

Testimony of
Mr. Joseph Sprague
Senior Vice President of External Relations for Alaska Airlines
before the
Committee on Transportation & Infrastructure
U.S. House of Representatives
May 2, 2017

Good Morning Chairman Shuster, Ranking Member DeFazio, Chairman LoBiondo, Ranking Member Larsen, and members of the Committee. My name is Joe Sprague, and I am Senior Vice President of External Relations for Alaska Airlines.

Alaska Airlines is the 5th largest U.S. airline following our recent acquisition of Virgin America. We have a combined workforce of 19,000 employees, 280 aircraft, and 1200 daily departures. While we have grown considerably over the last 10 years, we are still small by airline standards. The 4 largest airlines represent 85% of the U.S. domestic capacity while Alaska is just 7%. We fill a niche role in the industry, in that while we are an 85-year old company, we have a low-cost/low-fare business model, yet offer a premium service product to our guests.

We know this hearing is driven by a desire to explore U.S. airline customer service policies in light of certain recent incidents. This has been a tough few weeks for the airline industry and the team at Alaska acknowledges our colleagues at United and other airlines for their policy changes and other efforts to quickly respond to these situations. For our part, Alaska is actively reviewing sensitive customer policies such as overbooking and it is our intention to further improve the experience for our own guests.

Alaska's relative small size requires us to have a laser-like focus on customer service as we compete every day for each of our guests. Our stated purpose is *creating an airline people love*,

which we view as an ongoing process of improvement. We are continuously implementing service enhancements to improve our guests' in-flight experience, including the recent launching of premium class service, the enhancing of our inflight entertainment and connectivity options, and upgrading our food and beverage service. However, it is the caring service our people deliver that is key to us winning guests and any accolades we may receive; and our formal company value of being *kindhearted* serves as an important guide.

We have been humbled to receive recognition for our customer service, including receiving the J.D. Power Award for highest in customer satisfaction for nine years in a row, as well as just recently earning the #1 ranking in the annual Airline Quality Rating, an award based on metrics such as on-time performance and the rate of mishandled bags, denied boardings, and customer complaints. While we are proud of these accomplishments, we know the strong competition we face every day from our fellow U.S. airlines requires us to constantly up our game.

The airline business is not only highly competitive, but also extremely complex. This means comprehensive policies and procedures are necessary. At Alaska Airlines, we also have a focus on empowering our employees to use their judgment to *make exceptions* to policies and procedures to ensure our guests have the most positive experience possible. Our smaller size gives us the ability to be somewhat nimble in this area; as we grow as an airline, we are striving to also grow this empowerment culture. All of Alaska's customer-facing employees have attended a 1 ½ day training session called "Beyond Service", which is specifically designed to give them the tools they need to execute on our high service standards. This training is refreshed annually and incorporated into new hire training courses. In addition, all our customer-facing employees are given what we call an "empowerment tool kit," enabling them to provide

additional compensation, including miles or discounts -- on the spot -- to resolve customer service issues. There is no need to call a supervisor; the focus is on solving the problem and helping the customer. Our airport customer service agents have recently been outfitted with mobile devices to better assist customers and our empowerment tool kit is a key app on these devices.

One area where sound policies *and* good judgment is certainly needed is in the denied boarding environment. At Alaska Airlines, denied boarding events are rare. In 2016, 0.4 guests per 10,000 boarded -- just .004% -- were faced with an involuntary denied boarding. While this positions us as one of the best performers in this area, we believe even this is too high. We are actively looking at our policies to see what we can do to bring this number down further. For example, in a denied boarding situation, we are updating our policies to make explicit that our customer service agents are empowered to do the right thing for our guests, including having discretion over compensation, with the overriding goal to provide the incentives needed so as not to adversely impact our guests. Rather than put in place a hard-upper limit, we believe this discretionary approach will be effective. However, we are committed to a continuous review of our policies to determine if a high-value, maximum upper limit will be more effective at preventing involuntary denied boardings.

At Alaska Airlines, we view the airline business as fundamentally a people business. If we have angry customers, no one wins. This is not to say that mistakes and anomalies do not sometimes arise. And every airline is vulnerable to that. But it has been our experience that such mistakes become lessons that carriers use to improve and, where necessary, implement changes to those

policies and procedures affecting their customers. I believe this is on display with the airlines represented here today.

Thank you for the opportunity to present Alaska Airlines' views, and I would be pleased to answer any questions the Committee may have.