

Exhibit	"F"
Port Commission	Regular
Meeting of	Nov. 16, 2008

Good evening Commissioners, Mr. Yoshitani,

My name is Ed White, Vice President Corporate Real Estate for Alaska Airlines.

I am here as the representative for your two largest customers at the airport, Alaska Airlines and Horizon Air. I have asked to speak today as you receive and consider the 2009 operating and capital budget for the airport. Together, Alaska and Horizon account for about half of the business at SEATAC and as such we have a vested interest in these budget discussions.

Our industry has traditionally been a low margin business. Some would say airlines have developed a reputation for always complaining about costs. Others would say we haven't paid enough attention while costs escalated to unsustainable levels. Perhaps - however, the current economic challenges are unprecedented. Alaska and Horizon are not immune to those challenges. We have been on a several year path of business restructuring that has been dramatic and at times, painful.

Our company has reduced our unit cost structure by more than 15% which has produced annual savings of approximately \$300 million. In the last few months, 1100 positions have been eliminated through lay-off, furlough, early retirement or restructuring. Last month, Alaska Air Group reported a net loss of \$15 million for the first 9 months of the year. This compares to a profit of \$180 million the previous year, a nearly \$200 million dollar swing in one year. To say we are our concerned about our future is an understatement.

As we are developing our airline budgets for 2009, we have set the following objectives:
Reduce annual non-fuel operating expenses by \$100 million (5.5%)-which includes:

- Nearly \$55 million in payroll reduction

- Significantly reducing or eliminating various travel and discretionary expenses

- Seeking rate reductions or restructured agreements with all of our vendors

- Task our procurement team for improved buying arrangements on any significant purchases

Yes, we do have many variable expenses, and we are focused on driving those to match our key variable driver, passengers. But we are not stopping there. We are also committed to driving our fixed costs down as well.

We are reducing overhead by 10%. We have also engaged in an aggressive effort to reduce space and improve utilization at our top 10 airport locations across our network which will result in millions of dollars of **further** cost reductions.

We have a responsibility to our shareholders, customers and employees to operate the best business possible and we are absolutely committed to doing so.

At the suggestion of Mr. Yoshitani, the senior leaders of Alaska and Horizon have been regularly engaged with the CEO and his key airport leadership over the last year and a half. Together, we set an objective to leverage our **user/provider** relationship in order to be recognized as a world class model for the air transportation experience.

To do that, we identified 4 pillars to build on: Safety, Customer Experience, Environmental Stewardship, and Business Effectiveness. There has been good progress made in all of these areas, but on the cost side, much work lies ahead.

As we are considering the 2009 budget, let me focus on the Business Effectiveness pillar...

At the risk of over-simplification, approximately 50% of the aeronautical expense at SEATAC will be on Alaska Air Groups P&L.

As Mr. Yoshitani stated earlier, tax money does not **fund** the airport operation; their expense is our expense.

This year, Alaska Air Group we will spend about \$80 million on SEATAC airport costs.

For 2009, with a small reduction in flying, our current forecast of SEA airport costs is about \$85 million. That is a problem.

I want to comment on cost per enplanement, CPE. This is the basic unit measure of cost used by airlines across the country. Critics call this an imperfect measure, and are quick to site the various differences that can affect CPE at airports across the country. While it is true that there are anomalies that can skew comparisons when used on a limited basis, when looked at over time, it is an effective comparator when evaluating airport costs. Ask any airline what the 'cost' is at an airport and what you will hear most often is CPE.

Let me comment on SEA's CPE.

First I want to acknowledge the good work that was initiated by the SEA airport staff several years ago. I believe you have all seen the charts that show the improvement in CPE from that economically dark period of time where we were facing an untenable \$25 CPE.

In the absence of any clear path as to how they could get there, and with enormous capital improvement projects looming ahead, they set a goal to have the CPE be no higher than \$18. As history has shown, they not only achieved that goal, but beat it.

Today, while the scale may have changed, the challenge hasn't. Acknowledging the various imperfections of the measure using Port data, it is a fact that SEA ranks one position above the bottom quartile (highest cost) of major airport CPE's.

These costs are simply too high, and we need to work together to get them down. Economic competitiveness is even more important as we look ahead to the challenging economy facing our country.

In our most recent senior leadership meeting with the airline/airport team, we aggressively exercised the subject of Business Effectiveness and the implications of the

upcoming capital and operating budgets for the Port. We are engaged in some fierce and challenging discussions.

This was not because of bad people, bad budgets or bad ideas. To the contrary, the airport team has many people who are committed to do great work. The progress that has been made in the past could not have been done without them. But what we are challenged with today is extraordinarily difficult, and change does not come quickly.

It was not easy for us to lay off 1100 people. It was painful to restructure functions in our business that had been part of our fabric for decades. It was frustrating to choose between exciting projects and initiatives that had the passionate support of good people. I understand how difficult this effort is.

Airport cost structures have traditionally be viewed as predominately fixed costs. However, I am reminded of a quote from a business leader in a lecture at Biz School – "Every cost is fixed up until the moment you decide to make it variable". What I learned from that is to challenge givens and question assumptions.

And so, last week with the senior leadership of the Port, we engaged in discussions to challenge airport costs. We pressed to identify any variable costs that could be ratcheted down. We questioned any cost or activity that might be discretionary. We are pressing for tough choices between good ideas. We are looking for creative alternatives to restructure costs. We did make some progress.

Yet, to be clear, Alaska Air Group does not agree with the proposed operating and capital budgets, but we recognize it is time move forward. Our opinion is there is more work to be done and we are confident that Mr. Yoshitani and the airport staff are committed to work with us on further improvements beyond the approval of the budgets.

I appreciate the effort and direction the Commission has taken with respect to the corporate budget. That is an important, and large, portion of our cost. The airport is allocated approximately two thirds of those costs and, in imprecise terms, Alaska/Horizon will pay half of that bill. Unlike the airport costs, I have no visibility as to which might be variable, what might be discretionary, what further tough choices could be made, what alternatives could be considered. I'm not complaining, just contrasting this with the subject and the effort we are engaged in with the airport team.

In the end, there are two levers for our costs from the corporate line item on the budget: 1) the actual cost of corporate services and 2) the percentage of those costs that are allocated to the airport. Neither of those are mandated, regulated or otherwise restricted from change.

Commissioners/Mr. Yoshitani, I recognize these are difficult times and it is not practical to effectively resolve budget challenges quickly. I realize there are tradeoffs and other factors that must weigh into the decisions affecting this budget. I appreciate the opportunity to speak broadly to this topic. Let me close with a more specific 'ask':

I would ask that you consider the following:

- Encourage the staff to quickly establish a mid-term (5-6 yr) aspirational CPE target with input from their stakeholders, along with periodic milestone targets that are aligned with this longer term goal.
- Use this mechanism to pressurize the airport team to continue cost reduction efforts in spite of the approved budget.
- Aggressively challenge the cost and allocation of corporate overhead assigned to the airport.
- Include a key staff member from Corporate to participate in the Airline/Port leadership meetings to create the same potential for partnering that is currently underway with the airport team.

- Direct your financial team to work with airlines to evaluate possible financial restructuring alternatives that would create additional cost savings while not jeopardizing the Ports' financial health.
 - Reduce new capital spending
 - Reduce spending on capital projects authorized in earlier years
 - Reduce O&M expenses, including corporate allocation
 - Explore all opportunities to reduce costs allocated to airlines that gets built into our rate base

Our passion on this subject is directly related to the relationship between costs and our viability.

Our hope stems from the level of engagement driven by this commission and your CEO, Two examples come to mind:

- Mr. Yoshitani's initiative to regularly meet with the senior leaders of Alaska and Horizon is driving change.
- Your effort to include business and community leaders, including myself, in the Century Agenda, is another example. This approach has furthered my understanding, (and I believe many others in the community) of the Port's mission and challenges, while demonstrating the Commission is involving and listening to businesses and the public in general.

Alaska and Horizon reassert our commitment to partner with the Port team with the goal of being recognized as a world class model for the air transportation experience.

Thank you and good night!