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February 5, 2020

The Honorable Delores G. Kelley
Chair, Finance Committee
Maryland State Senate
Annapolis, Maryland 21401

Dear Chairman Kelley:

On behalf of Southwest Airlines, I write in opposition to SB 62, the "Secure Maryland Wage Act." Southwest opposes this legislation for a few distinct reasons. First, it would make our operations and BWI Thurgood Marshall Airport (BWI) as a whole less competitive vis-à-vis our regional competitors. Second, it would unfairly single-out BWI-based employers for higher costs without conveying a legitimate nexus to safety or security. Lastly, the General Assembly just enacted a higher minimum wage for Maryland-based employees, including those based at the airport, and so we do not understand why the General Assembly is considering reopening this issue.

First, let me say at the outset that, as a lifelong Marylander and a 13-year Southwest Employee, I am particularly proud of the strong and positive partnership between Southwest and the State of Maryland, which now spans over a quarter century. This close working relationship has propelled BWI to become the largest airport in the Greater Washington region. In 1993, Southwest began at BWI with 10 daily nonstop flights and fewer than 100 Employees. Today, we operate over 240 daily nonstop departures at BWI, with over 4,800 Employees, including a Pilot base, a Flight Attendant base, and a Maintenance base. Concerning our Maintenance base, we are partnering with the State of Maryland to construct our first and only Maintenance facility on the East Coast. That facility, combined with other improvements we are working toward completing (e.g., a new baggage handling system), will position Southwest for further growth in Maryland, including more international flights and eventually new international airline partnership(s).

Second, notwithstanding the above, the decision to deploy scarce aircraft and Employee resources at BWI depends in large part on the airport maintaining its low-cost advantage and especially its low-cost advantage over nearby airport competitors. Fortunately, through the superb stewardship of BWI by the State of Maryland, BWI is the leader in the region in terms of affordable airport fees, rates, and charges, as well as providing an "easy come, easy go" experience for our shared Customers. And, it is no coincidence that low-cost and ultra-low-cost airlines, in particular, have been attracted to BWI and have grown here. Conversely, it is important to recognize the opposite effect – that any major cost increase to our daily operations would likely make certain markets to/from BWI unprofitable or at least not as profitable as other opportunities in our nationwide network where we are not experiencing the same cost increases. Moreover, BWI's historic cost advantage has narrowed recently, especially in comparison to Washington Dulles International Airport (IAD). All of which is relevant to the legislation being considered. Frankly, now is not the time to impose costly new requirements on BWI's airline tenants, especially those looking to grow in the future and have opportunities elsewhere.

Third, although the debate as to whether there should be a "living wage" (or any increase in the minimum wage) is a legitimate issue within the purview of any state government, Southwest believes strongly that any application of any new minimum wage standard should be applied to all industries and all segments of the economy within the jurisdiction contemplating such a new standard. Employees at an airport should be treated no differently than employees at a factory, hotel, restaurant, or office building. In other words, if a "living wage" is being contemplated, we contend that it should be applied broadly to cover all workers in all industries in the State.

There is nothing unique at BWI that justifies a higher minimum wage for only airport-based workers. In fact, if there's one thing that is unique with the work environment at BWI, it is statistically one of the safest places to work in Maryland. If crime is a concern, we cannot think of a recent incident in which there was a violent crime at BWI, thanks in large part to the fine work of the Maryland Transportation Authority Police, as well as the active presence of multiple federal law enforcement authorities. If safety is a concern, I am proud to convey that, in 2019, Southwest had the lowest rate of on the job injuries in our 49-year history. We have not seen any data to suggest that the work environment at BWI is inherently unsafe or insecure. In fact, we believe an objective review of the facts – as well as common sense – will prove the opposite to be true.

Finally, I want to close by highlighting Southwest's record when it comes to Employee issues. I am not aware of another U.S. company – let alone another airline – of our size and with our long history having such an impressive record in this regard. Highlights of Southwest's commitment to our 60,000 (and growing) Employees include:

- 49-straight years of never having a mass layoff or furlough;
- 49-straight years of never cutting wages and benefits of our Employees;
- 46-straight years of Employee profit-sharing, including the equivalent of 12.2% of wages in 2019;
- The most generous salaries and benefits for frontline workers in the airline industry;
- Likely the most generous retirement benefits in the industry, including a 9.3% 401(k) employer match (on top of the profit-sharing);
- "Cadillac" health care plans for all of our Employees;
- 83% unionized – every frontline Employee at BWI belongs to a collective bargaining unit;
- An all-American-built Boeing 737 fleet – the largest all-American-made fleet in the world;
- Call centers based here in the United States

Thank you for considering Southwest's views. If you, your staff, or any of your colleagues have any questions with respect to this matter, please free to contact me at (202) 263-6287 or david.richardson@wnco.com.

Sincerely,



David Richardson



EDITORIAL

Baltimore by Southwest

Our view: Since 1993, Southwest Airlines has grown from discount upstart to BWI-Thurgood Marshall's dominant carrier helping refuel the local economy

Twenty-five years ago, it was clear that Baltimore-Washington International Airport was at a turning point. The facility was aging and unexciting. It couldn't keep up with its neighboring airports, particularly its nearby competitors in Northern Virginia, even as demand for air travel grew. So state transportation officials under Gov. William Donald Schaefer came up with a plan — build a light rail line connection, expand the number of gates and amenities inside the main terminal, and oh, welcome some Dallas-based low-cost upstart airline that specialized in short-hauls, offered discount prices and liked to fly to and from less-congested airports.

This month marks a quarter-century for Southwest Airlines at BWI-Thurgood Marshall, and few businesses have had a greater positive impact on Baltimore's economy during that same period. The airport's transformation from a hub for USAir, an airline that doesn't even exist anymore (having been absorbed into American), to Southwest's second busiest stop is stunning to behold. Not just because Southwest dominates BWI service, handling about 7 out of 10 airport passengers, but because it's cranked up the volume to record levels — and continues to grow. How fitting that the 25th anniversary of Southwest's arrival coincides with its announcement that it is investing, along with the state, in an enormous \$130 million, 130,000-square-foot hangar to help service and store aircraft.

Traveling by Southwest might not be everyone's cup of tea. It doesn't do assigned seats. It doesn't sell tickets through third-party vendors. The onboard comforts are modest; there is no first-class and the seats are not exactly roomy. But the prices are always competitive. The airline doesn't nickel-and-dime customers on checked or overhead bags. Service is friendly. Compared to other no-frills airlines, Southwest is a Cadillac. The formula has been a winner. It generally ranks high in customer satisfaction surveys, and while not the nation's biggest, Southwest is widely regarded as North America's fastest growing carrier.

In other words, Southwest found the right business model for the

deregulated air travel era, and BWI is flying high thanks to that relationship. Not only do more people fly in and out of BWI than through Ronald Reagan National or Dulles International, but it's generated billions of dollars for the local economy. The most recent state-commissioned study estimates BWI generates a total of \$9.3 billion in economic activity and 106,488 jobs, with roughly half coming from the airport directly and half from visitors. The airport handles more than 26 million passengers per year. That's roughly the equivalent of every man, woman and child in New York City — times three. Southwest alone employs more than 4,000 people, which makes it an even larger Maryland employer than Under Armour.

Make no mistake, when economic development officials from Baltimore and surrounding counties make a pitch to businesses — like Amazon's HQ2, for example — to come to Central Maryland, the convenience and affordability of Southwest-driven BWI Airport is near the top of the list of amenities. And how many existing small and medium-sized companies appreciate the convenience of that Southwest connection as well? The ease of business travel is a major benefit for enterprises of all kinds.

Shortly before Southwest's arrival, The Baltimore Sun editorialized that BWI, which had "capacity to spare," should be pleased to welcome Southwest and its flights to Chicago and Cleveland (the only two cities the airline served from BWI initially). But we also fretted it as a "mixed blessing" as it might "drive away marginal competitors." Ouch. That did, indeed, happen, and it proved to be a good thing. Perhaps BWI's role in it was a matter of luck, as the airport had the capacity just when a rapidly-growing carrier needed it. Certainly, there are still challenges ahead — dealing with noise generated by federally-approved redirected flight paths, for example. Still, there's little on the horizon to suggest the growth will falter anytime soon. As a high-octane generator of economic activity, the Southwest-BWI partnership has remained a bright spot in good times and bad.



Airlines for America®

We Connect the World

February 4, 2020

The Honorable Delores G. Kelley
Chair, Finance Committee
Maryland State Senate
Miller Senate Office Building, 3 East Wing
11 Bladen St., Annapolis, MD 21401

Dear Chairman Kelley:

Airlines for America (A4A) is the trade association of the leading U.S. passenger and cargo airlines, many of which serve Baltimore Washington International Thurgood Marshall Airport (BWI), providing safe, affordable services to Maryland residents and businesses. Airlines are proud economic drivers in Maryland and we value the relationship we have with the state and the passengers and shippers we fly in and out each year.

We respectfully write in opposition to SB 0062, which would mandate a wage and benefits package of \$18.81/hour for certain airport workers. In addition to the federal preemption issues which could cause significant legal problems for the state, A4A raises the following policy concerns for your consideration:

This proposal would increase costs and make BWI less competitive. Passengers, shippers and airlines all have choices, and they frequently go to the airport that is the most cost effective. BWI has had tremendous success over the past two decades in part because it is the least costly airport in the region, and increasing costs is bad policy, particularly as Dulles International Airport continues to decrease its costs.

The minimum wage should benefit all employees in the state, not just some. A4A members fully comply with all state and local wage laws, and our members do not take a position on what the statewide minimum wage should be. However, it should apply fairly to all employees and employers in the state. Creating a patchwork of minimum wages that favor some employees over others is bad public policy that hurts airlines, our partners and passengers who rely upon them.

SB 0062 would create state-mandated wage inequality creating winners and losers within the state of Maryland. Practically speaking, under this proposal it is a very real possibility that two workers could live next door to each other in Baltimore, one with a job cleaning aircraft at BWI and the other cleaning an office downtown. Both essentially have the same cost of living, but under SB 0062, the airport employee would have the benefit of state law mandating a wage/benefit package of \$18.81/hour, while the law would allow the employee cleaning the

office building downtown to earn substantially less. The question remains: why would the state create a different wage rate for some employees but not all?

Sincerely,

A handwritten signature in blue ink, appearing to read "Sean Williams", enclosed within a thin black rectangular border.

Sean Williams
Vice President, State and Local Government Affairs
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