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Samson Mengistu, Deputy General Manager
Los Angeles World Airports
One World Way
Los Angeles, CA 90045-5803

November 17, 2006

Dear Mr. Mengistu:

DETERMINATION REGARDING APPLICATION OF THE LIVING WAGE ORDINANCE TO CABIN CLEANERS AT LOS ANGELES WORLD AIRPORTS

The Bureau of Contract Administration, as the Designated Administrative Agency (DAA) for the administration and enforcement of the Living Wage Ordinance (LWO), hereby determines that the Los Angeles World Airports (LAWA) has a proprietary interest in applying the requirements of the LWO to the cabin cleaner positions for economic and security reasons discussed in the body of this determination.

At the airport, the airlines operate as public lessees or public licensees because they operate under an Air Carrier Operating Permit (ACOP) or a master lease agreement with LAWA. Usually, as part of their operations, the airlines contract with subcontractors to provide industry-specific services such as airplane fueling, airplane cabin cleaning, and baggage handling. Based on LAAC Section 10.37.1(i) airline's subcontractors are classified as subcontractors to a public lessee or licensee. The employees of the 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 as propriety interest of the City.

In a recent letter to LAWA, the Los Angeles City Attorney opined that factor one (1) above is present in that airplane cabins are on LAWA premises at the time the cabin cleaners perform their work and the traveling public in substantial numbers board the cabins.

Our role as the DAA is to determine whether factor three (3) above is also present. One might argue that poorly cleaned cabins reflects poorly only on the airlines and, therefore, only negatively impacts their interest. However, failing to provide cabin cleaners with the benefits of the LWO can ultimately lead to poorly cleaned aircraft cabins throughout the airport which, in turn, could drive the traveling public to seek out other regional airports. This harms LAWA's reputation and a reduction in the number of passengers using LAWA facilities compromises LAWA's income stream from a variety of sources, including terminal concession sales.

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LAWA also has a significant interest in employee turnover rates and related security concerns. Cabin cleaners require security clearance and increased turnover of those employees places an added strain on the security system so important to LAWA facilities.

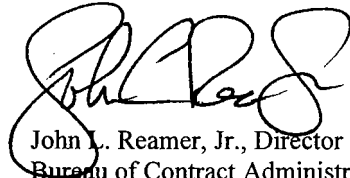
In a report entitled: Examining the Evidence – The Impact of The Los Angeles Living Wage Ordinance on Workers and Businesses¹, several areas demonstrate how the City of Los Angeles would benefit from the cabin cleaners being covered by the LWO. The impact of the LWO on employers and the workplace indicates 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 the cabin cleaners, 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 airplane cabin cleaners. 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 Bureau of Contract Administration determines that LAWA has a proprietary interest in applying the requirements of the LWO to the cabin cleaner positions in order to maintain quality of work which could potentially impact the LAWA concessionaires and other revenue generating sources at LAWA. Additionally, LAWA has a significant interest in preventing high turnover and addressing attendant security concerns.

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

Sincerely,



John L. Reamer, Jr., Director
Bureau of Contract Administration

JLR:MI:spr

c: David Sickler, Public Works Board Commissioner
David Michaelson, Chief Assistant City Attorney
Jean-Claude Bertet, Deputy City Attorney
Alonso Almeida, Chief MA - LAWA

BCA Living Wage Determination LAWA.doc

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

