alaska Air Cargo has recently increased its freight capacity, which will increase cargo services as a business line in the future.



In 2017, AAG companies provided about **\$15.5 million in corporate donations**, including cash grants and financial support, travel, and employee volunteer time. Washington state charities received \$8 million in 2017, more than half of total corporate donations.



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INTRODUCTION

Since 1932, Alaska Airlines has grown from the Alaskan bush pilots of McGee Airways and Star Air Service into the fifth-largest air carrier in the US, and the only major airline headquartered on the West Coast. Currently, it provides service to destinations in US, Mexico, Canada, and Costa Rica through direct flights, and worldwide through Alaska Global Partners. Alaska Airlines' growth has been marked by periods of strategic expansion. Alaska Air Group (AAG), which includes Alaska Airlines, Horizon Air, and McGee Air Services, most recently acquired and integrated Virgin America in 2016.

Alaska Airlines has been headquartered in the Seattle area since the 1940s, and regular air service to Anchorage and Fairbanks from Seattle began in the 1950s. Alaska Airlines has been a reliable customer for Boeing commercial jet aircraft since 1966, when the first Boeing 727-100 planes were put into service with the Alaska Airlines fleet. Currently, many of the over 21,000 employees of Alaska Air Group companies work at the Alaska Airlines corporate headquarters in SeaTac, WA and the hub at Sea-Tac International Airport.

Assessing the impacts of Alaska Air Group companies on the regional economy and on communities throughout the state is essential to understanding the role Alaska Airlines plays in the state. In addition to its role as a major employer, Alaska Airlines has a major hub for national and international passenger travel and cargo at Sea-Tac International Airport, providing the state and region with greater accessibility to destinations for business and tourism worldwide in cooperation with Alaska Global Partners. The charitable contributions made by Alaska Airlines to organizations in the state support important causes in the Seattle region. Additionally, Alaska Airlines supports the local economy by sourcing from local suppliers and providing a platform for advertising for local companies.

To provide a greater understanding of these roles, this report presents a review of the impacts of Alaska Airlines and the other AAG companies on the state of Washington and the Seattle region. This study focuses on the benefits associated with having the primary hub and headquarters for Alaska Airlines located in the region and highlights how these benefits have grown in recent years.



The report is organized into four main sections:

- We describe the **economic impacts** of AAG companies within the Seattle region and the state, including the major roles Alaska Airlines plays in local and state economies.
- **Passenger traffic** information is also provided to highlight how passenger services support international, national, and regional access to the state.
- We provide a review of **cargo services** provided by Alaska Airlines to explain how this activity contributes to the local economy.
- The effects of **charitable giving** on local communities are described, with a description of how Alaska Airlines works with community partners on projects and ongoing initiatives.





ECONOMIC IMPACTS

Alaska Air Group companies provide significant economic benefits to the Seattle metropolitan area and the state of Washington. These benefits relate not only to local employment, but also to the activities necessary to support airline operations and the business activity spurred by this spending. This is due primarily to the role of the Seattle metropolitan area as the major hub and headquarters for Alaska Airlines and other AAG companies.

This section outlines the economic impacts associated with the operations in the Seattle metropolitan area and Washington state, with a focus on employment, local suppliers, and local aircraft procurement. This analysis was conducted using the IMPLAN economic impact model, which relies on available data from national and regional economic accounts to support state and regional input-output analysis.

EMPLOYMENT

Direct Employment

AAG companies have employed a growing number of people over the last ten years, offering a variety of jobs at over 100 locations. In addition to growth in Alaska Airlines and Horizon Air, there have also been other recent corporate expansions:

- AAG acquired Virgin America for \$2.6 billion in 2016 and over 90% of the integration milestones will be complete by 2019.
- In 2016, McGee Air Services was created as a subsidiary of Alaska Airlines to provide airline support services, including baggage handling and gate agent services. This subsidiary, headquartered in Renton, also provides airline support services in Phoenix, Portland, San Jose, and San Francisco.

Exhibit 1 shows employment at AAG companies for all airports in Washington, and Exhibit 2 provides Alaska Airlines and Horizon Air jobs at major hubs and focus cities. Looking more broadly at employment with AAG companies, Exhibit 3 shows the location of all employees of Alaska Airlines and Horizon Air, and Exhibit 4 provides trends for this employment at major airports.


Exhibit 1 Employment with Alaska Air Group companies in Washington state, 2017.

EMPLOYMENT AT WASHINGTON AIRPORTS									
COMPANY	SEA	GEG	BLI	PSC	EAT	PUW	YKM	ALW	TOTAL
Alaska Airlines ¹	7,475	-	2	-	-	-	-	-	7,477
Horizon Air	1,021	281	45	20	17	17	16	13	1,430
McGee Air Services	1,009	-	-	-	-	-	-	-	1,009
Total	9,505	281	47	20	17	17	16	13	9,916

Source: Alaska Airlines, 2018; BERK, 2018.

¹ Alaska Airlines totals include previous Virgin America employees

Exhibit 2 Alaska Airlines and Horizon Air jobs by hubs/focus cities outside Washington state, 2017.

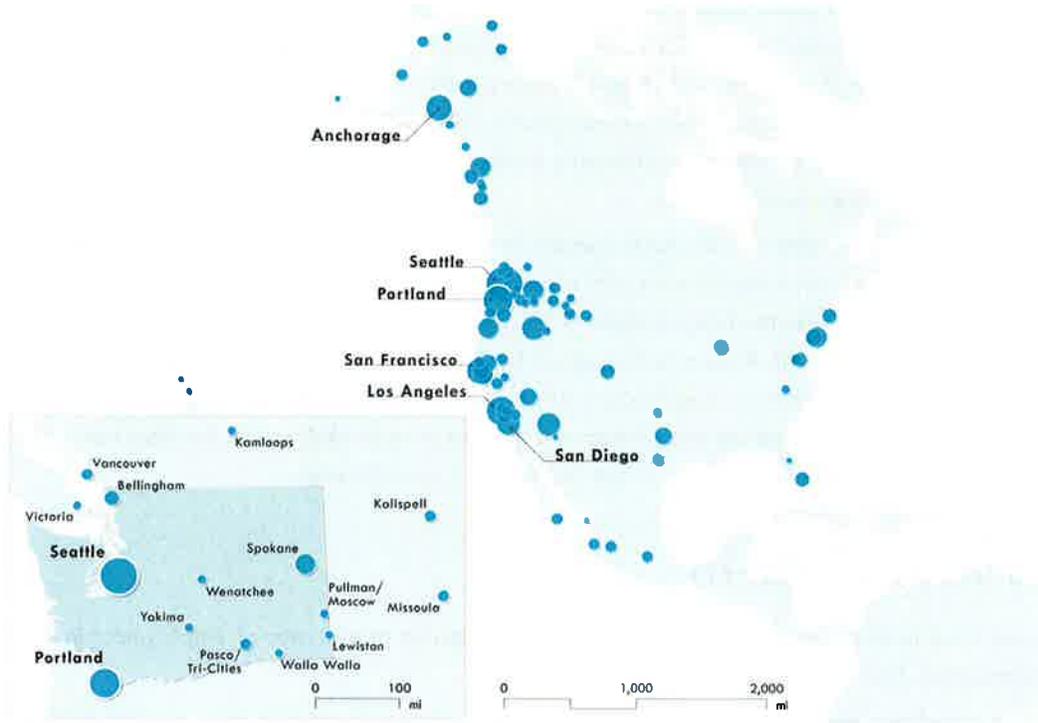
EMPLOYMENT AT HUB/FOCUS CITY AIRPORTS						
COMPANY	PDX	LAX	SFO	ANC	SAN	ALL EMPLOYEES
Alaska Airlines ¹	1,231	2,095	1,745	1,242	539	17,382
Horizon Air	1,333	233	-	49	-	3,940
Total	2,564	2,328	1,745	1,291	539	21,322

Source: Alaska Airlines, 2018; BERK, 2018.

¹ Alaska Airlines totals include previous Virgin America employees

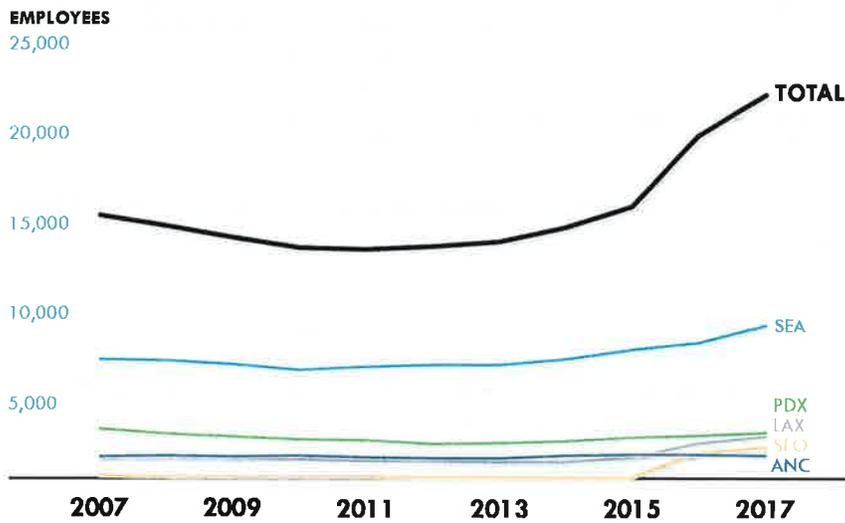


Exhibit 3 Employee locations for Alaska Air Group airlines, 2017.



Source: Alaska Airlines, 2018; BERK, 2018..

Exhibit 4 Total employment, Alaska Airlines and Horizon Air, 2007–2017.



Source: Alaska Airlines, 2018; BERK, 2018.



Key highlights include the following:

- **Seattle and Washington state are a major site for employment in AAG companies.** As of 2017, AAG companies had 9,916 employees in Washington state, with 7,475 jobs with Alaska Airlines, 1,021 with Horizon Air, and 1,009 with McGee Air Services. This includes about 40% of all Alaska Airlines and Horizon Air employment, which are primarily located at Sea-Tac International Airport and Seattle area headquarters.
- **Total employment with AAG companies is growing significantly.** Over the past five years, total employment with Alaska Airlines and Horizon Air grew by about 35% at the Seattle hub, or about 6.2% per year. During that same period, overall employment with Alaska Airlines grew by 36%, and Horizon Air by 32%. The integration of Virgin America into Alaska Airlines has added 3,516 employees company-wide above this growth, and the creation of McGee Air Services has added another 1,009 jobs in the Seattle metropolitan area.

Employment Effects

In addition to direct employment, AAG companies support other types of employment in communities across the state, including:

- **Indirect employment** by suppliers and other businesses that do business with AAG companies.
- **Induced employment** by businesses that support the employees of AAG companies and their suppliers.

For this analysis, employment effects for AAG companies are framed in two ways:

- The effects of employment at AAG companies' headquarters and the Seattle-Tacoma International Airport within the Seattle metro area.
- The effects of employment statewide by AAG companies.

Exhibit 5 provides a summary of the total employment effects at the Seattle metropolitan and state levels for 2017, and Exhibit 6 presents the trends of the employment impacts for operations across the state.

This overall analysis of employment impacts indicates the following:

- **Statewide, AAG companies supported 23,561 jobs in 2017.** In addition to the 9,916 direct employees of AAG companies, including Alaska Airlines, Horizon Air, and McGee Air Services, an additional 5,978 jobs are supported through the supply chain, and 7,667 jobs are supported with induced demand from households.

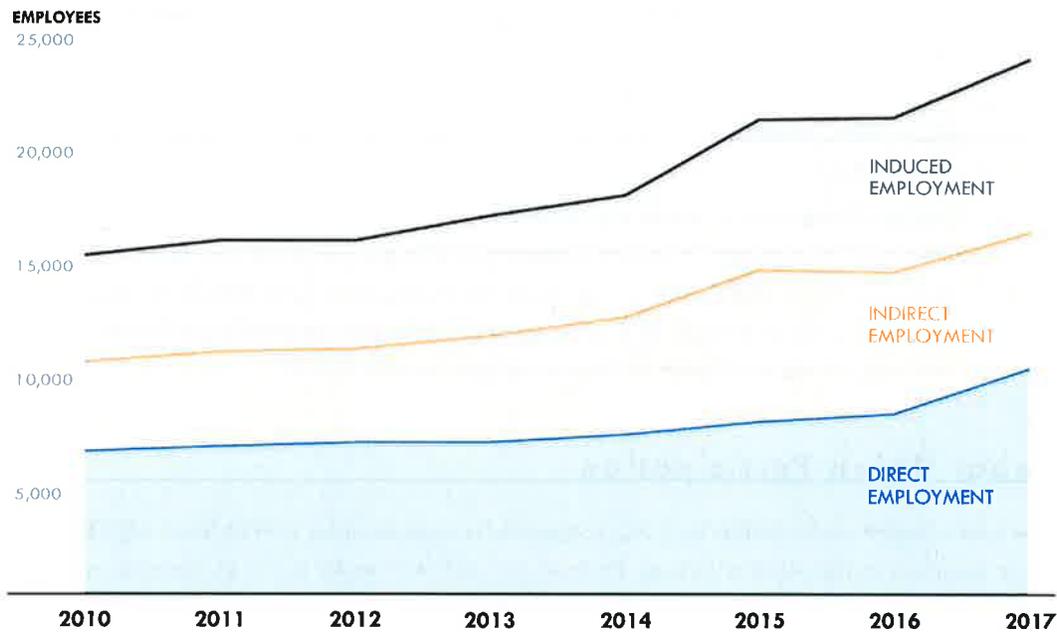


Exhibit 5 Total employment impacts for AAG companies, Seattle metropolitan area and Washington state, 2017.

	ECONOMIC IMPACT				JOBS MULTIPLIER
	DIRECT	INDIRECT	INDUCED	TOTAL	
Seattle metropolitan area	9,505	5,320	6,758	21,583	2.27
Statewide	9,916	5,978	7,667	23,561	2.38

Source: Alaska Airlines, 2018; BERK, 2018.

Exhibit 6 Total employment impacts of AAG companies in Washington state, 2010–2017.



Source: Alaska Airlines, 2018; BERK, 2018.



- **The Seattle metropolitan area is a major employment center for AAG companies in the state.** A majority of Washington state employees of AAG companies are in the Seattle metropolitan area, with major operations at Sea-Tac International Airport and major headquarters located in SeaTac and Renton. Altogether, this amounts to 9,505 direct employees, with an additional 12,078 jobs supported through the supply chain and induced demand from households.
- **Every job created by AAG companies in the state resulted in a total of 2.4 jobs added to the economy in 2017.** Additionally, every \$1 million in demand for services from AAG companies resulted in the creation of about 5.7 jobs across the economy. These jobs are related both to activity in the supply chain and wages and other earnings being spent in the local economy.
- **Total statewide employment impacts grew by 42% over the past five years.** In 2013, Alaska Airlines and Horizon Air supported 16,637 jobs across the entire state economy, including 6,672 direct employees of these two companies. Over the past five years, the total employment impact across the state economy has increased by about 42%, or about 9.1% per year, while direct employment has increased by about 49%.
- **Contributions to local employment in the City of SeaTac are significant.** The impacts of employment from AAG companies also impacts local communities as well. From 2017 PSRC estimates of covered employment, AAG companies account for about 23% of the jobs in SeaTac (outside of the self-employed and domestic workers), where the Alaska Airlines headquarters is located.

Labor Union Participation

The rate of union participation by AAG companies is considerable: with at least 17,000 union members across Alaska Airlines, Horizon Air, and McGee Air Services, these companies well exceed the industry average of 38% union membership. This high rate of membership supports both workers' rights and higher wage rates across the workforce.

The seven unions that provide representation to employees of AAG companies include the following:

- **Association of Flight Attendants (AFA)**, representing about 6,300 flight attendants with Alaska Airlines and Horizon Air, and comprising the largest representative of employees across AAG companies.
- **International Association of Machinists (IAM)**, representing airport, reservation, office and clerical staff, and ramp and stores agents with Alaska Airlines and ramp agents of McGee Air Services.



- **Airline Pilots Association (ALPA)**, representing about 2,900 Alaska Airlines pilots.
- **International Brotherhood of Teamsters (IBT)**, representing 1,100 Horizon Air pilots and technicians.
- **Airline Mechanics Fraternal Association (AMFA)**, representing about 700 aircraft technicians with Alaska Airlines.
- **Transport Workers Union (TWU)**, representing dispatchers with Alaska Airlines and Horizon Air.
- **Unifor**, representing about 40 Horizon Air employees in Canada.

BUSINESS OPERATIONS

The benefits of business activity from AAG companies in the state and region not only includes the value of the services and the compensation provided to employees, but also the impacts of spending by the companies and employees across the entire economy. These effects can be divided into three main categories:

- **Direct impacts** of the operations of AAG companies and the value of the goods and services produced, including passenger and cargo services;
- **Indirect impacts** resulting from spending on intermediate inputs, such as catering services, airport fees, and fuel for aircraft; and
- **Induced impacts** derived from the salaries and compensation of employees of AAG companies and their suppliers being spent in the regional economy.

Exhibit 7 provides a summary of the total economic impacts from the activities of AAG companies, with a chart of the total economic impact over time provided in Exhibit 8.

Key insights from this assessment include the following:

- **Alaska Air Group companies had an economic impact of about \$7 billion in the state in 2017.** This overall impacts of AAG companies consists of about \$4.1 billion in direct impacts, \$1.6 billion in indirect impacts, and \$1.2 billion in induced impacts. In 2017 dollars, this represents a 12% increase from 2016, and 5.9% yearly growth on average over the past five years.
- **Every dollar of output from AAG companies results in a total of 1.68 dollars of economic activity for the Seattle metropolitan area.** This includes an additional

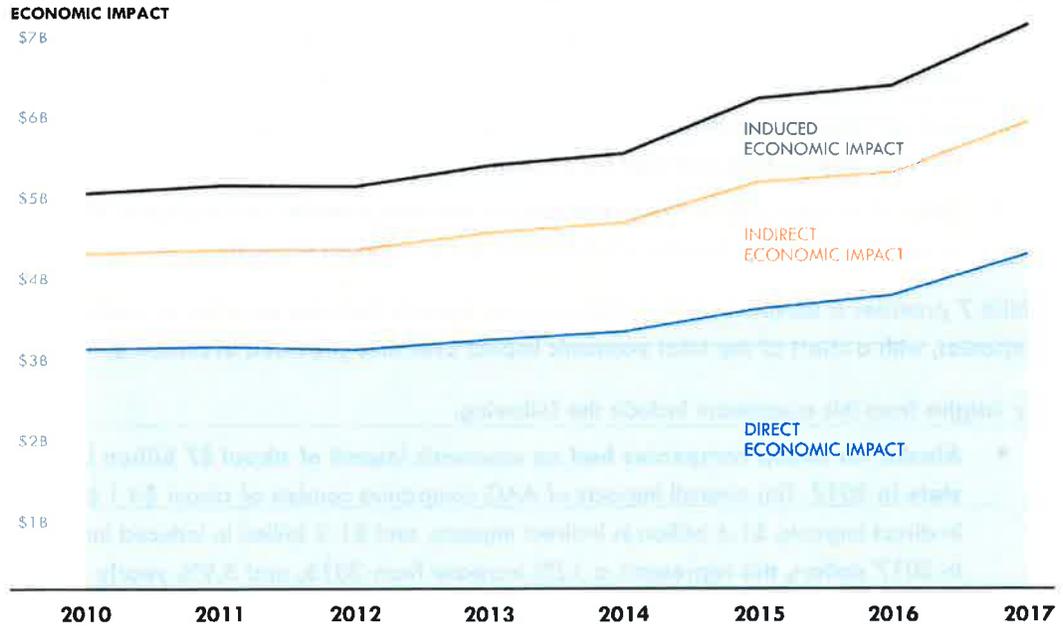


Exhibit 7 Total employment impacts for AAG companies, Seattle metropolitan area and Washington state, 2017 dollars, 2013–2017.

YEAR	ECONOMIC IMPACT			TOTAL	ECONOMIC MULTIPLIER
	DIRECT	INDIRECT	INDUCED		
2013	\$3,063M	\$1,321M	\$829M	\$5,213M	1.7
2014	\$3,154M	\$1,355M	\$855M	\$5,363M	1.7
2015	\$3,439M	\$1,574M	\$1,025M	\$6,039M	1.8
2016	\$3,609M	\$1,518M	\$1,071M	\$6,198M	1.7
2017	\$4,124M	\$1,628M	\$1,202M	\$6,953M	1.7

Source: Alaska Airlines, 2018; BERK, 2018.

Exhibit 8 Summary of the total economic impact of AAG companies in Washington state, 2017 dollars, 2010–2017.



Source: Alaska Airlines, 2018; BERK, 2018.



0.39 dollars from indirect impacts from the supply chain and 0.29 dollars from induced impacts in the economy.

CAPITAL EXPENDITURES

In addition to the benefits provided from ongoing business activities, capital expenditures by AAG companies provide further economic activity in the state and region. These capital expenditures are primarily related to aircraft procurement, but the construction of the new facilities at the SeaTac corporate campus and Sea-Tac International Airport also represent expenditures that will have economic impacts in the region and state.

Aircraft Procurement

As with any other airline, major capital expenditures are related to purchasing commercial aircraft. For Alaska Airlines this amounted to approximately \$511 million in expenditures in 2017 for fleet expansion.

However, unlike many other airline companies these expenditures provide additional benefits for the state and region. The core of the Alaska Airlines aircraft fleet consists of 157 Boeing 737s, which reflects a relationship between Alaska Airlines and Boeing that has been in place since the 1960s. Additional orders for new Boeing aircraft are currently in place, including orders for the new Boeing 737 MAX 9 due to be delivered in 2019.

Exhibit 9 Statewide impacts of aircraft purchases by Alaska Airlines, 2017 dollars, 2013–2017.

YEAR	ECONOMIC IMPACT				EMPLOYMENT			
	DIRECT	INDIRECT	INDUCED	TOTAL	DIRECT	INDIRECT	INDUCED	TOTAL
2013	\$379M	\$85M	\$70M	\$533M	407	353	447	1,207
2014	\$473M	\$113M	\$89M	\$675M	481	474	564	1,519
2015	\$584M	\$146M	\$113M	\$843M	612	623	732	1,966
2016	\$452M	\$114M	\$87M	\$654M	468	479	557	1,505
2017	\$511M	\$129M	\$99M	\$739M	529	542	630	1,701

Source: Alaska Airlines, 2018; BERK, 2018.



The purchase of new, locally-built aircraft like the 737 provides additional demand for the local aircraft manufacturing industry, which in turn supports employment and further economic activity. Exhibit 9 shows the annual effect of aircraft purchases on the regional economy (in 2017 dollars), including the indirect impacts on aircraft suppliers and induced effects from additional employment statewide.

Highlights from this analysis include the following:

- **Local purchases of aircraft increase economic activity in the Seattle area.** Since 2013, Alaska Airlines has spent nearly \$2.4 billion in aircraft from Boeing (in 2017 dollars), which has resulted in over \$3.4 billion of new economic activity in the state. These impacts are most noticeable with Boeing operations in Renton, but there are also wider impacts for aerospace suppliers and other businesses statewide.
- **Aircraft procurement also supports local aerospace jobs and other employment.** Purchases of Boeing aircraft also support local aerospace manufacturing, suppliers, and other businesses. Altogether, direct employment supported from purchases over the past five years averages about 500 jobs, with an additional 1,080 jobs arising from related demands in the economy.

Investment in Facilities

In the Seattle metropolitan region, there are also major projects for facilities investment that Alaska Airlines is currently pursuing:

- **Alaska Airlines hub expansion (Copper River Project).** Alaska Airlines is currently pursuing a long-term four-phase development of a 6.8-acre site adjacent to the Alaska Airlines headquarters in the city of SeaTac. The first phase of this project, expected to be completed by early 2020, includes a new 128,000-square-foot office building (“The Hub”), parking garage, and pedestrian improvements across International Boulevard. The office building will accommodate recruiting, uniform fitting, operations, e-commerce, and IT staff. Overall, this represents a long-term investment in SeaTac as a focus location for the company.
- **Seattle-Tacoma International Airport.** Alaska Airlines has been working with the Port of Seattle on ongoing improvements to the airport to accommodate increasing volumes of traffic and modernize older facilities. The North Satellite Modernization Project, expected to be complete by 2021, will update the existing North Satellite with new environmentally-conscious upgrades that will provide improvements to passenger services, employee workspaces, baggage handling, and accessibility. Alaska Airlines will contribute \$41 million to this work, which will include the construction of a new lounge facility for the airline.



- **New Paine Field (PAE) service.** Alaska Airlines also announced in 2017 that it will begin flights from Paine Field in Everett to provide additional connections for the north Seattle metro area. Non-stop flights to eight West Coast cities have been announced, which will be supported by a new terminal built and operated by Propeller Airports. This new passenger service and supporting facilities will provide additional benefits for Snohomish County and areas to the north of Seattle.

SUPPLIERS

The relationships that Alaska Airlines has with major and minor suppliers are important to the overall economic impact on the metropolitan area and state. These connections promote employment to the wider community and bring the benefits of growth in business to the Seattle metropolitan area and Washington as a whole.

Exhibit 10 provides a summary of the number of vendors and contractors in Washington state, and Exhibit 11 shows the distribution of expenditures to vendors and other agencies by jurisdiction for the state and the immediate Seattle metropolitan area (for total charges over \$50,000 between 2013 and 2017 only).

Vendors included in this summary are from the following supplier categories:

- Catering
- Commercial real estate management
- Deicing
- Fleet agents
- Fueling
- Health insurance
- IT support
- Maintenance

For cities with airports, major expenses are associated with landing fees, facility rents, and other costs for the use of airport facilities. However, the largest single set of vendor expenses is with the company health insurance provider operating in Seattle, which is a substantial share of total vendor activity.

This information about vendor distribution indicates the following:

- **Alaska Airlines is expanding the use of vendors.** Alaska Airlines increased the number of vendors in their supply chain from 1,719 in 2013 to 3,557 in 2017, doubling the number of these suppliers in five years. This represents about 16%

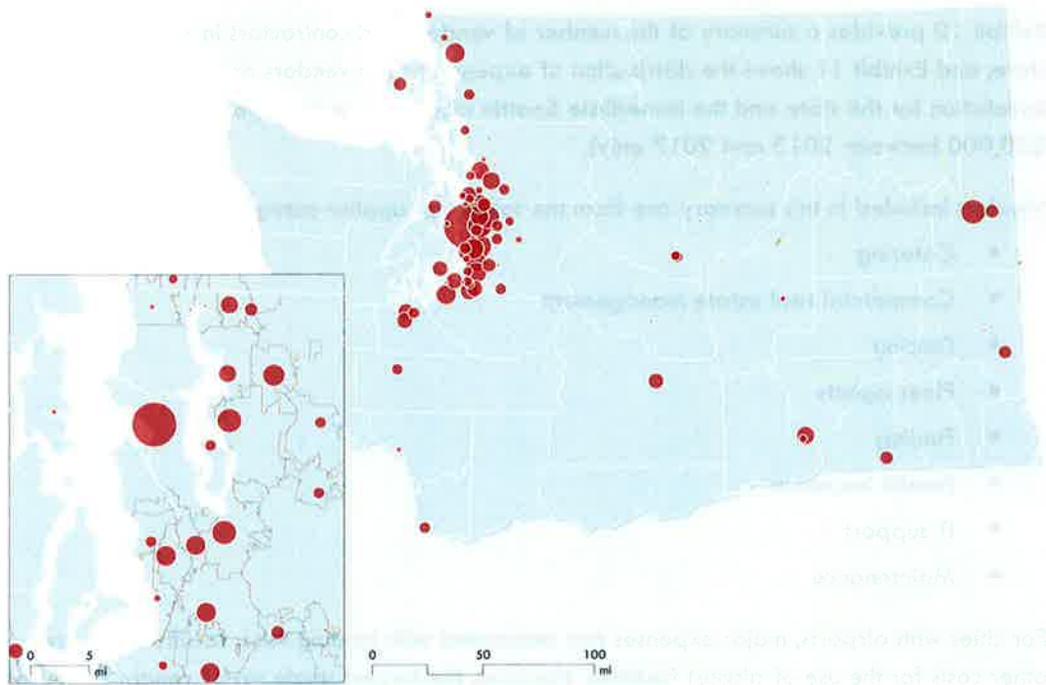


Exhibit 10 Number of Alaska Airlines vendors and contractors, 2012–2017.

YEAR	VENDORS	CONTRACTORS
2013	1,719	17
2014	2,027	16
2015	2,365	15
2016	2,934	12
2017	3,557	38

Source: Alaska Airlines, 2018; BERK, 2018.

Exhibit 11 Distribution of major vendor spending by Alaska Airlines in Washington cities, 2012–2017.



Source: Alaska Airlines, 2018; BERK, 2018.



growth per year in the vendor roster, and it expands the ability for businesses in the region to benefit from the expansion of Alaska Airlines.

- **Vendors are clustered in the Seattle metro area.** Generally, the distribution of vendors is clustered in the Seattle metropolitan area, with minor clusters around other airports in Washington state and in the state capital. This indicates that the supply chains for Alaska Airlines are strongly tied to the metro area, and the indirect impacts associated with the supply chain are focused there as well.
- **The company provides opportunities to market Washington state products at the national and international level.** Alaska Airlines and Horizon Air give local businesses visibility with passengers through in-flight service, especially those that produce gourmet food and drinks. Starbucks and AAG companies have partnered for 28 years to provide customers with fresh brewed coffee on board flights. These opportunities have extended to other Seattle-area companies as well, with companies such as Beecher's Cheese, Cucina Fresca Gourmet Foods, Tim's Potato Chips, Emily's Chocolate, and Tree Top highlighted in meal services. Paired with high customer satisfaction with the Alaska Airlines and Horizon Air brand, this can significantly boost positive market exposure.





PASSENGER TRAFFIC AND TRENDS

OVERVIEW

Alaska Airlines and Horizon Air are primarily passenger airlines, with flights to destinations in North America and continuing services for world-wide destinations through Alaska Global Partners. Although hosting the headquarters of the company has economic benefits for the region, facilitating access to the world can also support Washington state communities in several ways:

- **National and international business access for the Seattle region.** As the Seattle metro region maintains and expands its role as a major center for innovation and high-tech industry, accessibility to the region is crucial. Alaska Airlines and Horizon Air provide access through direct flights and flights with Alaska Global Partners across the region, nation, and world.
- **International access to local and regional tourism.** Alaska Airlines and Horizon Air provide air services that bring tourists to the Seattle region and other locations in Washington state from the US, Canada, and countries worldwide. This accessibility catalyzes tourism throughout the state, encouraging visitors and spurring further growth in the tourism industry.
- **Business access for smaller cities.** Smaller cities in Washington served by Alaska Airlines and Horizon Air can access national and international destinations, which supports important business connections in other regions. This is especially important as reliable and frequent air service is linked to local businesses accessing larger markets.

This section focuses on passenger traffic for three different categories of destinations:

- **International destinations**, including destinations served by Alaska Airlines and Horizon Air in Canada, Mexico, and Costa Rica, as well as other international locations accessible by Alaska Global Partners.
- **National and North American destinations** served by Alaska Airlines, Horizon Air, and Alaska Global Partners.
- **Regional destinations** within Washington state and the Pacific Northwest, including locations primarily served by Horizon Air.



INTERNATIONAL DESTINATIONS

Passenger service to international locations, both directly and through Alaska Global Partners, supports access to the world from the state and the Seattle region. It also provides opportunities for international visitors to come to the region, which is essential for business and tourism.

Exhibits 12 and 13 provide the top worldwide destinations for customers of Alaska Airlines, Horizon Air, and Alaska Global Partners that have touched Seattle by starting or ending a trip at Seattle-Tacoma International Airport, or transiting through Seattle during an international trip.

Key findings from these statistics include the following:

- **Alaska Airlines and Horizon Air support global access to Seattle through Sea-Tac Airport.** Major international destinations served by Alaska Airlines and Horizon Air directly and through Alaska Global Partners include key locations in Canada, Mexico, Asia, and Europe, with many of these locations reflecting the growing roles that Alaska Airlines and Horizon Air play in making Seattle an international travel hub.
- **Greater international access to and from Seattle is supported by the Alaska Airlines network.** Codeshares with Alaska Global Partners are also accessible through other major hubs such as Los Angeles and San Francisco. This provides greater access to international routes via Alaska Global Partners, which are key to supporting more international passengers with the Alaska Airlines network.

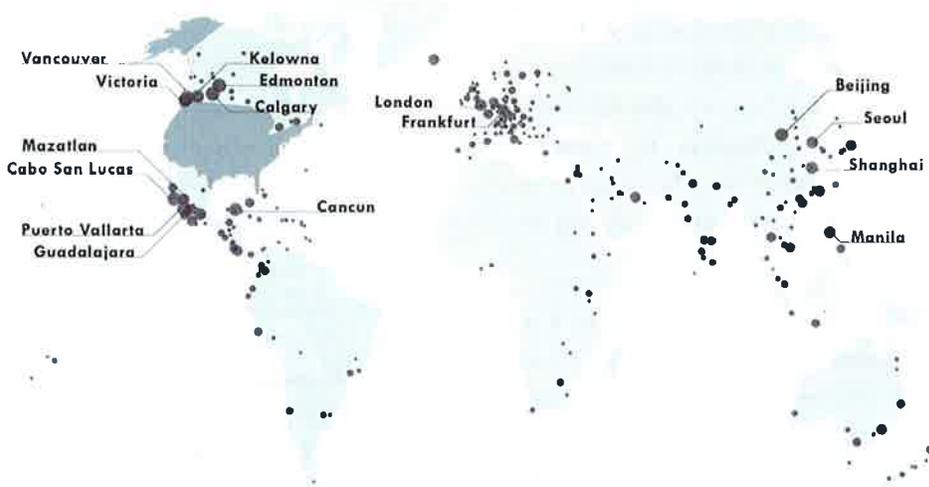
ALASKA GLOBAL PARTNERS

As of 2018, Alaska Airlines has relationships with the following Alaska Global Partners for service to additional national and international destinations:

- Aer Lingus
- American Airlines
- British Airways
- Cathay Pacific
- Condor
- Emirates
- Fiji Airways
- Finnair
- Hainan Airlines
- Icelandair
- Japan Airlines
- Korean Air
- LATAM Airlines
- PenAir
- Qantas
- Ravn Alaska
- Singapore Airlines



Exhibit 12 International passenger volume touching Seattle by origin/destination, Alaska Airlines, Horizon Air, and Alaska Global Partners, 2017.



Source: Alaska Airlines, 2018; BERK, 2018.

Exhibit 13 Top international passenger volumes touching Seattle by origin/destination, Alaska Airlines, Horizon Air, and Alaska Global Partners, 2017.

		2017 PASSENGER VOLUME			2016 TOTAL	
		ORIGIN	DESTINATION	TOTAL	VOLUME	CHANGE
YVR	Vancouver, BC	128,351	139,454	267,805	279,138	-4.1%
YYJ	Victoria, BC	67,959	78,125	146,084	153,622	-4.9%
SJD	Cabo San Lucas, Mexico	70,926	70,842	141,768	137,100	3.4%
PVR	Puerto Vallarta, Mexico	57,705	58,157	115,862	104,275	11.1%
YYC	Calgary, AB	52,817	59,317	112,134	114,897	-2.4%
YEG	Edmonton, AB	46,850	54,642	101,492	112,087	-9.5%
YLW	Kelowna, BC	41,106	45,431	86,537	96,769	-10.6%
CUN	Cancun, Mexico	29,483	29,563	59,046	56,774	4.0%
PEK	Beijing, China*	21,272	28,134	49,406	49,116	0.6%
PVG	Shanghai, China*	15,498	18,510	34,008	28,265	20.3%
GDL	Guadalajara, Mexico	15,438	13,308	28,746	34,618	-17.0%
ICN	Seoul, South Korea – Incheon International*	14,409	13,828	28,237	31,104	-9.2%
MZT	Mazatlán, Mexico	11,385	12,182	23,567	21,363	10.3%
FRA	Frankfurt, Germany*	10,935	10,991	21,926	22,056	-0.6%
LHR	London, United Kingdom – Heathrow*	10,503	9,934	20,437	21,011	-2.7%
MNL	Manila, Philippines*	10,737	8,991	19,728	18,172	8.6%

Source: Alaska Airlines, 2018; BERK, 2018.



NORTH AMERICAN DESTINATIONS

Outside of Washington, Alaska Airlines and Horizon Air provide passenger service to 76 destinations across 34 states. In addition to the headquarters at Sea-Tac, Alaska Airlines has major hubs in Anchorage, Los Angeles, San Francisco, and Portland. Two “focus cities,” San Diego and San Jose, are also bases for frequent routes.

Exhibit 14 shows passenger volumes on Alaska Airlines and Horizon Air flights in 2017 that have originated, ended, or passed through Sea-Tac International Airport, with Exhibit 15 showing statistics for flights to and from US destinations, and Exhibit 16 showing international destinations in Canada, Mexico, and Costa Rica. Key conclusions from these statistics include the following:

- **Sea-Tac Airport is a major hub for Alaska Airlines and Horizon Air.**
Nearly 15 million passenger trips pass through Sea-Tac on Alaska Airlines planes. According to US transportation statistics, Alaska Airlines and Horizon Air managed about 26 million of total revenue passenger enplanements in 2017, and over half the number of flights in the Alaska Airlines system started or ended in Sea-Tac.
- **Alaska Airlines provides a major air connection to Alaska via Seattle.**
Passenger traffic between Anchorage and Sea-Tac accounts for 1.4 million total trips. Given that Sea-Tac is the top origin and destination for Anchorage, this reinforces the historic transportation and economic connections between Seattle and Alaska.

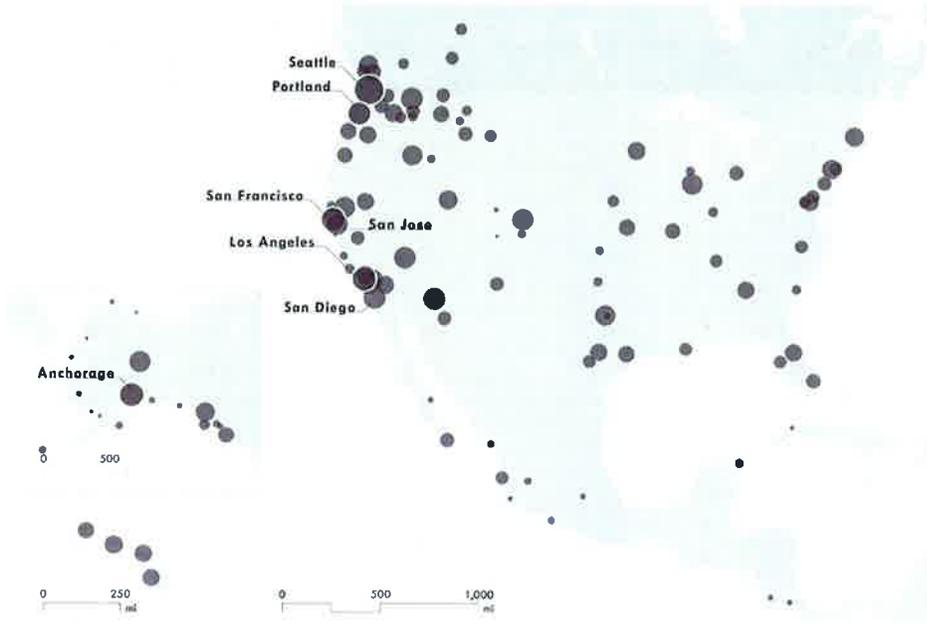
INTERNATIONAL DIRECT SERVICE LOCATIONS

In addition to destinations in the US, Alaska Airlines and Horizon Air provides direct passenger service locations in Canada, Mexico, and Costa Rica:

- Calgary International Airport (YYC)
- Cancún International Airport (CUN)
- Miguel Hidalgo y Costilla International Airport, Guadalajara (GDL)
- Kelowna International Airport (YLW)
- Daniel Oduber Quirós International Airport, Liberia, Costa Rica (LIR)
- Loreto International Airport (LTO)
- Los Cabos International Airport, Cabo San (SJD)
- Playa de Oro International Airport, Manzanillo (ZLO)
- General Rafael Buelna International Airport, Mazatlán (MZT)
- Mexico City International Airport (MEX)
- Licenciado Gustavo Díaz Ordaz International Airport, Puerto Vallarta (PVR)
- Juan Santamaría International Airport, San Jose, Costa Rica (SJO)
- Vancouver International Airport (YVR)
- Victoria International Airport (YYJ)
- Ixtapa-Zihuatanejo International Airport (ZIH)



Exhibit 14 North American Alaska Airlines and Horizon Air passenger volume touching Seattle, by origin or destination and percent of total airport volume, 2017.



Source: Alaska Airlines, 2018; BERK, 2018.

Exhibit 15 Top international passenger volumes touching Seattle by origin/destination, Alaska Airlines, Horizon Air, and Alaska Global Partners, 2017.

		2017 PASSENGER VOLUME			2016 TOTAL VOLUME	CHANGE
		ORIGIN	DESTINATION	TOTAL		
SEA	Seattle, WA*	7,455,922	7,438,272	14,894,194	14,250,926	4.5%
ANC	Anchorage, AK*	709,568	716,117	1,425,685	1,371,953	3.9%
LAX	Los Angeles, CA*	703,223	695,920	1,399,143	1,427,336	-2.0%
SFO	San Francisco, CA*	530,810	545,686	1,076,496	1,026,157	4.9%
LAS	Las Vegas, NV	473,817	472,895	946,712	910,516	4.0%
GEG	Spokane, WA	425,582	416,262	841,844	897,015	-6.2%
PDX	Portland, OR*	413,624	418,011	831,635	922,933	-9.9%
SAN	San Diego, CA	362,097	359,298	721,395	684,200	5.4%
SJC	San Jose, CA	328,487	327,646	656,133	644,042	1.9%
SNA	Orange County, CA	315,154	315,978	631,132	652,280	-3.2%
PHX	Phoenix, AZ	313,264	309,770	623,034	580,946	7.2%
DEN	Denver, CO	256,683	253,951	510,634	483,570	5.6%
SMF	Sacramento, CA	240,139	240,533	480,672	507,428	-5.3%
FAI	Fairbanks, AK	217,833	219,556	437,389	418,091	4.6%
ORD	Chicago, IL	210,456	214,324	424,780	423,930	0.2%

Source: Alaska Airlines, 2018; BERK, 2018.

Note: * indicates major hub in Alaska Airlines network



Exhibit 16 Alaska Airlines and Horizon Air passenger volume statistics for trips touching Seattle, destinations in Canada, Mexico, and Costa Rica, 2017.

		2017 PASSENGER VOLUME			2016 TOTAL VOLUME	CHANGE
		ORIGIN	DESTINATION	TOTAL		
YVR	Vancouver, Canada	130,203	141,099	271,302	276,574	-1.9%
YYJ	Victoria, Canada	66,574	75,404	141,978	148,021	-4.1%
SJD	Los Cabos, Mexico	69,186	68,705	137,891	133,799	3.1%
YYC	Calgary, Canada	53,824	59,717	113,541	117,414	-3.3%
PVR	Puerto Vallarta, Mexico	55,970	56,667	112,637	101,200	11.3%
YEG	Edmonton, Canada	48,375	53,358	101,733	111,255	-8.6%
YLW	Kelowna, Canada	41,024	43,931	84,955	91,259	-6.9%
CUN	Cancún, Mexico	26,624	26,406	53,030	49,103	8.0%
GDL	Guadalajara, Mexico	13,172	11,613	24,785	26,796	-7.5%
MZT	Mazatlán, Mexico	10,479	11,695	22,174	19,773	12.1%
ZIH	Zihuatanejo, Mexico	6,432	6,417	12,849	11,035	16.4%
LTO	Loreto, Mexico	5,237	4,220	9,457	7,065	33.9%
SJO	San Juan, Costa Rica	4,696	4,743	9,439	9,672	-2.4%
MEX	Mexico City, Mexico*	3,937	5,315	9,252	N/A	N/A
LIR	Liberia, Costa Rica	4,225	4,029	8,254	8,051	2.5%
ZLO	Manzanillo, Mexico	3,599	3,058	6,657	5,864	13.5%

Source: Alaska Airlines, 2018; BERK, 2018.

- Alaska Airlines and Horizon Air connect Seattle to cities across the US and Canada.**
 In addition to the other connections in the Alaska Airlines network, passenger services connect Sea-Tac to major destinations in California, Arizona, and Colorado. There are also notable regional connections to western Canadian cities such as Victoria, Vancouver, Edmonton, Kelowna, and Calgary.



WASHINGTON STATE DESTINATIONS

Alaska Air Group companies also provide hundreds of flights each day between Washington cities. Within Washington state, Alaska Airlines and Horizon Air provide direct service to and from eight airports in Washington. Regional service helps travelers move around the state and increases accessibility to smaller urban centers in Washington state. This strengthens economies in central and eastern Washington by linking local businesses to larger markets and drawing in regional, national, and international visitors for trade and tourism across the state.

Exhibits 17 and 18 show passenger volumes from Seattle to Washington state airports in 2017. Key conclusions from these statistics include the following:

- **Seattle and Spokane are major regional transportation hubs.** Alaska Airlines and Horizon Air support reliable service from the Seattle hub to the seven other Washington airports. Spokane International Airport is a major destination for mainline and regional service, with about 842,000 of the passengers traveling to and from Spokane in 2017 (over a quarter of total traffic) passing through Sea-Tac.
- **Flights from other airports in Washington state connect to national and international destinations.** Although the traffic between Washington state airports and Sea-Tac helps to link the state, about 58% of passengers come from different origins or continue to other destinations through Sea-Tac. Sea-Tac provides a critical national and international connection for airports across Washington state.
- **Alaska Airlines and Horizon Air are major service providers to eastern Washington.** As shown in Exhibits 17 and 18, Alaska Airlines and Horizon Air are responsible for all major passenger service for Wenatchee, Yakima, Walla Walla, and Pullman-Moscow. They also provide flights for over 30% of the passengers passing through the Tri-Cities Airport.

WASHINGTON STATE DESTINATIONS

Alaska Airlines and Horizon Air provide services to eight regional and international airports within Washington state:

- Bellingham International Airport (BLI) (seasonal route)
- Pasco/Kennewick/Richland Tri-Cities Airport (PSC)
- Pullman-Moscow Regional Airport (PUW)
- Seattle-Tacoma International Airport (SEA)
- Spokane International Airport (GEG)
- Walla Walla Regional Airport (ALW)
- Wenatchee Pangborn Memorial Airport (EAT)
- Yakima Air Terminal/McAlister Field (YKM)

Note that Portland, Oregon also provides service that supports cities in southwest Washington, such as Vancouver.

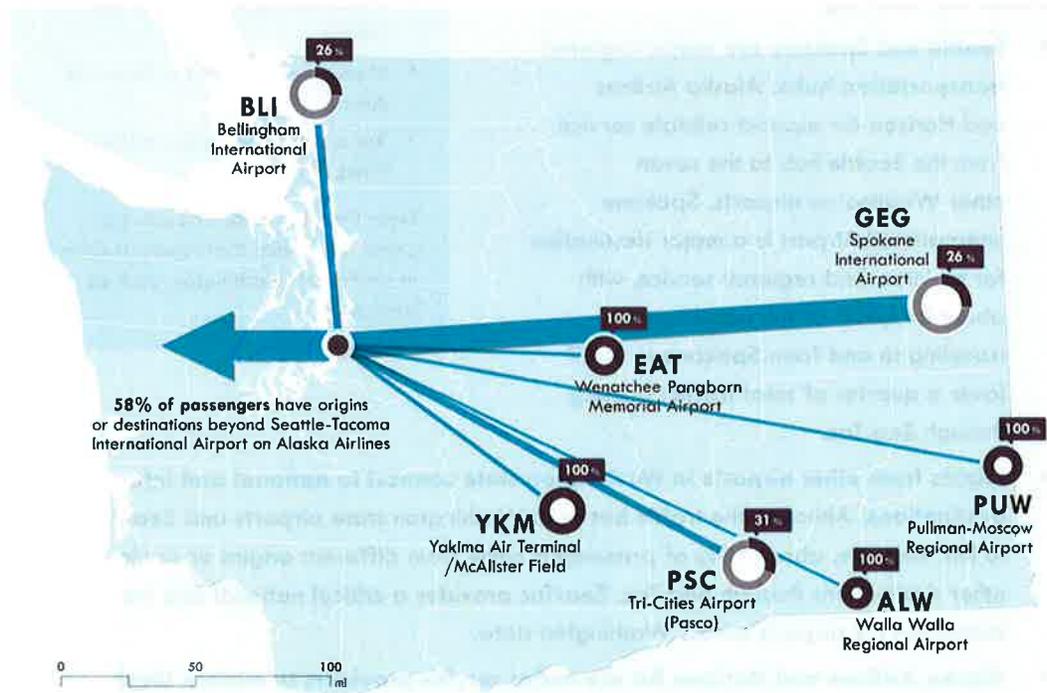


Exhibit 17 Statewide Alaska Airlines and Horizon Air passenger volume statistics for trips touching Seattle, 2017.

		2017 PASSENGER VOLUME			% 2017 VOLUME	2016–2017 CHANGE
		ORIGIN	DESTINATION	TOTAL		
GEG	Spokane International Airport	425,582	416,262	841,844	26%	-6.2%
PSC	Tri-Cities Airport (Pasco)	115,914	114,158	230,072	31%	-4.0%
BLI	Bellingham International Airport	106,907	98,751	205,658	26%	-9.0%
YKM	Yakima Air Terminal / McAllister Field	70,542	68,588	139,130	100%	0.8%
EAT	Wenatchee Pangborn Memorial Airport	60,731	59,044	119,775	100%	1.9%
PUW	Pullman-Moscow Regional Airport	59,096	59,769	118,865	100%	-3.7%
ALW	Walla Walla Regional Airport	50,011	49,756	99,767	100%	4.9%

Source: Alaska Airlines, 2018; BERK, 2018.

Exhibit 18 Statewide Alaska Airlines and Horizon Air passenger volume touching Seattle, by origin or destination airport and percent of total airport volume, 2017.



Source: Alaska Airlines, 2018; BERK, 2018.



CARGO SERVICES

Alaska Airlines and Horizon Air provide cargo services through Alaska Air Cargo. Historically, Alaska Airlines has served an important role carrying mail and freight between Alaskan communities and the continental US via Sea-Tac International Airport. Today, Alaska Air Cargo serves 93 destinations and transports over 170 million pounds of cargo annually, which is the most extensive air cargo operation on the US West Coast through passenger airlines.

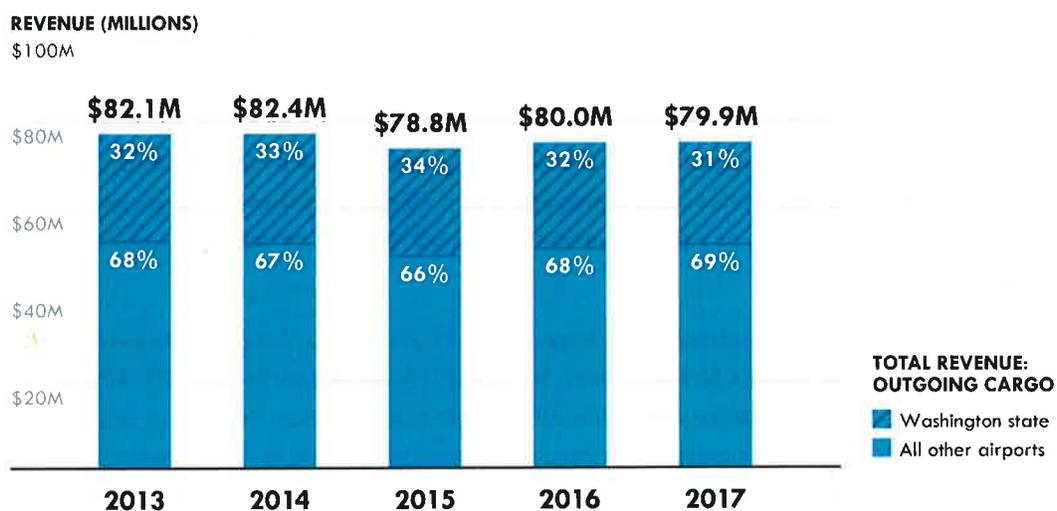
Alaska Air Cargo recently added three Boeing 737–700Fs used as freighters to existing freight service on the Alaska Airlines system. In June 2018, Alaska Airlines put 71 Airbus aircraft from the Virgin America acquisition into use for cargo service. With these additional aircraft, Alaska Air Cargo expanded its cargo lift capacity by 40% in the continental US. The increased connections across the country mean that Alaska Airlines and Horizon Air will provide even more frequent and reliable cargo delivery services for customers.

Although air cargo services provided by Alaska Airlines and Horizon Air in 2017 accounted for about 7.8% of total freight from Sea-Tac International Airport, there is significant potential for future growth with the recent additions to the Alaska Air Cargo fleet. This will position Alaska Air Cargo as a larger competitor for cargo services across the West Coast and can provide additional support for businesses within the state that rely on air freight connections to deliver products to market.

Exhibits 19 and 20 provide an overview of the revenue received from cargo transportation from 2013–2017, with a focus on revenue from outgoing cargo from Washington state and Seattle-Tacoma International Airport.

Key findings for current cargo services by Alaska Air Cargo include the following:

- **Cargo operations have been consistent across all airports.** Total revenue generated from outgoing cargo across all airports has remained relatively steady, around \$80 million per year from 2013 through 2017.
- **Washington state is a major origin point for cargo operations by Alaska Air Cargo.** Outgoing cargo from Washington airports comprises approximately one-third of all cargo revenue across all airports. Revenue from outgoing cargo in Washington airports has slightly decreased each year from 2013 to 2017, bringing in \$26 million annually in 2013 and \$24 million annually in 2017.
- **Almost all current cargo traffic originating from the state is from Sea-Tac International Airport.** Within Washington state, outgoing cargo from Seattle-Tacoma International Airport has comprised 97% of the revenue generated from Washington


Exhibit 19 Summary of total revenue from Alaska Air Cargo operations, 2013–2017.


Source: Alaska Airlines, 2018; BERK, 2018.

Exhibit 20 Statistics for revenue from outgoing cargo, Alaska Air Cargo, 2013–2017.

YEAR	OUTGOING CARGO		
	ALL AIRPORTS	WA AIRPORTS	SEA-TAC AIRPORT
2013	\$82.1 M	\$26.6 M	\$ 26.0 M
2014	\$82.4 M	\$27.4 M	\$ 26.7 M
2015	\$78.8 M	\$26.6 M	\$ 25.8 M
2016	\$80.0 M	\$25.9 M	\$ 25.2 M
2017	\$79.9 M	\$25.0 M	\$ 24.3 M

Source: Alaska Airlines, 2018; BERK, 2018.

Note: Non-Washington airports include both airports within and outside of the US.

airports. The remaining 3% comes from Spokane (2%), Bellingham (0.2%), Pasco (0.2%), Yakima (0.2%), and less than 0.1% each from Pullman, Walla Walla, Wenatchee, Paine Field, and Boeing Field.

- **Significant changes are expected to air cargo routes and capacity.** These figures are expected to change substantially after the introduction of Boeing 737–700F and former Virgin America Airbus aircraft to the cargo fleet, which has increased cargo capacity and allowed for new routes for cargo services.



CHARITABLE GIVING

AAG companies contribute to a range of charitable organizations in Washington, Alaska, and other locations. Recipients include hundreds of organizations working in education, economic development, health, and other fields.

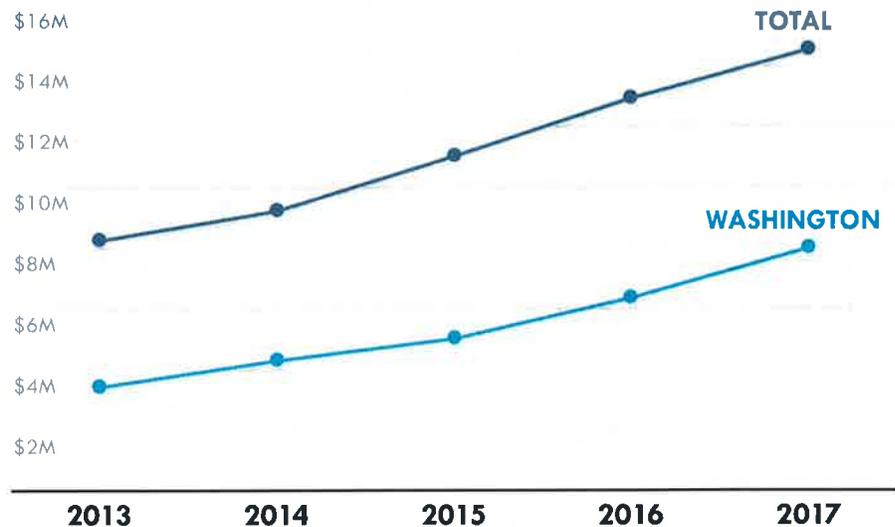
Exhibits 21 and 22 provide an overview of charitable giving by AAG companies. Giving has increased steadily over the last five years, and in 2017, AAG companies contributed \$14.5 million to charities in total. The greatest recipients of funding have been charitable organizations in Washington state, with about \$8 million contributed in 2017 and a strong upward trend in local donations.

Exhibit 23 shows the breakdown of the charitable donations made by AAG companies in 2017 by category. The top recipients of charitable giving from AAG companies include organizations in the following areas:

- **Education and workforce development**, such as Highline School District, Mukilteo Schools Foundation, and Highline Community College Foundation;
- **Social**, such as Northwest Harvest, the United Way of King County, Southwest Youth and Family Services, and the Seattle Goodwill;
- **Medical**, such as the American Heart Association, the American Cancer Society, and the Leukemia and Lymphoma Society;
- **Civic**, such as Challenge Seattle and the Economic Development Council of Seattle & King County;
- **Youth**, such as the YMCA, the Boy Scouts of America, the Boys and Girls Club, and Girl Scouts of Western Washington;
- **Environmental**, such as the Woodland Park Zoo, the Seattle Audubon Society, and The Nature Conservancy;
- **Arts**, such as the 5th Avenue Theatre, the Seattle Art Museum, and the Pacific Northwest Ballet; and
- **Sports**, such as the Special Olympics and the SeaTac United Youth Academy.

In addition to direct giving, AAG companies provides charitable giving through Employee Gift Match and Dollars for Doers:

- **Employee Match** refers to the AAG program that provides donations to charities to match employee contributions. AAG companies match these employee contributions at a 1:1 rate, up to \$1,000 per year. In 2017, employees of AAG companies raised \$464,759 in funds that were matched for a total of \$989,518.


Exhibit 21 Summary of charitable giving, AAG companies, 2013–2017.
CHARITABLE DONATIONS (MILLIONS)


Source: Alaska Airlines, 2018; BERK, 2018.

Exhibit 22 Charitable giving statistics, AAG companies, 2013–2017.

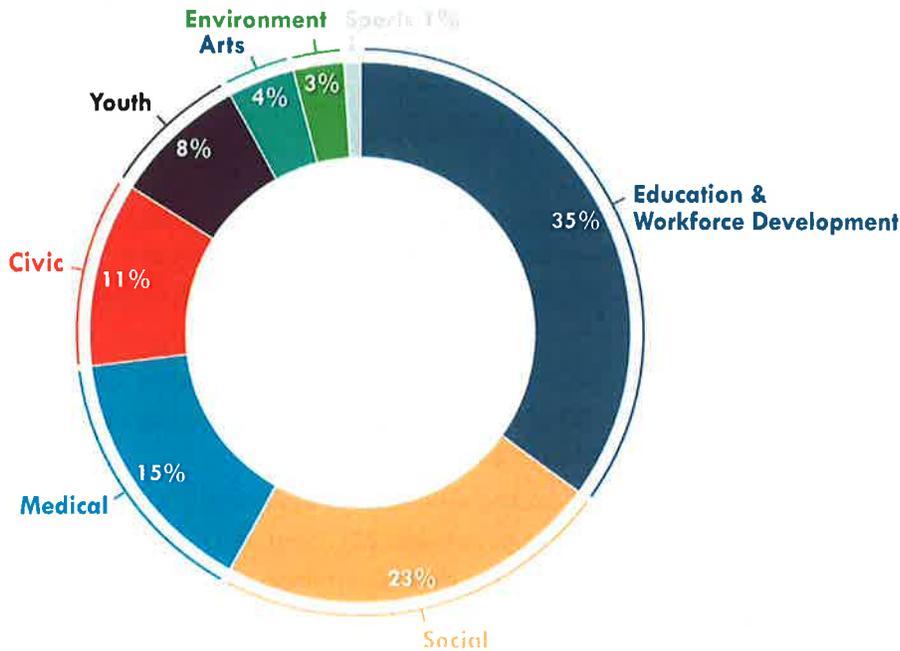
YEAR	CHARITABLE GIVING				
	2013	2014	2015	2016	2017
Washington	\$3.4 M	\$4.3 M	\$5.0 M	\$6.3 M	\$8.0 M
Alaska	\$2.6 M	\$2.5 M	\$3.5 M	\$3.6 M	\$3.5 M
Other locations	\$2.2 M	\$2.4 M	\$2.5 M	\$3.0 M	\$3.0 M
Total	\$8.3 M	\$9.2 M	\$11.0 M	\$12.9 M	\$14.5 M
Total (w/other giving)	\$8.5 M	\$9.7 M	\$11.7 M	\$13.5 M	\$15.5 M

Source: Alaska Airlines, 2018; BERK, 2018.

Note: "Other giving" includes grants and financial support, in-kind travel, and employee volunteerism from AAG companies, including Employee Match dollars and Dollars for Doers



Exhibit 23 Breakdown of charitable giving by type, 2013–2017.



Source: Alaska Airlines, 2018; BERK, 2018.

- **Dollars for Doers** is a program through which AAG companies provide grants to nonprofits where employees regularly volunteer. Employees are offered a grant of \$10 per hour volunteered to that organization, up to \$1,000 per employee each year. This program encourages employees to spend their time volunteering for local causes. In 2017, these employees earned and donated \$263,163 by providing 41,760 hours of volunteer time.

Through these programs, Alaska Airlines invests in local community organizations working in youth and education, arts and sciences, housing, and health and human services.

Alaska Airlines also contributes through charity miles, in-kind donations, and disaster relief.

- **Charity miles:** In 2017, Alaska Airlines donated 52.3 million miles valued at \$1.4 million to support 10 organizations, including the Fred Hutchinson Cancer Research Center, Make-A-Wish Foundation, and Angel Flight West.
- **In-kind donations:** In 2017, Alaska Airlines provided airline tickets to over 1,300 nonprofit organizations with \$7 million in in-kind ticket donations.



- **Disaster relief:** In 2017, Alaska Airlines donated over \$375,000 (cash and in-kind) to relief efforts for hurricanes, wildfires, flooding, and an earthquake. Alaska Airlines has waived travel fees for customers who are affected by natural disasters and added extra flights to help evacuation from impacted areas.

This analysis of charitable giving highlights the following points:

- **Charitable donations by AAG companies has increased significantly since 2013.** In 2017, corporate donations amounted to about \$15.5 million in cash grants and other financial support, in-kind travel, and employee volunteerism, an increase from \$13.5 million in 2016. Overall, funding for charitable causes has increased by an average of 15% per year since 2013.
- **Growth in charitable donations is focused in Washington state.** Washington state charities received about \$8 million in 2017, which has increased at an average of over 18% per year and more than doubled since 2013.
- **Charities working in education, social causes, and medical organizations were the highest recipients of funds.** For donations between 2013 and 2017, the highest proportion of charitable funds were allocated to charities involving education and workforce development (35%), social issues (23%), and medicine (15%).



CONCLUSIONS

Alaska Airlines provides a strong set of benefits to the Seattle metropolitan region with its major hub at Sea-Tac International Airport and its headquarters in the city of SeaTac. In addition to providing access to regional, national, and international destinations, Alaska Airlines supports economic activity within the state and region.

Major economic benefits include the following:

- **Alaska Air Group companies had a local economic impact of about \$7 billion in 2017.** This impact has had an average of 5.9% yearly growth over the past five years, and a 12% increase from 2016.
- **The Sea-Tac International Airport and the Alaska Airlines headquarters in the city of SeaTac are major centers of employment, and they are growing.** Alaska Air Group companies include 9,505 employees in the Seattle metropolitan area, including employees with McGee Air Services. For Alaska Airlines and Horizon Air, employment at the airport and Alaska Airlines SeaTac headquarters amounts to about 40% of the total employment across both companies. With the addition of new employees from Virgin America and McGee Air Services, employment with AAG companies has increased by about 6.2% per year in the Seattle metropolitan area.
- **AAG companies supported about 23,561 jobs statewide in 2017, with 2.4 total jobs created for every job with the companies.** In addition to the 9,916 employees statewide with Alaska Air Group companies, an additional 5,978 jobs are supported by companies in the supply chain due to business operations, and 7,667 jobs are supported by the earnings of employees from AAG companies and across the supply chain. This amounts to a total of 2.4 jobs in the entire state economy for every job created with an AAG company.
- **Using local suppliers provides increased benefits to the region.** AAG companies invest in business with state and regional suppliers, which boosts the local economy. Purchases of new aircraft from Boeing created \$3.4 billion of economic activity in the region over the past five years and supported over 1,700 workers in 2017. The rate of growth of other vendors has been significant over the past several years, which has kept the economic benefits of vendor spending in the region and provided opportunities for locally sourced food and beverage products to gain visibility with Alaska Airlines and Horizon Air customers.
- **Alaska Airlines' network links Seattle and Washington state to the world.** Supporting a world-class hub for national and international travel is essential to a growing region like the Seattle metropolitan area. Ongoing efforts to expand this network with Alaska



Global Partners means easier access to and from Seattle for business and tourism. This is also true for other Washington cities, and as Washington airports depend on Alaska Airlines, Horizon Air, and the Seattle hub for access to other destinations, the company is an important component for economic development across the state.

- **Cargo services by Alaska Air Cargo have primarily served outgoing freight from SeaTac Airport, but increased cargo capacity will change the nature of this business.** Cargo traffic and revenue from the state of Washington and the rest of the Alaska Airlines network has been relatively stable over the past several years, with about \$80 million in revenue per year, with \$24 million originating from Washington state in 2017. Recent additions to the Alaska Air Cargo fleet have increased capacity and will have significant changes to the future of air cargo in the state.
- **Charitable donations from Alaska Airlines are increasing, with the largest proportion of the company's giving in Washington state.** Charitable giving by Alaska Airlines amounted to \$14.5 million in 2017, with an additional \$989,000 contributed through grants and financial support, in-kind travel, and employee volunteerism (Employee Match dollars and Dollars for Doers). About \$8 million of this was donated to causes in Washington, an increase of more than 100% in just five years.