

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 13G

UNDER THE SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO. _____) *

ALASKA AIR GROUP INC.

(Name of Issuer)

Common Stock **

(Title Of Class of Securities)

011659109**

(CUSIP Number)

Check the following box if a fee is being paid with this statement [X]. (A fee is not required only if the filing person: (1) has a previous statement on file reporting beneficial ownership of more than five percent of the class of securities described in Item 1; and (2) has filed no amendment subsequent thereto reporting beneficial ownership of five percent or less of such class.) (See Rule 13d-7).

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page. The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

** The amount reflected in Item 9 of the cover page includes common stock issuable upon conversion of convertible bonds (the "Convertible Bonds") (CUSIP 011659AD1, 011659AB5, 011659AA7). In the aggregate, Merrill Lynch & Co., Inc. may be deemed to beneficially own 4,600 shares of Common Stock and an additional 731,599 shares upon conversion of the Convertible Bonds.

PAGE 1 of 8 PAGES

CUSIP NO. 011659109

13G

PAGE 2 of 8 PAGES

1 NAME OF REPORTING PERSON
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Merrill Lynch & Co., Inc.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*

Joint Filing

(a) []

(b) []

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

5 SOLE VOTING POWER

None

NUMBER OF
SHARES
BENEFICIALLY
OWNED BY EACH
REPORTING
PERSON WITH

6 SHARED VOTING POWER
736,199

7 SOLE DISPOSITIVE POWER
None

8 SHARED DISPOSITIVE POWER
736,199

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
736,199

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES*
[]

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9
5.2%

12 TYPE OF REPORTING PERSON*

HC, CO

*SEE INSTRUCTION BEFORE FILLING OUT!

SCHEDULE 13G

Item 1 (a) Name of Issuer:

Alaska Air Group Inc.

Item 1 (b) Address of Issuer's Principal Executive Offices:

19300 Pacific Highway South
Seattle, Washington 98188

Item 2 (a) Names of Persons Filing:

Merrill Lynch & Co., Inc.

Item 2 (b) Address of Principal Business Office, or, if None, Residence:

Merrill Lynch & Co., Inc.
World Financial Center, North Tower
250 Vesey Street
New York, New York 10281

PAGE 3 of 8 PAGES

Item 2 (c) Citizenship:

See Item 4 of Cover Pages

Item 2 (d) Title of Class of Securities:

Common Stock

Item 2 (e) CUSIP Number:

011659109

Item 3

Merrill Lynch & Co., Inc. ("ML&Co.") is a parent holding company, in accordance with Section 240.13d-1(b)(ii)(G).

Item 4 Ownership

(a) Amount Beneficially Owned:

See Item 9 of Cover Pages. Pursuant to Section 240.13d-4, ML&Co. disclaims beneficial ownership of the securities of Alaska Air Group Inc. referred to herein, and the filing of this Schedule 13G shall not be construed as an admission that ML&Co. is, for the purposes of Section 13(d) or 13(g) of the Securities Exchange Act of 1934, the beneficial owner of any securities of Alaska Air Group Inc. covered by this statement other than securities of Alaska Air Group Inc. held by MLPF&S in proprietary accounts.

(b) Percent of Class:

See Item 11 of Cover Pages

(c) Number of shares as to which such person has:

(i) sole power to vote or to direct the vote:

See Item 5 of Cover Page

(ii) shared power to vote or to direct the vote:

See Item 6 of Cover Pages

(iii) sole power to dispose or to direct the disposition of:

See Item 7 of Cover Pages

(iv) shared power to dispose or to direct the disposition of:

See Item 8 of Cover Pages

PAGE 4 of 8 PAGES

Item 5 Ownership of Five Percent or Less of a Class.

Not Applicable

Item 6 Ownership of More than Five Percent on Behalf of Another Person.

MLPF&S is a sponsor of various unit investment trusts ("UITs") which invest in "equity securities" as defined in Section. 240.13d-1(d). While UITs have the right to receive, or the power to direct the receipt of dividends from, or the proceeds from the sale of securities reported herein, no single UIT's interest relates to more than 5% of the class of securities reported herein. In addition, MLPF&S has discretionary investment authority in respect of certain customer accounts holding the common stock of Alaska Air Group Inc. on behalf of persons who have the right to receive, or the power to direct the receipt of dividends from, or the proceeds from the sale of, such securities. Merrill Lynch Trust Company (Florida) ("MLT-FLA"), a wholly-owned subsidiary of ML&Co. and a bank as defined in section 3(a)(6) of the Securities Exchange Act of 1934 holds shares of the common stock of Alaska Air Group Inc. on behalf of persons who have the right to receive, or the power to direct the receipt of dividends from, or the proceeds from the sale of, such securities. Merrill Lynch Asset Management L.P., d/b/a Merrill Lynch Asset Management ("MLAM") and Fund Asset Management L.P., d/b/a Fund Asset Management ("FAM"), are wholly-owned subsidiaries of ML&Co. and Delaware limited partnerships with their principal place of business at 800 Scudders Mill Road, Plainsboro, New Jersey. MLAM and FAM are investment advisers registered under Section 203 of the Investment Advisers Act of 1940. MLAM and FAM may be deemed to be the beneficial owners of the common stock of Alaska Air Group Inc. by virtue of their acting as investment advisers to private accounts and investment companies registered under section 8 of the Investment Company Act of 1940. No such person has an interest that relates to more than 5% of the class of securities reported herein.

Item 7 Identification and Classification of the Subsidiary Which

Acquired the Security Being Reported on by the Parent Holding

Company.

See Exhibit A

Item 8 Identification and Classification of Members of the Group.

Not Applicable

PAGE 5 of 8 PAGES

Item 9 Notice of Dissolution of Group.

Not Applicable

Item 10 Certification.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired in the ordinary course of business and were not acquired for the purpose of and do not have the effect of changing or influencing the control of the issuer of such securities and were not acquired in connection with or as a participant in any transaction having such purposes or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

MERRILL LYNCH & CO., INC.

Date:

Signature:

Name: Richard B. Alsop

Title: Attorney-in-fact*

* Executed pursuant to a Power of Attorney dated November 17, 1995, a copy of which is attached hereto as Exhibit B.

PAGE 6 of 8 PAGES

EXHIBIT A SCHEDULE 13G

ITEM 7 DISCLOSURE RESPECTING SUBSIDIARIES

The person filing this report, Merrill Lynch & Co., Inc., a Delaware corporation with its principal place of business at World Financial Center, North Tower, 250 Vesey Street, New York, New York ("ML&Co."), is a parent holding company pursuant to Section 240. 13d-1(b)(1)(ii)(G). The relevant subsidiaries of ML&Co. are Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), Merrill Lynch Group, Inc. ("ML Group"), Princeton Services, Inc. ("PSI"), Merrill Lynch Asset Management L.P. (d/b/a) Merrill Lynch Asset Management ("MLAM"), Fund Asset Management L.P. d/b/a Fund Asset Management ("FAM"), Merrill Lynch Trust Company (Florida) ("MLT-FLA"). No single subsidiary's interest relates to more than 5% of the class of securities reported herein.

MLPF&S, a Delaware corporation with its principal place of business at World Financial Center, North Tower, 250 Vesey Street, New York, New York, is a wholly-owned direct subsidiary of ML&Co. and a broker-dealer registered pursuant to the Securities Exchange Act of 1934. MLPF&S may be deemed to be the beneficial owner of 4.8% of the common stock of Alaska Air Group Inc.

ML Group, a Delaware corporation with its principal place of business at World Financial Center, North Tower, 250 Vesey Street, New York, New York, is a

wholly-owned direct subsidiary of ML&Co. and a parent holding company pursuant to Section 240.13d-1(b) (1) (ii) (G). ML Group may be deemed to be the beneficial owner of 1.1% of the common stock of Alaska Air Group Inc. by virtue of its control of its wholly-owned subsidiaries PSI and MLT-FLA.

PSI, a Delaware corporation with its principal place of business at 800 Scudders Mill Road, Plainsboro, New Jersey, and a wholly-owned subsidiary of ML Group, may be deemed to be the beneficial owner of 1.1% of the common stock of Alaska Air Group Inc. by virtue of its being the general partner of MLAM and FAM.

MLAM, is a Delaware limited partnership with its principal place of business at 800 Scudders Mill Road, Plainsboro, New Jersey and is an investment adviser registered under Section 203 of the Investment Advisers Act of 1940. MLAM may be deemed to be the beneficial owner of 1% of the common stock of Alaska Air Group Inc. by virtue of its acting as investment advisor to private accounts and investment companies registered under section 8 of the Investment Company Act of 1940.

FAM, is a Delaware limited partnership with its principal place of business at 800 Scudders Mill Road, Plainsboro, New Jersey and is an investment adviser registered under Section 203 of the Investment Advisers Act of 1940. FAM may be deemed to be the beneficial owner of less than 1% of of the common stock of Alaska Air Group Inc. by virtue of its acting as investment advisor to private accounts and investment companies registered under section 8 of the Investment Company Act of 1940.

MLT-FLA, a wholly-owned subsidiary of ML&Co. and a bank as defined in section 3(a) (6) of the Securities Exchange Act of 1934, may be deemed to be the beneficial owner of less than 1% of the common stock of Alaska Air Group Inc. by virtue of its holding and/or managing such securities on behalf of investors.

Pursuant to Section 240.13d-4, ML&Co., MLPF&S, ML Group, PSI, MLAM, FAM, MLT-FLA, disclaim beneficial ownership of the securities of Alaska Air Group Inc. referred to herein and the filing of this Schedule 13G shall not be construed as an admission that any such entity is, for the purposes of Section 13(d) or 13(g) of the Securities Exchange Act of 1934, the beneficial owner of any of the securities of Alaska Air Group Inc. other than in the case of ML&Co. and MLPF&S, securities of Alaska Air Group Inc. held by MLPF&S in proprietary accounts.

PAGE 7 of 8 PAGES

EXHIBIT B SCHEDULE 13G

POWER OF ATTORNEY

The undersigned, Merrill Lynch & Co., Inc. (the "Corporation") a corporation duly organized under the laws of the State of Delaware, with its principal place of business at World Financial Center, North Tower, New York, New York 10281 does hereby make, constitute and appoint Richard B. Alsop, Richard D. Kreuder, Andrea Lowenthal, Gregory T. Russo, or any other individual from time to time elected or appointed as secretary or an assistant secretary of the Corporation, acting severally, each of whose address is Merrill Lynch & Co., Inc., World Financial Center, North Tower, New York, New York 10281, as its true and lawful attorneys-in-fact, for it and in its name, place and stead (i) to execute on behalf of the Corporation and cause to be filed and/or delivered, as required under Section 13(d) of the Securities Exchange Act of 1934 (the "Act") and the regulations thereunder, any number, as appropriate, of original, copies, or electronic filings of the Securities and Exchange Commission Schedule 13D or Schedule 13G Beneficial Ownership Reports (together with any amendments and joint filing agreements under Rule 13d-1(f) (1) of the Act, as may be required thereto) to be filed and/or delivered with respect to any equity security (as defined in Rule 13d-1(d) under the Act) beneficially owned by the undersigned

and which must be reported by the undersigned pursuant to Section 13(d) of the Act and the regulations thereunder, (ii) to execute on behalf of the Corporation and cause to be filed and/or delivered, any number, as appropriate, of original copies or electronic filings of any forms (including, without limitation, Securities and Exchange Commission Forms 3,4 and 5) required to be filed pursuant to Section 16(a) of the Act and the regulations thereunder, and (iii) generally to take such other actions and perform such other things necessary to effectuate the foregoing as fully in all respects as if the undersigned could do if personally present. This Power of Attorney shall remain in effect until revoked, in writing, by the undersigned.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, this 17th day of November, 1995.

MERRILL LYNCH & Co., Inc.

By: /s/ David H. Komansky

Name: David H. Komansky
Title: President and Chief Operating Officer