



**Airlines for America**  
We Connect the World

Date: 9/19/17

submitted in EDC Committee

Council File No: 15-0817-S1

Item No.: 1

Deputy: Adam R. Lio

September 19, 2017

The Honorable Curren Price  
Council Member, District 9  
Chair of Economic Development Committee  
Los Angeles City Council  
200 North Spring Street, Rm 420  
Los Angeles, CA 90012

Re: Airlines for America (A4A) comments on Motion #15-0817-S1 on Living Wage and Los Angeles International Airport

Dear Chairman Price and members of the Committee:

By now you should have received a letter from my colleague at A4A, Rob DeLucia, outlining some of the policy and legal implications of the proposed ordinance. The purpose of this letter is to highlight some of those concerns. Because the first wage increase in the proposed ordinance is not scheduled to take effect until next July, we respectfully encourage you to postpone action so that airlines and other impacted parties can schedule a thorough set of meetings with you and your staffs to outline our concerns and the implications of the various components of the proposal. Based on our review of the proposal thus far, some of those implications include:

**The cost to passengers.** Following the completion of \$14 billion in necessary and appropriate capital improvement projects that have already been authorized, the Cost Per Enplaned Passenger (CPE) at LAX is already slated to more than double by 2021: from \$14.07 to \$31.40 per passenger, by far the highest in the country. The proposed ordinance would effectively add \$5.11 in airline costs to that number, or a total annual cost of \$204,630,000. In addition, airport restaurants and concessions will have to raise their prices to offset the greatly increased labor costs. These costs will be harmful to the Los Angeles area as airlines and other employers will likely have no choice but to offset these labor increases by raising air fares which is not good for either passengers or the local economy.

**The unintended consequence to restaurants and concessionaires.** Under the LAX "street pricing" policy, the city allows vendors at the airport to charge up to 18% more than "street pricing," that is how much a retailer would charge outside of

the airport. With a proposed living wage 48% higher than the city minimum wage of \$15 per hour, the 18% street pricing margin will be more than swallowed up by the newly mandated wage/benefit differential.

**The inexplicable union carveout.** The proposed ordinance provides that employers with collective bargaining agreements (CBAs) could negotiate with their union for some exemptions from the health care provision of the living wage. Here's how it could theoretically work: SEIU seeks to organize Acme Baggage Handling employees, promising a better quality of life. Acme voluntarily recognizes the SEIU without an election because if Acme signs the LAX Master Passenger Services Agreement with SEIU, they will have a competitive advantage over Global Baggage Handling, a non-union shop. Why? Acme has a lower cost basis because all it is required to pay by 2021 is \$17.00/hour in wages, not the full wage and benefits package of \$22.18 that Global has to pay because they are non-exempt. Airline X is more likely to contract with Acme than with Global because Acme is able to bid a lot lower than Global. To make matters worse, the Kaiser package offered to SEIU members as part of their Master Passenger Services Agreement has a 40% co-pay and a \$4500 deductible, leaving the employee with little actual coverage.

There is no policy or legal justification for the city to sanction unionized employees being compensated significantly less than non-union employees at the same location. Ironically, reducing employee turnover is one of the stated goals of the ordinance according to its preamble, but this health care differential will likely *accelerate* turnover at the airport. Newly hired employees at union represented companies will quickly learn that workers at companies not represented by the union are receiving either higher wages or better health care, and will eventually migrate to jobs at the non-union companies. The city's minimum wage does not discriminate against non-union companies, nor should it at the airport.

**The unintended consequences of the proposed hourly health benefit requirement.** The proposed ordinance requires non-union companies to pay a total of \$5.18 towards the cost of health benefits. Having any health care mandate at LAX is impossible to justify at a time when the city is abolishing even the \$1.25 health care mandate for all other employers in the city. However, if the City is going to maintain a Health Care mandate for LAX companies, the current hourly rate based system should be replaced. It is very difficult for employers to properly administer and consequently many choose to pay their employees the full cash wage in lieu of any health care benefit. If the Council chooses to maintain a health benefit requirement, we would encourage you to scrap the hourly pay measurement system in favor of the "Minimum Standards Healthcare" program used at SFO. This would guarantee a floor of health benefits for employees while giving companies the ability to negotiate with insurance companies. A minimum standards plan would be far more beneficial to both workers and companies.

These are just some of the myriad problems we have identified with this proposal. Again, we would respectfully ask that you postpone action on this item.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Sean Williams', with a stylized, cursive script.

Sean Williams  
swilliams@airlines.org