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Business

Allegiant Air, with ultra-low fares, draws FAA's attention over safety concerns

By Steven Mufson and Ashley Halsey III September 1

Just over a year ago, Allegiant Air pilot Jason Kinzer was sitting in the cockpit of a 24-year-old McDonnell Douglas MD-80 aircraft bound for Hagerstown, Md., having just taken off from St. Petersburg, Fla.

As the plane climbed through 2,500 feet, a cabin attendant alerted Kinzer to a strong burning smell. Alarmed, Kinzer turned Allegiant Air Flight 864 back toward the airport. Fire and rescue crews met the plane on the runway as smoke wafted from an engine. Kinzer told the 144 passengers to disembark. He then helped a flight attendant carry a paraplegic passenger to the exit.

It seemed to be model behavior. But Allegiant Air did not praise Kinzer. It fired him.

In a dismissal letter, the airline called the evacuation of the plane “unwarranted” and faulted Kinzer as not “striving to preserve the Company’s assets, aircraft, ground equipment, fuel and the personal time of our employees and customers.” Later, the company’s attorneys would call Kinzer’s account an “inaccurate and self-serving recitation of events.”

Kinzer’s saga, now the subject of a court case in Nevada, involves one of dozens of incidents that have prompted scrutiny of the safety and maintenance practices at Allegiant Air, a low-cost carrier that has found a profitable niche in serving airports in small-to-midsized cities.

In an industry that has habitually struggled to make money, Allegiant’s soaring earnings stand out. Last year, its profits jumped 154 percent, to \$220.4 million, as the carrier — relying heavily on cheaper, previously used planes — flew more than 300 routes. In June, Allegiant announced a dozen new routes and three new cities, for the first time competing

with major carriers at airports in Newark and Denver.

But observers with various interests and viewpoints are asking whether Allegiant has pursued fast growth and financial success at the expense of other considerations.

Unwanted attention has come from federal regulators worried about safety, investors betting against the stock, a pilots union concerned about maintenance, and corporate governance experts who fault the airline's cozy board of directors as not doing more to head off problems.

About 300 pages of Federal Aviation Administration records for Allegiant show a pattern of safety problems that triggered a relatively large number of aborted takeoffs, emergency descents and emergency landings from Jan. 1, 2015, through this March. The Allegiant records were obtained in a Freedom of Information Act request filed by Robert MacArthur, owner of Alternative Research Services, a consultancy that caters to short sellers — investors who benefit when company share prices drop.

Allegiant had about nine times as many serious incidents over that period as Delta Air Lines had with similar types of planes of similar vintage — even though Delta was flying about three times as many such planes, according to a Washington Post analysis of FAA documents relating to both companies.

"I don't think there's a safety problem," Allegiant's chief operating officer, Jude Bricker, said in an interview. "Our unscheduled landings in particular are a result primarily of an abundance of caution, and our pilots are entitled to put their planes into landing anytime they feel unsafe."

But leading experts said Allegiant needs to pay closer attention to its aging aircraft.

"They just have a lot of problems with leaks, doors not closing properly, things not working properly," said Mary F. Schiavo, an aviation lawyer who served as inspector general for the Department of Transportation from 1990 to 1996. "They have electrical smells every day, which means they've got old wiring. It's just kind of a poorly maintained fleet."

Allegiant said that its "safety protocols emphasize putting the safety of passengers foremost." And in July, the company said it had agreed to depart from customary practice and buy 12 new Airbus A320s for delivery by 2018.

A swift ascent

The chief executive of Allegiant Air is Maurice "Maury" J. Gallagher Jr., who ran ValuJet until one of its planes plunged into the Florida Everglades in 1996, killing all 110 people aboard. In 1999, after ValuJet was merged into AirTran, Gallagher started building a new carrier, Allegiant Air, which now has about 80 planes serving about 113 airports.

The Las Vegas-based company became the darling of Wall Street. It was the subject of a glowing article in Fast

Company. It made Fortune's list of fastest-growing companies. Aviation Week in 2013 named it the top-performing small carrier in the world. Although the stock has lost nearly half its value since its peak of \$234 a share last year, it has increased more than fivefold in the past decade.

Analysts hailed Gallagher's strategy of buying older MD-80s, often for a tenth of the \$40 million to \$50 million its competitors were paying for new aircraft. The average age of Allegiant's MD-80 fleet is 26.49 years; recently added Airbus planes also are used, with an average age of 14.2 years.

But Allegiant Air has run into trouble.

Allegiant aircraft this year made unscheduled landings on Feb. 28; on March 2, 3 and 14; and twice on March 13, according to FAA documents.

On March 5, a crew aborted a takeoff after a loud bang, warning signs from the right engine and smoke in the cabin. One flight attendant was treated by emergency medical technicians for smoke inhalation.

All airlines must file reports about safety and maintenance incidents with the FAA. After Allegiant's spate of midair incidents, the agency moved up a periodic evaluation of the airline that had been scheduled for 2018.

"The purpose of these reviews is to verify a company is complying with the applicable regulations; determine whether it is operating at the highest possible degree of safety; and identify and address any operational/safety issues," the FAA said, although it would not comment on Allegiant.

Later, in a July 18 letter to Allegiant, the FAA said it had "identified several element design and element performance deficiencies" — such as software that did not meet FAA specifications and a failure to notice fractures in a right-engine pylon — and ordered the airline to come up with a "mitigation plan" by Sept. 30. The FAA said two findings "revealed possible regulatory issues" but did not describe them.

Schiavo — author of "Flying Blind, Flying Safe," a book critical of the FAA — said the agency needs to take a tougher stance.

"I think that the FAA bears some responsibility for this horrible track record," said Schiavo, who works at the law firm Motley Rice, which specializes in class-action lawsuits but has not been involved in any cases involving Allegiant. "The FAA sees its job as promoting the airlines and keeping them flying. They really try to keep just about any hunk of junk" flying.

The FAA documents suggest that the agency had expressed concerns before. When Allegiant Air sought FAA approval of a new safety chief, the agency in a Feb. 1, 2016, report described qualifications for the position — "the education" and "vast experience" needed to "help lead the airline in providing the public with the safest means of commercial travel" — and then said it approved the appointment "with concern and trepidation."

An Allegiant spokesman, Hilarie Grey, referred The Post to the FAA for comment. The FAA did not elaborate.

Gallagher said the findings of this year's FAA inspection were "minor or less than minor."

"So when you send 30 people around for 90 days in any organization, they're going to find stuff, as well they should. And we'll respond and adjust it," Gallagher said in a July 29 conference call with securities analysts. But he said "there's nothing that operationally we're going to do substantially different."

The FAA said it "will closely monitor" the carrier's efforts.

Operational incidents

The FAA's Service Difficulty Reports cover issues ranging from a burned-out light bulb on a cabin exit sign to an engine failure.

The Post examined FAA reports from Allegiant for 15 months ending in March and focused on the three types of operational incidents that aviation experts deem most significant: emergency descents, unscheduled landings and aborted takeoffs.

The Post then compared Allegiant's record with Delta's by obtaining and reviewing reports filed by Delta for the same aircraft models for the same period. Delta flies more than twice as many MD-80s and MD-88s and more than four times as many of the Airbus models, but Allegiant had many more serious incidents.

Allegiant told the FAA that its 50 McDonnell Douglas planes — including DC-9s and MD-80s — had 50 unscheduled landings, five emergency descents and eight aborted takeoffs. From Jan. 1, 2015, through the end of March 2016, Delta reported that its 117 MD-88 aircraft had six unscheduled landings, one emergency descent and no aborted takeoffs.

For its 30 Airbus jetliners, Allegiant reported five unscheduled landings, two aborted takeoffs and one emergency descent. Delta reported that its 126 Airbus planes had one unscheduled landing, no aborted takeoffs and no emergency descents.

Allegiant's Bricker said that "the reporting criteria [to the FAA] is open to interpretation and therefore is vastly different from fleet to fleet."

In less than a year, a single Allegiant MD-88 had almost as many incidents as the entire Delta fleet of MD-88s, FAA records show. In August 2015, that plane took off from Memphis and was at 16,000 feet, climbing to cruising altitude, when one of its two engines shut down. The crew declared an emergency and landed the plane.

In November, the same plane made an unscheduled landing after flight attendants said the air in the cabin had grown hazy and they smelled something burning.

Three weeks later, the plane's pilot made another unscheduled landing after a gray haze filled the cabin.

During a flight 12 days after that, the plane had reached cruising altitude when the cockpit crew noticed the "odor of evaporating oil," which led to the replacement of the left engine before the plane was flown again.

Repeated problems with other Allegiant MD-88s were common. One aircraft made three unscheduled landings. Another was met by firetrucks this year after an engine failed in flight. Six months earlier, the same plane made an emergency descent and an unscheduled landing after its instrument panel started to smoke. That incident occurred 10 days after the same plane made an unscheduled landing when the tail compartment next to the plane's engines overheated.

"I just don't like the look, feel or smell of their track record," Schiavo said.

A caller to the FAA's hotline said that an Allegiant DC-9-83 suffered engine failures twice, on July 31 and Aug. 3, 2015, both times en route to Richmond from St. Petersburg. On one of those flights, the crew reported the smell of burning rubber and a grinding noise followed by the failure of an engine. A maintenance crew later found a compressor "severely damaged," and the engine was replaced, the FAA said.

Bricker said that Allegiant takes "older airplanes to isolated areas, where we don't have our own mechanics" and therefore they are more likely to turn back if there's trouble.

Clashes with union

Allegiant says the controversy about its safety record is due in large part to the International Brotherhood of Teamsters. The airline's pilots voted to join the Teamsters in 2012 and, after prolonged negotiations, reached an agreement with the company on June 21.

A company spokesman said the union had made a "significant effort" to create "negative media coverage" of Allegiant. The company said that "one of those tactics" was to issue safety reports about the fleet.

"There's never been any denial or doubt or rebuttal by the company to refute the number of engine failures, aborted takeoffs or near crashes," said Daniel C. Wells, president of Teamsters Local 1224. "No one ever said those were false reports."

The union has issued safety reports on Allegiant for the past three years that are based on what its members have reported. Wells said the contract would "not lessen our concern about getting the safety issues fixed with Allegiant, first for our members and, of course, the flying public."

The company said in a statement: "Allegiant is a very safe airline. We have robust internal and external auditing programs and are investing heavily in new training programs and technologies that are industry leading."

Allegiant says it will spend more on maintenance this year. According to the MIT Airline Data Project, Allegiant's maintenance spending hit \$72.7 million in 2011, then fell to \$33.6 million and \$38.7 million the next two years, less than in any other year since 2008, when it was a much smaller company. Maintenance spending climbed again, to \$62.3 million, in 2014.

Allegiant spokeswoman Wheeler said the fluctuations were "largely driven by scheduled maintenance events." She said that in 2011, the airline "underwent a large-scale engine overhaul project."

The company said that it is in regular contact with the FAA and that its maintenance programs are "in accordance with all standards of the airline industry." On Aug. 5, it cut the ribbon on a new training center in Florida for pilots, flight

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attendants and mechanics.

Higher maintenance spending could cut into profits — and the company's stock price.

The fortunes of chief executive Gallagher are tied to that performance. Although he does not take a base salary, he owns about 20 percent of the company and received more than \$4 million in dividends last year. On March 9, he sold shares of Allegiant worth \$47.8 million.

Despite the string of safety incidents in 2015, the company's board also gave him a nearly \$3 million bonus, putting his total compensation for that year at the same level as his counterpart's at low-cost rival JetBlue, which is about four times larger.

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Waiting for a resolution

Kinzer isn't flying these days. Broke and unable to get a job in aviation, he is trying to start a photography business and is waiting for the court case to begin.

Bricker and Wheeler declined to comment on the litigation. Allegiant's attorneys in Nevada moved in federal court to have the case dismissed. A judge rejected the motion and sent the case back to state court.

On July 18, Kinzer's attorneys filed depositions, including one by Capt. Cameron Graff, a witness for Allegiant, who in reply to a question said: "It's my opinion that Capt. Kinzer was terminated to quell the pilot group, to silence the pilot group, to in a way 'take one out' to keep the pilots from reporting safety events, emergencies, those types of events."

Steven Rich contributed to this report.

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