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February 26, 2010

Ms. Gina Marie Lindsey
Executive Director
Los Angeles World Airports
One World Way
Los Angeles, CA 90045-5803

RE: Determination Regarding Application of the Living Wage Ordinance to all Airport Employees providing industry-specific services to or for the Los Angeles World Airports

The Bureau of Contract Administration (BCA), as the Designated Administrative Agency (DAA) for the administration and enforcement of the Living Wage Ordinance (LWO), hereby determines that for service delivery and security concerns as discussed in the body of this determination, the Los Angeles World Airports (LAWA) has a proprietary interest in applying the requirements of the LWO to all "Airport Employees" providing industry-specific services to or for the Los Angeles World Airports.

At the airport, several companies operate under public leases or public licenses, including the airlines which operate under an Air Carrier Operating Permit (ACOP) or a master lease agreement with LAWA. Consequently, these companies fall under the definition of "Airport Employer" and are required to comply with the provisions of the LWO. Usually, as part of their operations, companies and airlines contract with subcontractors to provide industry-specific services such as airplane fueling, baggage handling, cargo screening and cargo handling. Based on the Los Angeles Administrative Code (LAAC) Section 10.37.1(i) these subcontractors are classified as subcontractors to a public lessee or licensee and also satisfy the definition of "Airport Employer." The employees of the lessee, licensee, sublessee or sublicensee are covered if the employees performing services meet any of the following requirements:

- (1) The services are rendered on premises at least a portion of which is visited by substantial numbers of the public on a frequent basis; or
- (2) Any of the services could feasibly be performed by City Employees if the awarding authority had the requisite financial and staffing resources; or
- (3) The DAA has determined in writing that coverage would further the propriety interest of the City.

Our role as the DAA is to determine whether any of the three (3) factors above is present. After several discussions with the Office of the City Attorney, and an independent analysis, BCA has concluded that many of these industry-specific jobs do not meet factors one and two above. Therefore, BCA's third



option was to analyze if factor three is present. We examined the Living Wage Ordinance to evaluate whether applying the LWO to industry-specific jobs is in the City's proprietary interest.

The LAAC Section 10.37 "Legislative Findings", states in part: ..."The City holds a proprietary interest in the work performed by many employees employed by lessees and licensees of City property and by their contractors and subcontractor. In a very real sense, the success or failure of City operations may turn on the success or failure of these enterprises, for the City has a genuine stake in how the public perceives the services rendered for them by such businesses..."

Utilizing this excerpt of the LWO as a benchmark, BCA finds that industry-specific services rendered by employees of lessees/licensees on LAWA property, their contractors and subcontractors, have a direct affect on public perception which ultimately impacts the success or failure of City operations. While many of these industry-specific job classifications do not interact directly with the traveling public, the services they render directly impacts the public's traveling experience.

Furthermore, in response to the nation's homeland security concerns and efforts, BCA concludes that the City of Los Angeles has a proprietary interest in providing a secure transportation complex for the movement of the traveling public and air cargo. Failing to provide employees in these industry-specific jobs with the wage and benefits of the LWO could ultimately lead to employee dissatisfaction, consequently resulting in labor unrest, high turnover rates, a lack of consistency and compromised security.

In a report entitled: Examining the Evidence – The Impact of The Los Angeles Living Wage Ordinance on Workers and Businesses¹, several areas demonstrate how the City of Los Angeles would benefit from Airport Employees being covered by the LWO. The impact of the LWO on employers and the workplace indicates that labor turnover has declined as a result of the ordinance. Current rates of turnover at living wage firms average 32 percent, compared to 49 percent at comparable non-living wage firms. These turnover reductions represent a cost savings for the average firm that is 16 percent of the cost of the wage increase, based on various estimates of the cost of replacing a low-wage worker.

In further support of applying the LWO to all Airport Employees in industry-specific job classifications, a study entitled: Living Wages and Airport Security² examines The Quality Standards Program at San Francisco International Airport which was approved in January 2000 and implemented the following April. The program establishes recruitment, training, compensation and performance standards for all employers with workers in security areas or performing security functions at SFO. The standards, which exceed those set by the FAA, cover anyone whose performance affects airport security. This includes baggage screeners, skycaps, baggage handlers, fuelers and boarding agents. A survey of airport firms was performed in 2001 to assess the benefits of the Quality Standards Program. The results were improvements in overall job performance, significantly reduced employee turnover, and greater ease in recruiting more skilled applicants. Absenteeism, disciplinary problems and job dissatisfaction were also lower than before the program. The findings in the study indicate improved job performance across the entire range of airport security and safety areas.

The importance of reducing high turnover rates appeared to be considered by many airport employers in their decision to voluntarily compensate their employees at or above the Living Wage rate prior to seeking an official determination under the LWO. This established approach of providing compensation equivalent or greater to the City's Living Wage rate, affirms the importance of ensuring worker continuity and maintaining a secure work environment.

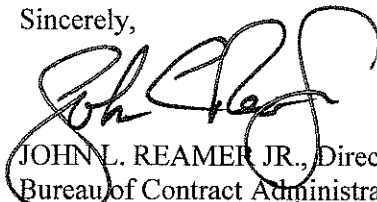


Therefore, the Bureau of Contract Administration, under the authority of the LWO, determines that the City of Los Angeles has a proprietary interest in applying the requirements of the LWO to all industry-specific "Airport Employees" in order to maintain quality service delivery and provide a secure transportation complex for the traveling public.

Attached is a list of the identified industry-specific "Airport Employee" job classifications. These industry-specific job classifications shall be incorporated into the re-developed Rules and Regulations for the implementation of the LWO and may be amended from time to time. The list is not all inclusive and "Airport Employers" are advised to contact the Bureau of Contract Administration, Office of Contract Compliance for guidance in identifying if an industry-specific job classification not included in the attached list is covered by this determination.

If you require additional information, please contact Mario Interiano at (213) 847-2631.

Sincerely,



JOHN L. REAMER JR., Director
Bureau of Contract Administration

cc: Julie B. Gutman, Public Works Board Commissioner
David Michaelson, Chief Assistant City Attorney
Kelly Martin, LAWA Senior Assistant City Attorney
Samson Mengistu, LAWA Deputy General Manager

1. Fairris, Runsten, Briones & Goodheart, "The Impact of the Los Angeles Living Wage Ordinance On Workers and Businesses", 2005
2. Reich, Hall, & Jacobs, "Living Wages and Airport Security, 2001



ATTACHMENT

DEFINITION OF INDUSTRY-SPECIFIC “AIRPORT EMPLOYEE”

For purposes of establishing this list, the Bureau of Contract Administration evaluated each job classification on whether it satisfied any of the following factors:

1. Does the work directly impact the public’s perception of services rendered to them by “Airport Employers” at the Los Angeles World Airports?
2. Is the position critical in maintaining a secure transportation complex?

This list is not all inclusive. Any similar position(s) that perform similar duties and responsibilities as the positions listed below are also covered by the Living Wage.

Security – Employees providing the following services

- Cabin Search
- Cabin Guard
- Aircraft Guard
- Catering Security
- Cargo Warehouse Security
- Cargo Screener
- Security Guards
- Cargo Agent
- Ramp Agent
- Ramp Coordinator

Baggage – Employees handling baggage/cargo

- Baggage Sorting Area Coordinator
- Interline Baggage Transfer Services
- Cargo Loaders

Vehicle cleaners

Ramp agents

Customer Service (helping distressed passenger with hotel and transportation. Also handles and delivers lost and delayed luggage to passengers.)

Mechanic

*All classifications in a cargo facility

* Requesting additional information from several contractors

