



Airlines for America®

We Connect the World

September 26, 2024

The Honorable Marqueece Harris-Dawson
President, Los Angeles City Council
200 N. Spring Street
Los Angeles, CA 90012

Re: CLA report re: LWO/Hotel Worker Minimum Wage Ordinance Study Findings

Dear Council President Harris-Dawson:

Airlines for America (A4A)¹ is the trade association for the leading U.S. passenger and cargo airlines, many of which serve Los Angeles International Airport (LAX) and provide safe, affordable services to Los Angeles area residents and businesses. Airlines are proud economic drivers in Los Angeles and throughout California. I want to point out some of the glaring omissions from the above referenced Chief Legislative Analyst's (CLA) report. During my 90-minute conversation in June with David Wells Roland-Holst of Berkeley Economics Advising and Research (BEAR), I provided multiple data points and economic considerations, none of which were meaningfully included in the BEAR or CLA reports. We respectfully suggest you request LAWA provide a written report to the Chief Administrative Officer (CAO) and the Council regarding the status of LAX's recovery from the pandemic and the challenges to that recovery as well as the impact of the proposed change on LAX's ability to recover service levels and passenger volumes to pre-pandemic levels.

LAX, in contrast to most comparable large U.S. hubs, has not yet fully recovered from the pandemic. Per data from the U.S. Department of Transportation, through June annual passenger volumes at LAX were 13% below 2019 levels, even as other large hub airports nationwide averaged 4% growth over the same period. Two terminal projects (Concourse 0 and Terminal 9) have been stalled because of lower passenger volume. The proposed revised LWO is likely to slow recovery. Like other commercial-service airports in the U.S., LAX operates in its own financial ecosystem. Lower passenger volumes reduce airport revenues from parking, retail and concessions and could jeopardize the employment footprint at the airport. In turn, airlines, general aviation and other users or tenants of the airport could face higher rates and charges, which could further reduce air service levels. This type of downward economic and employment spiral is what we are hoping to avoid as an aviation community. Previous work conducted by Oxford Economics suggests that for every airline job forgone due to higher labor costs or reduced air service, another 1.6 jobs are lost throughout the supply chain. Further, for every combined airline and supply chain job that are lost, another 0.5 are lost as a byproduct of their

¹ A4A's members are Alaska Airlines, Inc.; American Airlines Group Inc.; Atlas Air, Inc.; Delta Air Lines, Inc.; Federal Express Corporation; Hawaiian Airlines, Inc.; JetBlue Airways Corp.; Southwest Airlines Co.; United Airlines Holdings, Inc. and United Parcel Service Co. Air Canada, Inc. is an associate member.

reduced spending in the community. These estimated job impacts do not include possible reductions in airport and ground services workers.

As I noted for BEAR, data collected from several A4A members suggest that enactment of the revised LWO would increase airline payroll and contracting costs by approximately \$1 billion over six years. Airlines make pricing and routing decisions at the market level, not at the national or systemwide level. As such, higher costs of doing business at LAX can result in passengers facing higher fares, reduced service, or both. Airline route and schedule planners factor local operating costs into decisions about growth, such as where to deploy additional aircraft, seats and crews, which drive further employment impacts at the airport and in the community. For lower-cost carriers, it could make the difference as to whether they serve LAX, especially if there are viable lower-cost airports within the region.

Like other industries, airlines are already facing high levels of inflation to the cost of inputs – and many lower-cost airlines, which cater predominantly to lower- and middle-income families, are struggling in today's marketplace. As such, the proposed revision to the LWO could curtail LAX's recovery and, in turn, the growth of the local economy. Furthermore, the diversity of airline options and routes at LAX could fall or remain stagnant as other geographic opportunities—since airports themselves compete for incremental service—begin to look even more attractive, especially as carriers take delivery of new aircraft in the years to come.

The CLA report does not adequately consider the potential for significant, unintended consequences to airport revenue, air service, airport jobs and small businesses at LAX. A more thorough fact-finding mission with LAWA is the prudent way to begin to contemplate those implications.

Sincerely,

A handwritten signature in black ink, appearing to read 'JH', enclosed within a thin black rectangular border.

John Heimlich
Vice President and Chief Economist
Airlines for America

CC: City Clerk, City of Los Angeles, Council File 14-1371-S13