



April 17, 2019

Mr. Steven Metruck, Executive Director
Port of Seattle
2711 Alaskan Way, Pier 69
Seattle, WA 98121

Dear Steve,

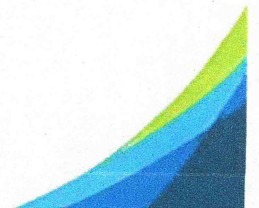
I am writing as a follow up on prior discussions, including the December 2018 correspondence regarding the Port of Seattle's (the "Port") proposed implementation of its Sustainable Airport Master Plan ("SAMP"). I want to apologize in advance for the length of this letter. There is much to cover, and formal correspondence between the Port and Alaska has been minimal to date. I felt it important given where things sit today, to lay out where Alaska is on SAMP to minimize any confusion or mis-understandings as we partner on this very important project.

To start, I want to re-iterate that *Alaska fully supports the notion that the airport needs to build additional gates to meet the objective of SAMP which is to accommodate 56 million enplaned passengers by 2027*. In addition, *we are fully supportive of bringing on new gate capacity to SeaTac as soon as possible including the need to invest approximately \$2B of near term projects contained in SAMP for Airport roadway improvements, airfield improvements and upgraded fuel farm and Aircraft Rescue and Fire Fighting ("ARFF") facilities*. Finally, we believe we should be working together to create new gates that come on line quickly which will allow passengers to connect to other flights (domestic and international) without having to leave the terminal or travel on a bus.

That said, over the past year, Alaska has consistently communicated that we believe the current SAMP proposal does not meet the needs of airlines nor the communities they serve. As proposed, the SAMP will drive SeaTac to be the most congested airport in the United States,¹ result in the construction of a \$2B North terminal that is completely disconnected from the core domestic and international operations of the rest of the airport, and come at significant cost which will starve the rest of the airport (which approximately 80% of SeaTac's travelers will use) of much needed investment. Further, the Port has not committed to include an analysis of changes to the airspace in its approach to a 19 gate SAMP, an area most stakeholders agree is a necessary precondition to any sizeable increase in additional capacity. Given this, the current SAMP becomes very susceptible to challenge as segmentation, a risk that could derail the entire project if successful, but one that could easily delay it for years even if properly asserted by impacted parties. This puts at risk the much needed completion of additional gates and related investment at SeaTac.

¹ Leigh Fisher Tech Memo 6 – Final prepared for Port of Seattle; October 2017

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We agreed with the Port late last year, that Alaska would jointly develop an alternative with the Port that addresses the concerns raised above, still meets the Port's stated Purpose and Need², is less environmentally impactful than the Port's current proposal and looks to bring new gates online faster.

We are well down the path of working on a phased 10 gate alternative which we believe is the right choice for the Port, the airlines, the surrounding communities and the region. An agreement to build 10 gates now could be the first of a multi-phased effort to develop Sea-Tac over time, with a future phase including a fully connected 19 gate expansion including the Port's incremental 9 gates. This holistic and rational approach to development provides the additional resources for much needed investment in areas other than gates, and more importantly, recognizes the balance that must be struck in multiple key areas (airfield, airspace, gates, security, airport access, etc.) for a development plan to deliver the customer experience we all agree our mutual customers require.

Despite the Port having earlier agreed to both listen to our concerns and to allow a joint alternative to be considered and evaluated as a true alternative, those conversations have ceased for reasons unclear to us. Therefore, we are asking for your help in bridging this divide and by partnering with us on an alternative and to include that alternative in the environmental review process to make the NEPA process more legally defensible. Alaska will have spent over \$1M of its own resources to help develop this alternative and we fear that this is work that will not be appropriately considered.

The following is a more comprehensive discussion of our position which we have previously communicated to ensure that there is clarity on where Alaska Airlines is and how we hope to partner with the Port to move this forward for the benefit of our communities and operators at SeaTac.

Alaska Opposes the SAMP as Currently Proposed

Our December 7 letter highlighted several serious concerns with the current proposal for the SAMP:

- It fails to address airspace congestion that would make Sea-Tac among, if not the most, delayed airport in the nation, with the resultant additional block and increased taxi times only worsening the environmental impact.
- The proposed new north terminal is not connected to the main terminal, would be far too small for either Alaska or Delta, and the lack of connectivity would make use by either

² The Purpose and Need Statement explains the reason an agency is proposing a project under NEPA. Any alternative must necessarily solve the Purpose and Need. 40 CFR 1502. Alaska's alternative meets the relevant aspects of the Port's Purpose and Need, specifically satisfying the stated demand of 56M passengers by 2027. The requirement to meet 56M passengers is the Port's requirement



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- It will not be a good use of money to build a new terminal which is not connected to the main terminal...

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On December 1, 1999, I received several letters concerning with the current proposal for the Alaska Express (AE) at Seward Airfield.

...with the goal to provide the lowest cost for the benefit of our communities and operations in... The following is a more comprehensive discussion of our position which we have previously...

...to be considered and evaluated as a long-term alternative, those alternatives have been... Despite the fact that we are asking for your help in providing the data and by providing...

...a development plan to develop the terminal, expansion we all agree on many other... that will be added in various key areas (airside, landside, gates, security, utility, etc.) for...

...the fact that we are asking for your help in providing the data and by providing... We are well down the path of working on a budget 10 days ahead of what we believe is the...

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impractical. It also reduces the utility of the new \$1B International Arrivals Facility (IAF), as all passengers from the new terminal would have long transit times to/from important international flights. The decision to build a separate \$2.3B north terminal facility that 80% of the passengers will not be able to use seems short sighted when fully connected less impactful alternatives are available.

- 19 additional gates are more gates than needed to meet demand and far more than needed to meet the Purpose and Need statement of the environmental process. Our own studies conducted by independent consultants using industry standard assumptions indicate a need for only 10 additional gates beyond the capacity already under construction.³ This variance was primarily driven by the Port using their consultant's proprietary model for "gate rest" between flights and Alaska assigning a specific value (15 minutes for domestic and 30 minutes for international) for periods between the departure of one flight and the arrival of the next. For perspective, even if Alaska were to double the buffer time for domestic flights to 30 min, a number clearly on the extreme, the number of required gates only increases from 10 to 14, not 19. With a price tag of ~\$100M/gate, building nearly two times the quantity of gates needed to satisfy the future schedule demand is neither a prudent use of Port, airlines, and customer funds nor an appropriate reply to a concerned community.
- The plan to cancel \$850M in projects from the main terminal to fund implementation of the SAMP would deprive the main terminal with much needed investment in infrastructure. We believe that maintaining main terminal investment, while also ensuring a competitive cost structure for our passengers, is an essential part of any development plan.

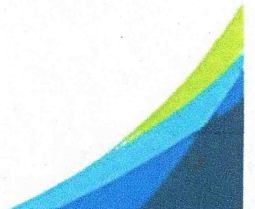
We Support Growth and Many Elements of SAMP

While our opinion about the number of gates needed varies from that of the Port, to be clear, except for the location and number of gates to be constructed, Alaska supports implementation of more than \$2B of the Port's SAMP Near Term Projects, including:

- Airport roadway improvements for better terminal access
- Airfield improvements to better facilitate aircraft movement and reduce congestion
- Upgraded fuel farm and Aircraft Rescue and Fire Fighting ("ARFF") facilities

While not currently included in the SAMP or the existing plan of finance, we strongly encourage additional investment in passenger processing infrastructure, parking and transportation

³ Alaska's consultant took the same 2029 flight schedule the Port's consultant indicated a need for 19 gates and the result called for 10 gates over and above capacity enhancements already under construction. The "gate rest" or "buffer" times Alaska used were not only consistent with many large hubs, but also those suggested by the Airport Cooperative Research Program ("ACRP"), a division of the Transportation Research Board, and comprised of thought leaders from the aviation industry. ACRP Report 25, April 26, 2010. The buffers used by Alaska are consistent with those used for planning at other large hubs, including terminals at JFK, LAX, HNL and ATL and consistent with how SEA actually operates today.





improvements as well as improvements to facilities and infrastructure in the main terminal, such as an expanded quantity and access to Security Screening Checkpoints ("SSCP") lanes.

The Plan to Include Alaska's Alternative Under NEPA

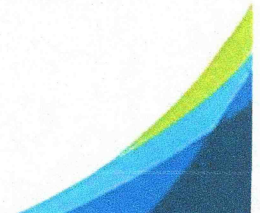
It was our understanding that following the December 7 letter and dialogue with Port staff and certain Commissioners, Alaska was to finalize work on a 10-gate alternative that would not only satisfy the Port's Purpose and Need, but allay most of the widely-shared concerns above. Based on our expectation that the Port would welcome our proposal, Alaska added resources and redoubled efforts with the goal to present an alternative that not only met the Purpose and Need, but also:

- Achieved the objective of the Master Plan for sufficient capacity to accommodate 56 million enplaned passengers by 2027 while also satisfying peak gate requirements
- Accelerated delivery of incremental capacity to SeaTac versus original 2027+
- Provided a cost-effective solution that freed up funding for much needed investment in the main terminal
- Provided sterile connectivity in a single terminal
- Was consistent with, and did not preclude, the ultimate Port Master Plan development to the north, including the incremental 9 gates the Port desires
- Maximized efficiency, value and utility of existing Port assets (avoids separate, disconnected \$1B check-in facility)

To facilitate the ultimate FAA review pursuant to the National Environmental Policy Act ("NEPA"), Alaska environmental representatives, Port environmental representatives, and counsel for both sides met on February 25, 2019. At that time, the parties discussed how best to include the work Alaska was doing for inclusion in the Port's and FAA's environmental review.⁴ Alaska believed this could be accomplished with little or no meaningful impact to the timeline for that environmental review, especially given that, from an environmental perspective, the Alaska alternative has fewer overall gates and would be located less than 1500 feet from the Port's preferred alternative. Further, even if inclusion added an additional one, two, or even twelve months to the existing environmental process, the actual construction and expansion could be executed faster, and the near decade long timeline compressed to make up for whatever additional time was taken. Additionally, given the environmental impacts and capital at stake, the additional time is a small price to pay on a multi-billion dollar development to ensure we are pursuing the right solution.⁵ The outcome of this meeting was clear: If Alaska could produce a viable

⁴ While the FAA will have responsibility for independently evaluating the EA and is ultimately responsible for its content (14 CFR 1506.5(b)), the Port's consultant is drafting the Environmental Assessment for FAA review. In an EIS, the FAA would control the entire process, including drafting.

⁵ The Port's primary argument against considering Alaska's alternative was that it would take too much time to review and that it would delay the 2027 delivery. The amount of delay suggested by the Port has ranged from two





alternative ready for review by the time the Port indicated it was planning to initiate its environmental review in late Summer or early Fall 2019, Alaska's proposed alternative would be considered contemporaneously with the Port's alternative.⁶

A Change in Communication and the Environmental Review Process

Since the February 25 meeting, Alaska has continued to refine its alternative and plans to deliver it for inclusion in the ultimate environmental review on or about July 31, 2019. We are concerned, however, that Port staff has since ceased communications with Alaska despite an earlier commitment to send us guidance on what specific information would be needed for the Port to consider Alaska's alternative under the SAMP timeline. When Alaska inquired as to why the change in communications, the Port advised it was FAA who suggested the Port cease communications – a fact that, if true, is even more troubling given the FAA Order 5050.4B, Section 707 which indicates that the FAA should work to “help the sponsor develop reasonable alternatives that meet...the Purpose and Need,” not to avoid the discussion altogether.

Although we still feel strongly that an EIS process run by FAA is a more thorough and appropriate vehicle to evaluate the environmental impacts and alternatives for a project with this level of impact and potential for challenge on a variety of grounds, we are increasingly concerned that the current EA effort run by the Port (not the FAA), if it omits detailed consideration of the alternative we have proposed, will not be legally or environmentally sufficient to withstand challenge, a matter we have been raising consistently since becoming aware the Port chose the EA path over the more rigorous EIS approach last year.

Next Steps

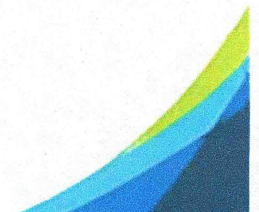
Consistent with our suggestions to the Port for more than a year and as indicated in our comments to the scoping process, we ask that you formally consider the contiguous 10-gate extension alternative in the EA/EIS process. Not only could it be delivered sooner than the current plan, but the approach in which its contained is more efficient, provides greater flexibility, and is far less environmentally impactful than the Port's current proposal.

As we have throughout the SAMP process, Alaska Airlines stands ready to meet and discuss any aspects of the program.

months to two years. Our experts suggest that, at most, there would be a 12-month delay, but given that our alternative has less overall development and in the same vicinity, they suggest a much shorter possible delay.

⁶ While it does not affect our overall position, we have since learned that the Port has already initiated the environmental review of its preferred alternative.

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We appreciate your assistance on this important matter. Please do not hesitate to contact me with any questions.

Kind regards,

A handwritten signature in blue ink, appearing to read "Andrew Harrison", with a long horizontal flourish extending to the right.

Andrew Harrison
EVP & Chief Commercial Officer

CC:
Lance Lyttle
Port Commissioners

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