



2009 plan focuses on revenues, market share

Projects will build new capabilities

By Paul McElroy

While last year's unprecedented volatility in oil prices changed the landscape of the airline industry, the recessionary economy now looms as the heavy-weight issue for air carriers in 2009. Grappling with fewer customers, tighter credit and continued uncertainty over oil prices, Alaska Airlines and Horizon Air are focusing their strategic efforts this year on raising revenues, gaining market share and further reducing costs.

Even last fall, Alaska, Horizon and other carriers began trimming capacity with their September schedules as it became apparent that demand for air travel was falling — one of the early casualties in an economic downturn.

Alaska, which flew 750,000 fewer customers in 2008 versus the previous year, plans to reduce its available seat miles about 8 percent during 2009.

"Domestic airlines have all shown discipline in cutting excess capacity in an attempt to return to profitability," Alaska Air Group Chairman and CEO **Bill Ayer** says. "Unfortunately, there are still too many seats in West Coast markets. We're trying to match our schedules to demand without giving up the fight against Southwest, Virgin America and JetBlue. We're also taking steps to increase our share of a shrinking air travel pie."

For the first time, the company's strategic plan fully integrates efforts at Alaska and Horizon for improved co-

ordination, productivity, cost efficiencies and customer service, according to **Peggy Willingham**, managing director of strategy management.

"Preserving the Alaska and Horizon brands is crucial to our success and in the best long-term interests of our customers, employees and shareholders," Willingham says. "However, we derive significant benefits and can provide better customer service by ensuring our strategic efforts are aligned wherever possible."

Continuing a process the company began in 2008, an Alaska-Horizon Investment Council of seven senior leaders is overseeing the development of this year's key initiatives to ensure proper coordination and that adequate resources are available to successfully complete them.

"To help get the 2009 projects under way, the council is taking a brief pause on approving and scheduling new projects," Willingham says. "Decisions on new, large business cases will take place in March."

Higher revenues and market share

The primary strategic focus for Alaska and Horizon in 2009 is maximizing revenues and gaining market share.

Six key initiative projects, several other major efforts and more than 20 Lean workshops are being coordinated by executive sponsor **Steve Jarvis**, vice president of marketing, sales and customer experience, and Program Man-



Rob Mourton

The 2009 strategic plan calls for the full integration of efforts by Alaska and Horizon to improve coordination, productivity, cost efficiencies and customer service.

ager **Cindy Mitchell**.

"We are working cross-divisionally as well as across Alaska and Horizon to align people, dollars, technology and process improvement efforts in our battle against the economy and airline competitors," AAG Chief Financial Officer **Glenn Johnson** says. "When the economy rebounds, these efforts will make us stronger."

The six projects related to boosting revenues and market share include:

Enhanced access to revenue information will provide the two airlines with

earlier visibility into which seats are selling, enabling them to more quickly adjust the number available in different fare buckets in response to market demand. (This focus area includes two Information Technology projects.)

Online advertising and promotions will be aimed at driving more traffic to alaskaair/horizonair.com. New Web tracking software will be implemented to help the airlines determine which



Continued on The Back Page

Alaska achieves 89 percent of 2008 key initiatives

Alaska Airlines' strategic focus in 2008 was primarily aimed at improving operational reliability. When oil prices escalated toward record levels halfway through the year, the company slightly reduced the number of its planned 21 initiatives to help preserve cash.

By the end of 2008, the company had completed 89 percent of the projects in its mid-year plan, excluding the Customer Experience Workshop and implementing onboard broadband access, which were not scheduled to be finished until this year. Here is an update on the status of all 2008 initiatives:

Completed

Organization changes at Seattle-Tacoma International Airport to provide a single point of authority for the operation. **Status:** **Ben Minicucci** was elected vice president of Seattle operations in the fall of 2007 and oversaw the air-

line's largest hub through 2008. Last month, Minicucci became chief operating officer, and his former position will be filled at the managing director level.

Development of processes for monitoring, scoring and troubleshooting vendor and employee performance — with the goal of eliminating obstacles to improvements. **Status:** Completed at Sea-Tac Airport, although improvements are expected to continue this year. New processes will be implemented in Anchorage and Los Angeles in 2009.

Turn timeline to make the arrival and departure process more consistent. **Status:** Ramp and jetway displays installed in Seattle to provide flight information and countdown clocks to everyone involved in the turn. Boarding pass scanners replaced to expedite passenger boarding. Advance seat assignment procedures improved to prevent delays at the airport. Maintenance technicians deployed in Las Vegas and San

Jose to reduce mechanical delays.

Accurate and timely flight information used consistently by employees. **Status:** Data collected at the four largest stations show that gate information displays are being updated more frequently.

Ramp Action Center (RAC) reimplementation to improve passenger and baggage handling, reroutes and transfers during irregular operations. **Status:** RACs re-established with defined expectations, training and performance data to help ensure bags and customers stay together. A single owner will be identified to sustain the improvements.

Lean schedule to develop out-and-back flights with memorable times. **Status:** Alaska implemented an out-and-back schedule in the spring of 2008, which also allowed the airline to isolate MD-80s to certain routes before their retirement to improve operational performance.

Increase revenue premium versus

a key competitor. **Status:** Implemented "West Most" schedule between the Pacific Northwest and California, Visa direct marketing campaign and more advertising to achieve target revenue premium.

Single-source manuals for maintenance technicians to speed troubleshooting and reduce chances for errors. **Status:** Implemented in May 2008.

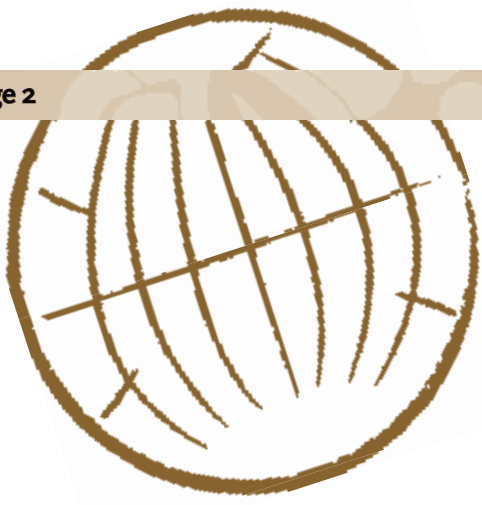
Super A check to bundle maintenance tasks to even out workloads, increase specialization and reduce aircraft rerouting. **Status:** Implemented on Next-Generation 737s in March and on 737-400s in July 2008.

Trax aircraft maintenance software to replace the aging Arctic system, and improve data quality and work force productivity. **Status:** Full cutover to Trax from Arctic and 27 legacy software programs completed on Nov. 1.

AAG safety information database to



Continued on Page 7



Alaska's World

in December



REALIGNMENT

AAG announces changes to strengthen top leadership

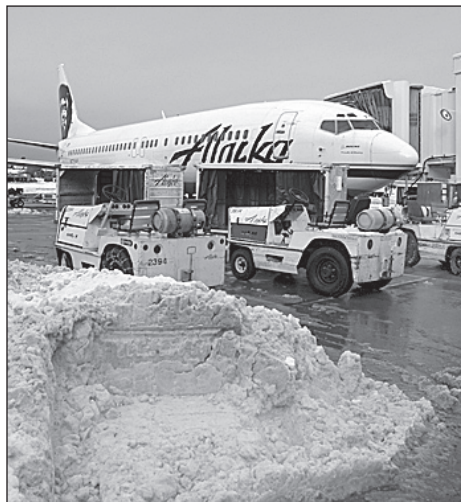
The Alaska Air Group board of directors and Chairman and CEO **Bill Ayer** announced a realignment to strengthen the company's senior leadership.

As part of the changes, **Brad Tilden** has been elected president of Alaska Airlines. Ayer will continue to guide AAG's strategy, financial performance and responsibility to employees, customers and shareholders. Tilden, who continues reporting to Ayer, will focus on executing the airline's operational and marketing goals.

As part of the leadership changes, **Glenn Johnson** replaces Tilden as executive vice president of finance and chief financial officer of Alaska Air Group and Alaska Airlines. In addition, **Ben Minicucci** has been elected Alaska Airlines' chief operating officer and executive vice president of operations. **Gregg Saretsky**, formerly executive vice president of flight and marketing, left the company.

Stepping into a vice president role that reunites the related functions of planning and revenue management for Alaska Air Group is **Andrew Harrison**, who now reports to Tilden.

— Posted to the Web on Dec. 8



Don Conrard

OPERATIONS

Snowy weather in SEA, PDX creates system-wide chaos

An unusual weather pattern of sub-freezing temperatures and moisture hit the Seattle and Portland areas on Dec. 18 and stuck around until Christmas Day, resulting in several snowstorms that created difficult travel conditions for drivers and airlines alike.

Adding to the weather challenge was a shortage of de-icing fluid and an extremely limited number of empty seats, as most flights were already booked solid with holiday travelers. This made it difficult, if not impossible, to get some passengers to their destinations before Christmas.

Problems departing flights in Seattle and Portland created a domino effect, throwing the flight schedule

On the Web

December's most-read stories

- 1) Wild weather in Seattle and Portland.
- 2) Air Group announces changes to strengthen senior leadership.
- 3) Executives discuss Delta merger rumors, furloughs, new cities.
- 4) Employees receive four PST credits as holiday gift.
- 5) De-icing fluid fumes enter aircraft cabin.

Read full versions of these and other stories online.

Click the *News Archives* button on the alaskasworld.com home page, then click December 2008.

into disarray across the system. At the height of the storm, only 7 percent of Alaska Airlines flights arrived on time. Employees worked long hours and took extraordinary measures to accommodate as many passengers as possible.

— Posted to the Web Dec. 19-26

INFLIGHT

Glitch delays rollout of inflight broadband

Plans to launch inflight wireless Internet service on all Alaska Airlines aircraft are delayed, but still moving forward. By now, Alaska had planned to be testing the satellite-based broadband system, developed with partner Row 44, in revenue service on a single aircraft.

However, a technical problem has delayed deployment. During some flights, a slight "vertical bounce" could be felt on the flight deck and in the aft of the aircraft at certain airspeeds and altitudes. The bounce is minor and not considered a safety issue, but Alaska wants to resolve it before deploying the system on its fleet.

Alaska is collaborating with Southwest, which also plans to use Row 44 technology, to troubleshoot the issue.

— Posted to the Web on Dec. 12

M&E

Alaska on Trax with new maintenance data system

More than two years of effort by employees in the Maintenance & Engineering and IT divisions culminated when Alaska Airlines unveiled a comprehensive maintenance information system called Trax. The new system will help employees order, track and

manage more than \$100 million worth of aircraft parts and other supplies used by the airline.

"Trax will help improve aircraft reliability by providing more comprehensive aircraft and component part information to our technicians," says **Yvonne Daverin**, managing director of heavy maintenance, planning and material control. "This should result in more 'first-time' fixes, which will reduce both logbook entries and schedule delays."

Trax replaces Arctic, an inventory control and tracking system that Alaska Airlines has used since 1985, and 27 related legacy programs. The change-over was completed on Nov. 1.

— Posted to the Web on Dec. 1

OPERATIONS

Petersburg flights to be suspended for a month

Alaska Airlines announced it will not operate in or out of Petersburg from March 23 to April 21, 2009, due to the closure of the airport runway to jet operations. The closure by the state Department of Transportation and Public Facilities is necessary to replace several culverts that span the runway.

While the Petersburg runway is closed, flights will spend additional ground time at the Wrangell airport to accommodate Petersburg customers and cargo traveling to Wrangell.

— Posted to the Web on Dec. 15



Christy True

HOLIDAY GIVING

Underprivileged children live out 'Santa Fantasy'

Sixty Spokane-area children whose lives are filled with uncertainty and want were treated to a day of Christmas magic during the annual "Santa Fantasy Flight" on Dec. 13.

Alaska Airlines and Horizon Air became corporate sponsors this year, providing the Spirit of Disneyland aircraft for the flight to the "North Pole." In addition, about 35 Horizon and Alaska employees participated as elves, crew or other volunteers during the event.

— Posted to the Web on Dec. 17



Alaska Airlines dashboard

December 2008

DOT on-time performance

Goal: 80%

2008 58.4%

2007 71.1%

↓ 12.7 points

Scheduled completion rate

Goal: 99%

2008 94.8%

2007 98.5%

↓ 3.7 points

Baggage time to carousel

Average at SEA

First bag 17:25 minutes

Last bag 33:31 minutes

Mishandled baggage rate

Goal: 4 or fewer per 1,000

2008 14.6

2007 18.9

↓ 4.3 bags

Cargo shipped

Pounds of freight & mail

2008 8.5 million

2007 8.4 million

↑ 1.2%

Customer satisfaction overall OPR score

Goal: 72%

November 2008 76%

November 2007 66%

↑ 10 points

Load factor

2008 80.7%

2007 75.8%

↑ 4.9 points

Fuel cost

(AAG price per gallon, inc. hedging)

November 2008 \$2.50

November 2007 \$2.52

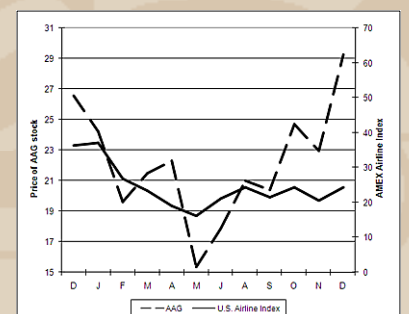
NM

OPR payouts

Earned this year \$0

To be paid in April \$0

Air Group stock price



Close (Dec. 31).... \$29.25
52-week range.... \$10.10 - \$30.95

Seattle scores big gains in baggage handling

Station leads airline industry by focusing on process improvement, teamwork

By Don Conrad

Without fanfare, something remarkable happened at the Seattle station in 2008. After several years of what could only be described as subpar performance, the station has become a pioneer in baggage handling, with airports around the world adopting strategies developed by Alaska Airlines and its ground handling vendors in Seattle.

Last year, the number of lost or mishandled bags per 1,000 passengers — the station's MAP rate — fell 36 percent, from 19.9 in January to 12.7 in December. Its MAP rate was below 10 from July through November, dipping to a low of 6.1 mishandled bags per 1,000 passengers in October.

Seattle's baggage handling performance would have been even more impressive had it not been for a late December snowstorm that disrupted operations for days. Even so, the station's 2008 MAP rate of 11.1 represented its best annual performance in four years — down 32 percent from 2007.

"A year ago, the area behind baggage claim where we store lost and misconnected bags was full from floor to ceiling," CFO Glenn Johnson says. "I went in there in late November and there were only about 10 items. It's a truly remarkable improvement."

The length of time customers wait for checked luggage to arrive at baggage claim also has gone down significantly. During November, customers in Seattle had to wait just 12.7 minutes for the first bag to be delivered to the carousel, compared with 17.1 minutes in January, a 26 percent improvement and well below the airline's MAP goal of 20 minutes.

"Our average last bag time today is beating our first bag time a year ago," Johnson says.

Customers are noticing the change. In a recent survey, 59 percent rated Alaska Airlines' baggage handling as very good or excellent, compared with 38 percent in January 2007.

Improved baggage handling is resulting in other benefits. On-time performance in Seattle is up from a year ago. Employees are facing fewer irate

interline transfers, the bag well and fleet service while Menzies takes care of loading and unloading luggage from the aircraft and delivery to baggage claim.

To improve its baggage handling, Alaska started by developing a process to audit the performance of Menzies and DGS. It also initiated the Seattle baggage manager position held by McBarron, who works with a team that includes the vendors. And the Seattle Ramp Action Center now includes representatives from DGS, Horizon Air, Northwest and Delta, in addition to Alaska.

"Our vendor oversight process is detailed and rigorous," Chief Operating Officer Ben Minicucci says. "It is made up of daily, weekly and monthly scorecarding, which allows us to set clear objectives, ensure process, quality assurance and safety compliance — and has a system of accountability linked to it."

Vendors receive grades of A through F based on their performance.

Introduced in October 2007, the baggage handling scorecards measure Alaska Airlines and vendor performance in 100 areas called "failure codes." They include bags misconnecting from Alaska to Horizon, bags loaded on the wrong flight, damage, pilferage and more.

"The codes are broken down by vendor," says Duane Burge, manager of vendor oversight performance. "Menzies is responsible for some, DGS for others. Several codes are the joint responsibility of both companies."

The scorecards enable people to identify areas that need improvement or special attention. They also highlight areas that are excelling. The goal is for every team member, including vendors, to understand what is expected of them and be held accountable.



Don Conrad

Daily, weekly and monthly scorecards have helped Alaska Airlines and its vendors significantly improve the Seattle station's baggage handling statistics in 2008.

turned up, we'd throw resources at it. Our approach was more whack-a-mole than process."

Burge agrees.

"We would set a MAP rate goal, but not a process to achieve it," he says. "The scorecards show us how to get to our MAP rate by telling each person exactly which part of the puzzle they're responsible for and holding them accountable."

Mick Turpie, general manager for Menzies Aviation in Seattle, notes that once employees have followed the scorecard a few times, they see it makes their job easier and improves customer service.

Menzies Shift Manager Susan Conception has been working Alaska flights for three years. She says the cards give her and her co-workers a way to measure their performance and be rewarded for their efforts.

"We know what's expected of us," Conception says.

The cards also have triggered friendly competition between workgroups.

"Everybody wants to be on top, so they try really hard to do a good job," Conception says. "If the card says we are supposed to be at the gate 15 minutes before arrival, my team is out there 20 minutes early, which gives us an extra five minutes to get ready."

The timeliness and responsiveness of the vendors also has improved.

"When we raise an issue with Menzies or DGS, we get a response within a couple of hours at most," McBarron says.

A focus on vendor staffing levels also is being credited with helping Alaska Airlines improve baggage handling. Alaska pays its vendors by the number of people on duty, not by turn.

"This helps us ensure that we have enough people on duty to do the job," McBarron says.

Proactive measures by the vendors

regarding attendance, coupled with a slowing economy, are helping to reduce turnover and sick calls.

"Our retention rate and experience level is up considerably," says Jim Zerbe, DGS general manager in Seattle. "With a timeline, everyone works at the right pace, nobody is overworked, everything is achieved and checked."

Zerbe believes the improved work environment is a major reason why retention rates for both us and DGS have improved.


With the improvement in baggage handling performance, vendor employees are feeling better about their jobs.

"I always thought working at an airport would be exciting, and now that I'm here I'm loving it," says DGS Duty Manager Florida Moore, who spent 17 years in retail.

"It's different every day," says DGS Duty Manager Clarissa Antone-Bethancourt, who taught for 11 years before switching to aviation.

The development of scorecards to improve baggage handling is drawing attention to Alaska and its vendors.

"Some of our managers have taken the concept away with them and are adopting it at their stations around the world, notably at Heathrow, Gatwick and Mexico City," says Turpie, the Menzies general manager in Seattle.

"Our success is the result of a partnership," says Burge. "Our auditors are not here to watch Menzies and DGS fail, but to help them succeed. If Menzies and DGS are successful, Alaska Airlines will be successful and our customers will enjoy great service." 

ON-TIME PERFORMANCE IN SEATTLE IS UP FROM A YEAR AGO. EMPLOYEES ARE FACING FEWER IRATE CUSTOMERS. AND THE COST OF LOST AND MISHANDLED BAGS HAS DROPPED \$2 MILLION IN THE PAST 12 MONTHS.



Goal 3: Deliver on core operational promises: run a reliable, on-time airline.

customers. And the cost of lost and mishandled bags has dropped \$2 million in the past 12 months.

After struggling with baggage for years, how did Seattle achieve this remarkable turnaround?

"It was the result of a lot of hard work by a lot of people," says Jim McBarron, manager of baggage in Seattle. "It's not an individual story, but a team story."

The team includes Alaska Airlines, as well as vendor partners Delta Global Services (DGS) and Menzies Aviation.

In Seattle, DGS handles online and

"It's not about finger-pointing or blame, but a data- and process-driven exercise to understand what is going on and how we fix it when it's not working," Minicucci says.

The scorecards, which represent a holistic approach to baggage handling, were developed through a group effort by Alaska, DGS and Menzies to best meet the needs of customers.

"In the past, we would identify a problem and throw resources at it," says TJ Banakes, manager of centralized load planning. "If another issue

Strategic Goals

1. Be No. 1 in safety and compliance
2. Work together to build a diverse and inclusive company where everyone is valued, committed and connected.
3. Deliver on core operational promises: run a reliable, on-time airline.
4. Make flying easy. Provide caring service and great value to keep and win customers.
5. Generate profits that adequately compensate our investors and enable us to fund our future.

Non-rev adventures in Turkey and Thailand

Concierge circles the globe on month-long vacation

By *Kate Carmell*

When my husband, Eric, and I began planning our month-long vacation last July, I had no idea we would circle the globe. But that's exactly what we did.

We decided to nonrev to visit our Turkish friends in Istanbul and Antalya and then fly to Bangkok, Thailand, and come back to the United States through Japan. The plan gave us two weeks in each country. Innumerable hours spent at the computer planning which routes to fly and which carriers to use really paid off.

Employee Travel Specialist **Jill Tanga** helped me by getting all my SP06 requests (discounted airline tickets on other carriers) processed quickly and efficiently. And when I listed for each flight, I asked the airline for local phone numbers in our major destinations — just in case.

Our journey would include 15 flights, with a side trip to San Francisco to celebrate my granddaughter, Olivia's, 12th birthday at Six Flags Park.

From San Francisco, we flew to Portland and started our trip in style by receiving seats in business class on Northwest to Amsterdam. Within an hour of arriving in Europe, we connected to a KLM flight to Istanbul. For luggage, Eric and I each carried a 22-inch trolley and small backpack.

Ten years ago, we hosted two Turkish college students for two weeks. One of them, Ozgur, is like family to us, so we divided our time in Turkey evenly between Istanbul, where he lives, and Antalya, home to his parents.

Istanbul electrified us with historic sights such as the old Hagia Sophia Mosque, Topkapi Palace, Grand Bazaar, Basilica Cistern, Blue Mosque and the Bosphorus — one of the world's busiest shipping lanes. Before we left for Antalya, Ozgur cooked a special 10-year reunion dinner for us with Erkan, the other student we'd hosted, and his family.

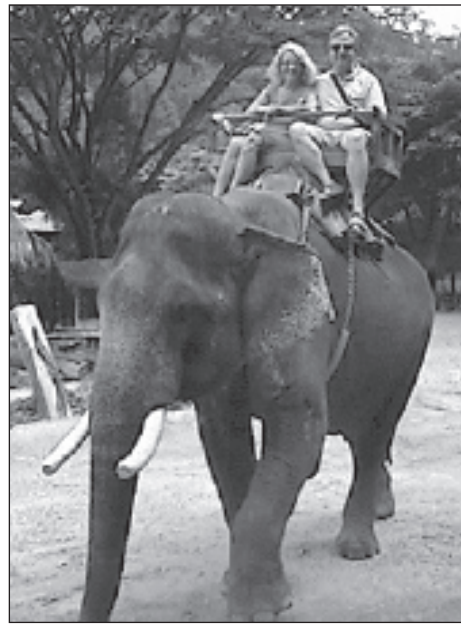
We arrived in hot and sunny Antalya, located on the Mediterranean, where the craggy peaks of the Toros Mountains dip into the sea.

The sacred Islamic Ramadan month-long religious fast had just ended and the family celebrated with a festival that included delicious food, tons of relatives, lots of laughter, and Turkish dancing and music.

As a result of this visit, I now have four new Turkish sisters.

We also visited Kemer, Turkey, where yachts and water sports are popular. Historical mountain lifestyles are re-enacted here — with huts, actual cooking, lifelike clay models and village life as it once was, including a dwelling made from goat's hair.

A road trip took us north to Isparta, where our Turkish family congregated to celebrate the Seker Bayrami (sugar) festival at the end of 30 days of fasting for Ramadan. We stopped along the way for tea and photos at lovely Lake



Kate Carmell and her husband, Eric's, month-long round-the-world odyssey took them from the ancient city of Istanbul to the tropical jungles of Thailand.

Egirdir, famous for white bass. An ancient 2,000-year-old aqueduct was silhouetted by a dazzling, blue sky.

On the return, our hosts took us on a whirlwind tour of Aspendos Theater, outside Antalya, one of the best preserved theaters of antiquity and Side (meaning "Pomegranate"). A warm sea breeze and setting sun added depth to the towering Temple of Apollo at the edge of the Mediterranean at Side, where Cleopatra swam.

After a tearful goodbye to our friends, we boarded our flight from Istanbul to Bangkok. We had three outbound tickets: one on Emirates through Dubai, one on Lufthansa through Frankfurt and one on KLM through Amsterdam.

Lufthansa looked the best. In Frankfurt, however, we were bumped off the leg to Bangkok and had to overnight. Fortunately, we were able to get on standby for a Thai Airways flight the next afternoon using the same Zonal Employee Discount tickets I bought on Lufthansa.

With ZED, the "same city pairs" ticket is interchangeable as long as the other airline has a ZED agreement with Alaska.

Bangkok fascinated us with its golden Buddhist temples, silk shops, tasty Thai cuisine, efficient sky train transportation system and ceaseless river traffic. Our three days of visiting

temples and palaces included the Tiger Temple, where I held an adult tiger's head on my lap and later received a blessing from the master monk.

We headed north to the former capital city of Chiang Mai next, which was quiet by comparison.

With a hired car and driver, we set out for a day of elephant riding, river rafting and a visit to the women of the Padaung, who depend on money they receive from selling their crafts for sustenance.

According to tradition, women wear a bracelet-like apparatus on their necks from childhood.

This is thought to protect them from tiger attacks and enhance their beauty. The terrain was lush, green and tropical, with rice patties, fruit trees and warm air.

Finally, we flew to Phuket Island for the last leg of our trip.

We stayed in a bungalow in Nai Harn at the southern tip of the island, and spent our time cruising around Phuket on small motorbikes, relaxing with Thai massages and swimming in the glimmering, warm waters of the Indian Ocean.

Then, sadly, it was time to catch our homeward flight. Again we sat in business class on Northwest to Narita, Japan, then connected to a flight to Portland — thus succeeding in non-revving in a continuous trip around Mother Earth. **JF**

Snapshot



Kate Carmell

Board Room Concierge
Seattle

Joined Alaska Airlines

April 2003

Family

Husband, Eric. Daughters
MerriJane and Gina.

Most memorable Alaska moment

The great service I received from an Alaska ticket agent when I was trying to fly home for the holidays and my husband's birthday. After another airline canceled my positive space ticket, the Alaska agent said, "Happy holidays!" Then she got me on the next flight as a nonrev. I've never been so glad I work for this airline.

What I'd like other employees to know about my job

When people walk into the Board Room and see us sitting behind the desk, it looks easy. But we're dealing with mostly MVP Golds and put a lot of effort into keeping these members happy. We do a ton of work behind the scenes in the galleys.

Favorite destination

Botswana, Africa

Hobbies

Travel, photography,
writing and art.

Claim to fame

I'm not home often because of my passion for international travel. I also make a killer Caesar salad.

On the Web

Read more about
Alaska's people at
alaskasworld.com/people



Lead Aircraft Technician Dave Wheeler (left) and Aircraft Technician Norm Davison are among 28 employees who staff Alaska Airlines' engine shop in the Seattle maintenance hangar. Right photo: Sherril Lobo uses a lighted magnifier when she cleans small engine parts.

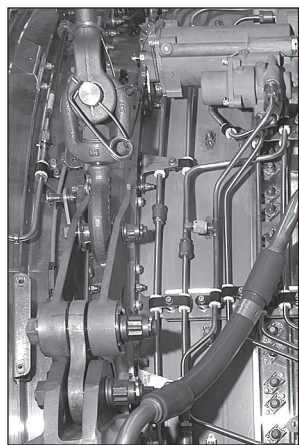
Power house

Engine shop employees keep Alaska jets moving

Story and photos by Don Conrard

Jet engines are marvels of modern engineering. An intricate collection of nuts, bolts, washers, and miles of wire and tubing, they power Alaska's fleet of 111 aircraft through the sky.

Keeping these complex machines running smoothly and reliably is the job of 27 aircraft technicians and one cleaner in the Seattle Engine Shop.



Together, these employees maintain nearly 250 engines and 130 auxiliary power units (APUs) owned or leased by Alaska Airlines. They also serve as an information center on the airline's engines and are responsible for taking


them on and off aircraft when maintenance is required.

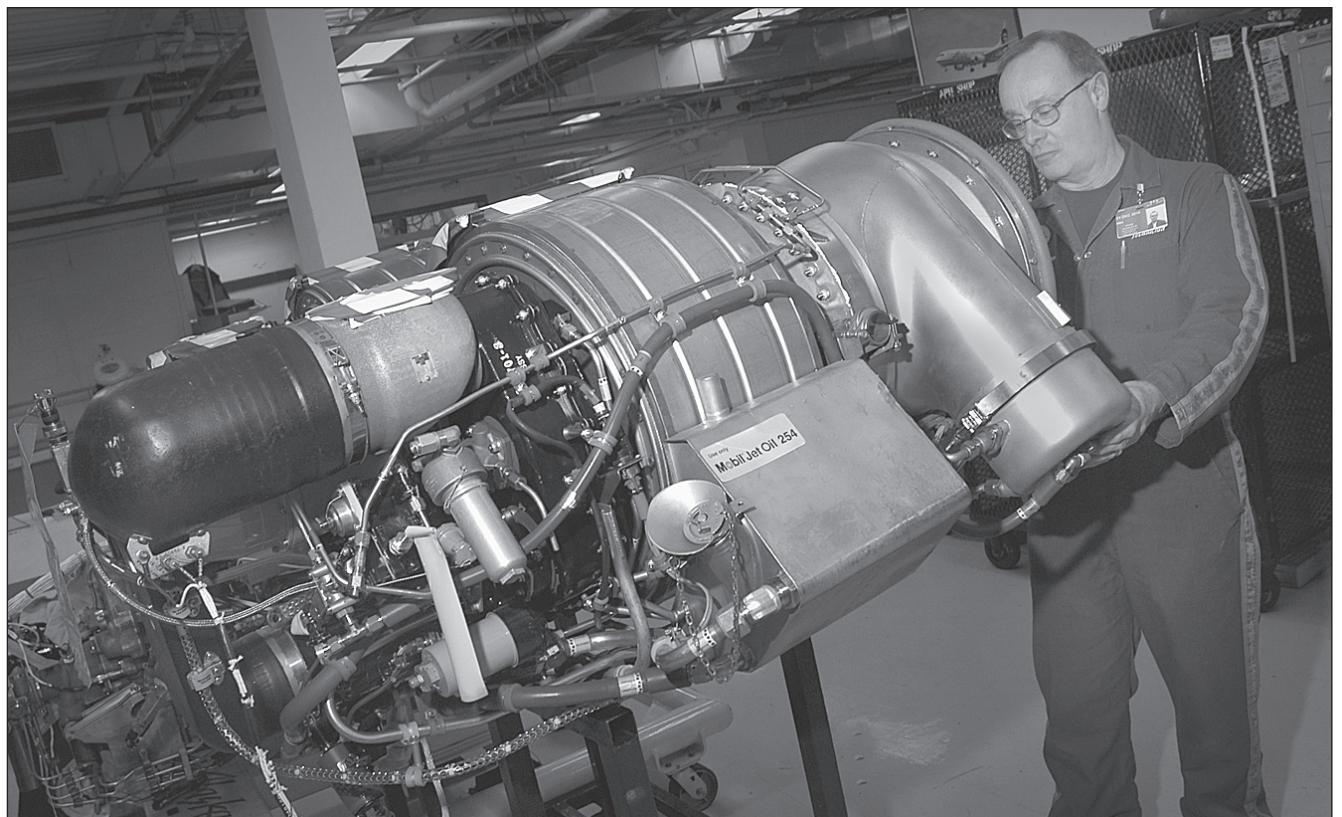
This last task can involve spur of the moment travel anywhere Alaska flies.

"We're ready to go anywhere, any time in any weather," Lead Aircraft Technician **Dave Wheeler** says.

Indeed. Engine shop employees may swap an engine under a blazing sun in Los Cabos one day. The next day, they might be working in minus 40-degree weather in Arctic Alaska.

All of the technicians in the shop have completed training programs by Alaska Airlines, The Boeing Co., Federal Aviation Administration and General Electric, which manufactures all of the jet engines used by the airline. In addition to an airframe and power plant license, many have ETOPS and other maintenance certificates.

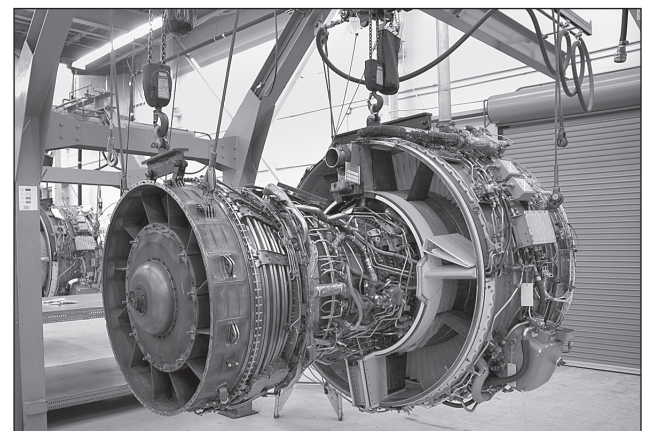
"The technicians in the engine shop have really taken ownership of our engine maintenance program," says **Bob Creamer**, supervisor of line maintenance support. "They are always two steps ahead of what needs to be done and do an absolutely fabulous job." 



Charlie Stone works on an auxiliary power unit (APUs), the small jet engines that power aircraft on the ground.



Aircraft Technician Earle Partain cleans the "burner cans" from an auxiliary power unit.



The jet engines used by Alaska Airlines weigh more than 7,000 pounds.



Aircraft Technicians Jeff DeBoer (left) and Bill Bromenschenkel have nearly 46 years of combined service with Alaska Airlines.



Aircraft Technician Gordon Mimura uses a pair of wrenches to simultaneously tighten and loosen bolts.

January 2009

30 YEARS

Jeffrey McCormack
Captain/SEA

25 YEARS

Kevin Bailey
Line Aircraft Technician/LAX

Aimee Cheshier
Stores Agent/SEA

Jeanne Hightower
Supervisor Manual Pricing/SEA

Steven Letourneau
Lead Ramp Service/ANC

Sammy Long
Director Fuel Admin/SEA

George Quijano
Line Aircraft Technician/LAX

Lyle Schroeder
Line Aircraft Technician/SNA

Luanne Stetson
Employee Travel Project
Specialist/SEA

20 YEARS

Scott Butterfield
Captain/SEA

Steven Cagley
Captain/SEA

Lisa McCarroll
Manager Training
Development/KVY

Thomas Mulcahy
Captain/ANC

Robert Poster
Captain/LAX

Gerald Ramold
First Officer/SEA

David Sharafinski
Captain/SEA

Rochelle Sherk
Flight Attendant/SEA

Reed Ulmer
Captain/SEA

Scott Williamson
Line Aircraft Technician/ANC

15 YEARS

Carol Ecker
Customer Service Agent/LAX

10 YEARS

Paul Ainley
Operations Agent/SEA

Lydia Alvarez
Customer Service Agent/OAK

Yvette Avila
Customer Care Specialist/SEA

David Boyce
Shift Manager/SEA

Carol Brown
Customer Service Agent/ANC

Jose Carrillo
Flight Attendant/PDX

Scott Cary
First Officer/SEA

Karen Conley
Specialist Privacy
& Security/SEA

Timothy Cox
Reservations Sales Agent/PHX

Matthew Davis
Lead Line Aircraft
Technician/SEA

Brenda Desjardins
Customer Service Agent/SJC

Gary Ellington
Captain/LAX

Jennifer Faria
Lead Customer Service
Agent/SJC

Jeff Ferguson
Ramp Service/ANC

Terry Friske
Ramp Service/SIT

John Hedfors
Business Analyst-Passenger
Service Technology/SEA

Christina Hendrickson
Station Compliance
& Quality Specialist/KVY

James Hinz
Captain/LAX

Edward Johanson
Line Aircraft Technician
Trainer/SEA

Naser Khalaj
Line Aircraft Technician/SEA

Allen Kost
Lead Ramp Service/SCC

Aleksey Krishtall
Line Aircraft Technician/LAX

Helen Lee
Accounting Specialist/SEA

Khaley Lipsey
Flight Attendant/SEA

Silvana Matchung
Inflight Office
Administrator/LAX

Randall McCann
Line Aircraft Technician/SEA

Tracy Mercado
Customer Service Agent/PDX

Jason Mertens
Captain/LAX

Leila Motter
Customer Service Agent/LAS

Katherine Noon
Flight Attendant/SEA

Fred Olsen
Lead Line Aircraft
Technician/LAX

Arlene Orr
Accounting Specialist/SEA

Marytonia Ortiz
Reservations Sales Agent/PHX

Charles Rees
Line Avionics Technician
Trainer/SEA

Paula Ruth
Reservations Sales Agent/PHX

Jeffrey Shira
Lead Line Aircraft
Technician/SEA

Eiji Sugi
Manager Engineering/SEA

Amy Taute
Human Resources
Generalist/SEA

Tina Tavernier
Lead Customer Service
Agent/PDX

Charlotte Thomas
Reservations Sales Agent/KVY

Michael Traub
Line Aircraft Technician/SEA

Francis Whiting
Captain/LAX

Robert Yaap
First Officer/SEA

5 YEARS

Shawn Diaz
Customer Service Agent/SFO

Gregory Ireland
First Officer/SEA

Dear Alaska Airlines ... kudos from customers

Dear Alaska Airlines,

As my wife and I looked back on our recent trip to Mexico, we realized the importance of the travel experience ... the "getting there" part.

Our trip got off to a great start — thanks to the good service, upbeat mood and caring personal attention of Flight Attendant **Mark Jensen**, who served us in the first class cabin. Mark was welcoming, entertaining, personal, good-humored, energetic, well-presented and provided flawless service.

Flying with Mark was the experience we hope for in an airline. I'm sure this isn't the first letter of commendation you have received regarding his exemplary service, but it is the first one I've ever written. Our experience was that good.

If you have a mechanism for recognizing praiseworthy service, I encourage you to give Mark your most positive consideration.

— V.J., Vancouver

I want to recognize Customer Care Representative **Mary Conner**.

Last July, I discovered some miles were missing in my Mileage Plan account for a trip I took in April. Mary was very pleasant and efficient in handling my situation, but her follow-up is what impressed me the most!

She confirmed the miles were credited to my account and wished me well on my trip to Hawaii.

Because of people like Mary, I will still select Alaska Airlines over another airline — even if the price is

higher — because I know the service will be consistent all the way from agents to the flight staff.

Thank you for staying focused on customer service and keeping stellar individuals such as Mary "on board." It is these small experiences that keep clients happy and loyal to your company.

— A.F., Seattle

I would like to commend Flight Attendant **Travis Neuman**.

On a recent flight, three young children traveling by themselves were sitting near us. Travis took every opportunity to assist the little ones. He would stop whenever possible to talk, help with food and a DVD player one of the boys had brought with him.

Travis was attentive to the little guys' needs without any disruption or lack of attention to other passengers.

I don't know if Travis has had much experience with small children, but he deserves kudos for his willingness to help them when they asked questions. He was always smiling and pleasant to all.

— L.A., Fairbanks

I want to thank Customer Service Representative **Polly Harker**, who provided excellent service when I had to change flights during the recent snowstorm in Seattle. She was patient, friendly and absolutely wonderful during a time when I am sure people were not very nice to her due to the travel delays.

I could hear her smile over the phone and she made changing a reservation a wonderful experience. She is just one more reason why I love Alaska Airlines!

— C.M., Costa Mesa, Calif.

I have a commendation for Customer Service Agent **Peter Castelino**. I arrived at San Jose airport to check in, only to discover that my flight was for the next day.

Peter was courteous, helpful and efficient, despite the fact that the situation was caused by my own error.

He was able to arrange another reservation, saving me a lot of extra trouble and expense. This is what customer service is all about and the kind of treatment that will keep people loyal to your airline. In this economic climate, with so much competition, customer loyalty is imperative to prosperity.

— E.P., Portland

You have an exceptional employee in Customer Service Agent **Nancy Barbosa** at LAX. She went way beyond the call of duty to help me when I arrived at the airport with two heavy bags. I am 81 years old and she just took over and settled several problems for me and seemed so eager to help.

I was able to get to Anchorage much earlier than I had originally planned. I have lived in Anchorage since 1951 and *always* try to fly Alaska. Nancy helped to keep me in your boat!

— H.H., Anchorage

"I want to pass my sincere appreciation to the staff of the Seattle Board Room.

I was stranded in Seattle during the December snow storm.

Your Board Room crew was accommodating, helpful, patient, understanding and professional, making an uncomfortable situation pleasant. They helped with re-booking, multiple stand-by's and offered helpful suggestions, all while maintaining their pleasant demeanor despite dealing with many stressed out, stranded holiday travelers."

— J.H., Seattle

Continued from Page One



improve ability to proactively identify hazards and reduce risks. **Status:** Reduced scope as part of mid-year plan adjustment. New portal for easier employee reporting implemented in December.

Future Payload Management to improve and standardize processes for increased safety, compliance and efficiency. **Status:** Planning completed in July 2008. Implementation began last fall with 20 stations converted to centralized load planning and new plane-side oversight processes to monitor aircraft loading and other pre-flight activities. Central Load Planning Department opening in Seattle later this month with system-wide implementation to be completed by mid year.

Long-term facilities plan at Sea-Tac Airport. **Status:** Improved information displays installed in baggage claim area. Recommendations and conceptual designs to consolidate gates on Concourse C and the North Satellite terminal are in process, and plan implementation is expected to begin this year.

Airport gate and space utilization in Portland to improve the company's efficiency and lower costs. **Status:** Potential annual savings of more than \$500,000 expected from eliminating 14,700 square feet of space when the airport lease is renewed. Space utilization efforts will be initiated at other airports in 2009.

Change management practices to help ensure business improvements are effective and lasting. **Status:** Practices applied to several 2008 initiatives, such as the Future Payload Management project, and tools developed for future use.

Talent acquisition and retention efforts to support operational improvement by ensuring full staffing and re-

ducing turnover costs. **Status:** Several actions implemented to improve customer service agent staffing levels in Seattle and at other locations. These include a revitalized referral program, improved employee on-boarding processes, monthly hiring goals with better forecasts on staffing levels, and a documented attendance process.

Not completed


Customer Experience Workshop to refocus all employees on customer service and operational improvements. **Status:** More than 5,000 employees have participated so far, with the remainder expected to take the course by the end of 2009.

e-Wallet to increase brand preference and loyalty by enabling customers to store gift certificates, denied boarding compensation and residual ticket values. **Status:** e-Wallet complete with gift certificate and denied boarding compensation. Residual value capabilities will be added in coordination with simplifying the ticket reissue process.

Row 44 to provide inflight wireless broadband connectivity. **Status:** Resolution of technical issues and further testing are required. Broadband service will then be launched and evaluated on a single aircraft before it is deployed across the fleet.

Flight planning software to replace legacy system to simplify the process for making changes to routes and other data. **Status:** In progress and expected to be completed in the first quarter of 2009.

Canceled

Customer management capabilities to provide employees with an expanded view of passenger information. **Status:** Canceled as part of mid-2008 review, however, project objectives are included in a 2009 initiative. 

Investment Council

Alaska Airlines and Horizon Air established the Investment Council in 2006 to help the company provide appropriate resources for large projects and help ensure that efforts are focused on initiatives with the highest return. The council has evolved into a "portfolio manager" for Alaska and Horizon project investments — similar to the role of a mutual fund portfolio manager, according to **Peggy Willingham**, managing director of strategy management.

"The mission of the council is to think not only about what projects to do, but make sure we execute them in a coordinated fashion to be as successful as possible," Willingham says.

The Investment Council meets twice a month to review new project ideas, assess priorities, match resources to projects and schedule implementation. The group also reviews all the project investments at mid-year.

The council's seven members include:

- Jeff Butler** — VP of customer service – airports / Alaska
- Steve Jarvis** — VP of marketing, sales and customer service / Alaska
- Kris Kutchera** — VP of information technology / Alaska-Horizon
- Andy Schneider** — Senior VP of customer services / Horizon
- Shane Tackett** — Managing director of financial planning and analysis / Alaska
- Ed White** — VP of real estate / Alaska-Horizon
- Peggy Willingham, chair** — managing director of strategy management / Alaska-Horizon



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Alaska, Horizon to integrate 2009 plans

Continued from Page One

ads and online sites are the most effective, and to better convert that traffic to revenue.

E-mail marketing will also benefit from improved Web tracking information to help the airlines better target these campaigns and increase the \$90 million in revenue this channel generated for Alaska and Horizon in 2008.

Other new revenue is expected from more onboard food and beverage sales (which have grown since Alaska stopped accepting cash), inflight broadband access, boarding pass advertising and additional programs under review.

A new Alaska Airlines advertising campaign, including television commercials, will raise brand awareness. The campaign will be unveiled to employees in February and rolled out to the public in March.

"Alaska is the only airline in the 2008 J.D. Power survey that did not decline in service levels," Jarvis says. "It's time we claimed that territory and won some market share."

Easier, more cost-efficient flying

Eleven other Alaska/Horizon initiatives are aimed at improving the customer experience and further reducing expenses.

Terminal change at LAX: Pending the completion of an agreement with Los Angeles World Airports, Alaska and Horizon would move all of their operations from Terminal 3 to Terminal 6 at Los Angeles International Airport.

The move — linked to the newly expanded marketing relationship between Alaska, Horizon and Delta Air Lines — would incorporate Airport of the Future, a new Board Room, refurbished gate areas and a baggage system with in-line screening.

Terminal change in Seattle: Pending the completion of an agreement with the Port of Seattle, Alaska would consolidate its operations along the C Concourse and in the North Satellite at Seattle-Tacoma International Airport.

This multi-year effort would provide more branding opportunities and is the only area at Sea-Tac with expansion potential, according to **Ed White**, vice president of real estate.

This initiative is also expected to help passengers connecting between Alaska and Horizon flights because it will enable them to use the subway connection between the C Concourse and North Satellite instead of walking along the lengthy D Concourse.

e-Wallet: Providing customers with the ability to store residual ticket values in an electronic wallet is expected to increase customer preference and opportunities for more sales.

Cancel/rebook: The process for changing and reissuing tickets will be further simplified to make it easier for customers and employees.

Future Gate Experience: Changing processes and technology, such as improved gate information displays, will boost productivity for multiple-gate operations at Alaska's larger airports and enhance the customer experience. This initiative is planned for Anchorage, Los Angeles, Portland, San Francisco and Seattle. Horizon will monitor these changes to determine if it can mirror any enhancements at its larger stations.

Shared services: The two airlines will continue to align efforts and combine functions to simplify the business and achieve further efficiencies where it adds value and does not diminish the ability of Alaska or Horizon to maintain their own brands and cultures.

The two carriers combined their respective Benefits departments last fall and are melding Legal and select Human Resources functions early this year, followed by others to be identified.

Reduce overhead: Alaska and Horizon have set a goal of cutting vendor and other overhead expenses by 10 percent.

Airport space utilization: Reducing the footprint at airports served by Alaska and Horizon will help the company save money.

Greener skies: The company plans to work with the Federal Aviation Ad-

ministration to accelerate approval of new Required Navigation Performance routes and continuous descent approach procedures at Sea-Tac Airport to conserve fuel and further reduce greenhouse gas emissions for both carriers.

Future Payload Management: Alaska expects to improve safety, compliance and operational reliability by centralizing load planning for the entire system in a new department at the Flight Operations and Training Center in Seattle. This project also includes new planeside oversight processes to monitor aircraft loading and other pre-flight activities.

Flight planning system: Upgrading from a legacy system will simplify making changes to routes and other data.


Operational improvement

A concerted effort by employees in Seattle and across the system in 2008 led to dramatic gains in operational performance and customer satisfaction. Alaska Airlines attained an average on-time record of about 78 percent for the year — shy of its goal of 80 percent, but six points better than 2007 — according to Department of Transportation rules (flights arriving within 15 minutes of their scheduled time).

To maintain this momentum and make further improvements, the carrier plans to implement the lessons it learned in Seattle at its next-largest hubs in Anchorage and Los Angeles.

"There are common practices we can implement, but we'll also be working with our people in Anchorage and at LAX to accommodate unique issues," says **Wayne Newton**, managing director of station operations.

Cargo is a significant factor in Anchorage, he notes, while international flights and combined operations with Horizon pose special challenges at LAX.

To further improve customer service, all employees who have not participated in the Customer Experience Workshop will do so this year. So far, more than 5,000 employees have taken the course. 

Meet senior leaders at regional employee meetings

Alaska Airlines will hold leadership meetings in Anchorage, Los Angeles and Seattle in February to share information about the company's 2009 strategic plan and other timely issues.

These traveling sessions are being developed as an alternative to larger the Leadership Summit the airline traditionally holds every February to provide a smaller setting for employees and enable more of them to meet the company's senior executives, including newly elected President **Brad Tilden** and Chief Operating Officer **Ben Minicucci**.

A separate meeting in each of the three locations will be held for front-line employees, who will have an opportunity to ask executives questions about the 2009 strategic plan or other company issues. Employee meetings

will also be held in nine other locations.

Leadership / employee meetings and receptions

Managers are expected to attend one of these three leadership meetings, scheduled for 10 a.m. to noon, preferably in the city nearest to your location. The agenda will be the same for all three meetings. An afternoon session with company executives, open to any employee who wishes to attend, will be held from 1:30 to 3:30 p.m. at all three locations, followed by a reception from 3:30 to 6 p.m. Dates are:

- ▶ Seattle (Sea-Tac Airport Doubletree Hotel) — Wednesday, Feb. 11
- ▶ Anchorage (Millennium Hotel) — Monday, Feb. 23

- ▶ Los Angeles (Radisson Hotel) — Wednesday, Feb. 25

Other employee meetings

Meetings with executives for all employees will also be held in the following nine locations. More information will be posted concerning the time and specific meeting locations when it becomes available.

- ▶ Orange County: Thursday, Feb. 26
- ▶ Juneau: Monday, March 2
- ▶ Oakland and San Francisco: Monday, March 16
- ▶ Portland: Friday, March 20
- ▶ Las Vegas: Monday, March 23
- ▶ Boise Reservations Center: Wednesday, March 25
- ▶ Phoenix Reservations Center: Wednesday, April 1.

Key information

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