

**Testimony of Ben Minicucci, CEO of Alaska Air Group**  
**Senate Commerce Science and Transportation Committee**  
**“Oversight of the U.S. Airline Industry”**  
**December 15, 2021**

Thank you, Chair Cantwell, Ranking Member Wicker, and distinguished members of the committee for the opportunity to submit written testimony for today’s hearing. My name is Ben Minicucci and I am the CEO of Alaska Air Group, the parent company of Alaska Airlines, Horizon Air and McGee Air Services. I am proud to represent our company and our 22,000 employees across Alaska Air Group, nearly 14,000 of whom are represented by the Senators on this Committee.

**Alaska Airlines is a major carrier that also serves as a lifeline for smaller communities.**

Alaska Airlines is the 5th largest U.S. carrier. We are the only major airline based on the West Coast, with our headquarters in Seattle and additional hubs in Los Angeles, San Francisco, Portland, and Anchorage. With more than 1,000 flights per day across North America – spanning from Hawaii to Washington, D.C. – we operate and employ people in urban centers and rural areas across the U.S., as well as in Canada, Mexico, Belize and Costa Rica. As a member of the oneworld alliance, our passengers, whom we call guests, can reach over 1,000 destinations in more than 170 countries and territories.

Since our founding in 1932, we have had a strong connection with our namesake State of Alaska. While we have experienced significant growth and expansion, today the state still accounts for approximately 12 percent of our flying. We recognize the vital role we play as a lifeline for 20 communities in Alaska – only three of which are accessible by road. We are the only pre-deregulation passenger airline still operating dedicated freighter aircraft in the U.S. Throughout the pandemic, our cargo division has delivered essential goods, groceries and home supplies to communities across the State of Alaska, as well as vital health care supplies like masks, PPE, COVID-19 tests and ultimately over 1,000 shipments of COVID vaccines. In fact, we added new community air service in the State of Alaska to meet these needs during the pandemic.

We are deeply committed to communities of all sizes and offer them an extensive route network that connects cities, people, and businesses across the U.S. and around the globe.

Across Alaska Air Group we are committed to safety as our number one value, to exceptional caring service for our guests and communities, and to offering low fares enabled by maintaining low costs and running our business in a fiscally conservative way. We have held to these commitments over 90 years of business, and we are proud to be one of the few airlines that has never filed for bankruptcy.

**We are grateful for PSP and our employees who are running a resilient operation.**

We brought those same historical commitments and values to addressing the challenges brought on by the pandemic. The entire aviation industry – labor, airports, airlines and government – collaborated in an unprecedented way to meet this moment.

In 2020, at our lowest point at the outset of the pandemic, Alaska Airlines was carrying only 5,000 passengers each day where we normally carry 140,000 passengers per day. Financially at that point we

were bringing in only 5 percent of normal revenues and we had a cash burn rate of \$400 million per month. For 55 days straight, we had more cancellations than new ticket sales. In such a highly capital-intensive business such as aviation this was catastrophic, and we know that this impact was not unique to Alaska Airlines but happening to the entire industry.

It took everyone collaborating and pulling together to turn the ship around. Today we are flying about 85 percent of our 2019 schedule after scaling back up at a measured pace. Our on-time performance, completion rates and guest satisfaction are all up compared to pre-pandemic scores, and our operations rank among the top of the industry.

That is why my message today is one of gratitude: Thank you to this committee, your staff and to all the officials who came together during a critical time in our global history. I appreciate the consideration and support you gave to airline employees and our industry through the Payroll Support Programs (PSP)<sup>1</sup> and Direct Loan Program<sup>2</sup>. As we said to many of you in March 2020, our goal was to use the assistance as wisely as possible, and to come out of the crisis as strong as we possibly could so we can continue our role as a critical part of America's economic infrastructure.

More than 18 months later, I am proud to say this has been the outcome at Alaska Airlines. By directly supporting our employees through the PSP – a successful program built on collaboration with our unions and which preserved a level playing field across the industry – Congress wisely invested in the future of aviation, our people and the economy.

The Payroll Support Program allowed Alaska Air Group to:

1. Keep employees on staff.
2. Reduce our cash burn.
3. Scale our operation in a safe and measured way.
4. Run a strong and reliable operation that's near the top of the industry.

Airlines are not built to quickly ramp down and then ramp up again. PSP allowed us to prioritize protecting our company's core – our people and their families. It also enabled us to address the other intensive cost structures in our company to ensure we would weather the storm as one team.

PSP allowed us to protect employees and keep them in their jobs. By keeping employees on staff, it reduced the time that would have been required to train people coming back to work – an effort that takes months and significant resources. PSP allowed us, with the short exception of the gap between PSP1 and PSP2 funding, to not involuntarily furlough any employees<sup>3</sup>. We also worked with our labor partners on programs for some employees to take voluntary leaves, however, as of October 2021, every employee at Alaska Airlines who signed up for voluntary leave has been recalled. Additionally, the financial stability and flexibility provided by this government support to airlines allowed us to keep

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<sup>1</sup> Alaska Air Group received a total of \$2.27 billion in PSP funds, a combination of grants and loans. All funds were expended to cover payroll as of July 2021 and we have just under \$600 million in outstanding loans to repay under this program.

<sup>2</sup> Alaska Air Group had access to \$1.93 billion in loans under the Direct Loan Program in case of need – the company drew down on \$135 million in September 2020 and repaid that amount in full in June 2021. All collateral assets were released unencumbered back to the airline.

<sup>3</sup> All involuntarily furloughed employees between PSP1 and PSP2 were recalled in compliance with the PSP2 requirements.

supporting the entire economic ecosystem and supply chain, including the aviation manufacturing industry and jobs, as well as the industries that support our operation in communities of all sizes. In short, PSP allowed us to scale back in a safe, reliable and measured way and then to rebuild when the economy and travelers were ready.

I am tremendously grateful for the people and labor unions who have tirelessly contributed to Alaska Airlines’ success in recovery. Folks in our operation have been working incredibly hard and we recognize the toll ramping down and ramping up again has taken on everyone. Throughout it all, they are running a resilient operation and showing remarkable care for our guests, even during an incredibly difficult time of continual challenge and change.

The improved performance Alaska Air Group is operating today would not be a reality without the hard work of the more than 22,000 employees who bring our airlines to life each day – rain or shine.

**Our strong operational performance in 2021 is better than it was in 2019 and many categories rank among the top of the industry.**

Even as we have navigated through a choppy recovery, with variants and waves, our business today is strong and stable and we are confident in our operational and financial outlook.

Alaska’s approach from the beginning of the pandemic has been deliberate. We prioritized people, by protecting the health and safety of our employees and guests and bringing empathy and humanity to all our decisions and actions. And we ran a resilient operation, no matter the external circumstances.

To put that into context, below are some of our operational performance metrics, which rank among the best in the airline industry:

- Over the last several months, we have scaled capacity back up in a measured way. Over the summer we flew about 85 percent of our pre-COVID capacity. Our plan going forward is to move in a deliberate way to 2019 levels in the second quarter of 2022 and get back to growth later in the new year. We plan to hire more than 3,000 people to support our growth plans.
- Year-to-date, we have completed 98.7 percent of our scheduled flights, which is *better* reliability and a lower percentage of canceled flights than at this time in 2019.
- Our DOT on-time rate is 84.5 percent, which is 2.4 points higher than our 82.1 percent on-time rate YTD in 2019.
- And our guests have shown their appreciation for this reliable service – our internal guest experience score of 80 percent is more than two points better than our YTD score in 2019 and we’ve exceeded internal targets every month this year.

	<b>2019 YTD through November</b>	<b>2021 YTD through November</b>	<b>Difference</b>
Passengers	47.5 million	33 million	-31%
Schedule completion rate	98.6%	98.7%	+0.1 pt
DOT on-time performance	82.1%	84.5%	+2.4 pts
Guest Experience	78%	80%	+2 pts

Sustaining our high level of operational performance and guest satisfaction is a remarkable achievement given how complex re-ramping our operations has proven to be.

When our operation does well, our employees do well. We are unique among most airlines in that we have performance-based rewards program for employees. Basically, it is an annual bonus that increases or decreases based on how we performed in the year. But unlike most companies who share year-end bonuses based only on profits, our bonus program is also driven by our operational metrics: safety, productivity, generating cash flow, and reducing carbon emissions. This company-wide program helps align us all around our goals that are important to our long-term ability to create jobs and serve our guests. Since this is not a purely profit-based plan, we are very excited that Alaska Airlines employees will be rewarded at the end of this year even as we are still recovering from our financial losses due to the pandemic precisely because of our strong operational performance.

**Looking forward, we are doubling down on the way we care.**

Throughout the pandemic, we didn't lose track of what is important: Leading with our values. As we return to growth, it is an opportunity to rebuild responsibly and embed these values even deeper in our culture.

In April 2021, the airline announced 2025 sustainability goals across the most important areas of impact for the company, including near-term goals to be the most fuel-efficient U.S. airline by 2025. The company also set a five-part path to net zero carbon emissions by 2040 and established Alaska Star Ventures to identify and enable technology that can accelerate our path to net zero. That strategy leverages operational best practices and next-generation disruptive technology to transform and reduce the long-term climate impact of aviation – another area we will continue to need to partner with government on as we modernize in this next age of aviation.

Now that we are hiring across the company again with an eye on growth, we are also focused on investing in and caring for our diverse workforce. We are monitoring and learning about how the workforce is changing and how we can support them as they take care of guests and operate a strong airline. We will see challenges and opportunities as we look to meet demand, but I am confident that we can all collaborate again and ensure we continue to have a world-class, highly qualified and talented aviation workforce.

As the 5th largest U.S. airline, we believe in our ability to compete when there is a level playing field, but it is also important that aviation policy support competition and innovation in the industry. As you consider the aviation policy issues of the day, we would ask you to embrace policies that keep this federally regulated industry vibrant, including enhancing the ability for smaller carriers to gain access to facilities and markets, and refrain from policies and regulations that would discourage new service offerings, cause prices to needlessly increase, or disadvantage small communities.

To close, thanks to Congress' collaboration and support, we have weathered the last nearly two years and at Alaska Air Group we believe in our enduring competitive advantages will continue to serve us well as we look to the recovery ahead – namely, owning safety, being fiscally conservative (offering low fares enabled by low costs), and strong guest loyalty based on our excellent operations, remarkable service and a culture of genuine care.