Hawaiian Airlines at 80: Continuing to Write History

by Ken Donohue

For the past 80 years, including three decades before Hawai'i became a US state, Hawaiian Airlines (IATA: HA/ICAO: HAL—*Airways*, June 2007, March 2007, September 2005, June 2001 & Nov/Dec 1994) has been providing air service to these Pacific islands. While the 'Hawaiian' name has been in use only since 1941, scheduled flights first began in 1929 when Inter-Island Airways operated twin-engine, eight-seat Sikorsky S-38 amphibious aircraft. Over the ensuing eight decades, the airline has had a remarkable history, albeit not one without its share of trouble. When the airline was forced into bankruptcy protection in 2003, its future looked bleak. The carrier was mired in financial problems, and people had begun calling the airline, 'Hawaiian Always Late'. For Hawaiian to soar again, it would take a new vision, a commitment to the fundamental principles of the business, and a renewed sense of pride across the airline's ranks.

New leadership came to the airline in early 2003, when Mark Dunkerley was brought in to head the airline. Dunkerley has spent his entire career in the airline industry; although, as he says, it wasn't by accident. "I have always been fascinated with all things in aviation," he tells *Airways*. "As a youngster in the Nineteen-sixties, I had the good fortune to travel a lot in what was one of the many golden eras of air travel." And when he's not managing Hawai'i's largest airline, Dunkerley enjoys flying his Giles G-202 aerobatic airplane.

Dunkerley had developed a reputation for turning around poorly performing parts of companies, and he was hired by Hawaiian with that same agenda, so the airline could be positioned to be successful and compete with the world's best. No easy task given HAL's precarious situation.

Seven years on, Hawaiian is in a different place, as it looks to expand its network, buy new aircraft, and continue making a profit. "We find ourselves in a good situation given our recent successes," says Dunkerley. "We have terrific employees, and we understand the [Hawai'i] market better than anyone else."

Dunkerley credits a combination of smart strategies and good fortune for the airline's recovery. He says there was no "magic bullet, but there were some issues that needed to be addressed sooner rather than later." Punctuality was one of the first of these. Maybe surprising to some, the concentration on better punctuality started first as an internal initiative, rather than one based on customer service. "We wanted to reinforce to our staff that if we focused on this one area we could excel," Dunkerley recalls. "If we were successful, it would bring confidence to the entire organization that Hawaiian can compete with the biggest airlines in the world, in not just this one area, but across the entire business."

He credits a combination of little things that contributed to an on-time performance record that has been number one among US carriers for the past six years. Of course, Hawaiian's critics are quick to point out that the airline doesn't operate into airports that experience significant weather patterns that can lead to unexpected delays. While Dunkerley admits that fine weather unquestionably helps, he says that many people don't realize that HAL operates up to 16 flights a day between some of the islands, so being on-time is even more important, because a five-minute delay on one flight might not seem like a big issue, but compound that delay through the entire day and it adds up in a hurry. The airline reviews all delays of a minute or more at a daily operations meeting, and if necessary suggests remedial action. Dunkerley doesn't accept the industry convention of categorizing a late departure as one more than 15 minutes after the scheduled time. "In our mind fifteen minutes is still late," he asserts. "This has been a real sense of pride amongst our employees, and a tribute to our operations team."

Over the course of its history, Hawaiian has operated an eclectic assortment of types. Long-haul flights are

PHOTOS: IVAN NISHIMURA

Mark Dunkerley, an experienced aerobatic pilot, has been with Hawaiian Airlines since 2002, becoming CEO and president in 2005. Former airline stints include Sabena and British Airways.

To mark its 80th anniversary, Hawaiian Airlines commissioned the restoration of its first airplane, a Bellanca CH-300 Pacemaker, to airworthy status.

The 717 is expected to remain on inter-island schedules for many years.

served by 18 Boeing 767s, eight of which are equipped with Aviation Partners Boeing blended winglets, while 15 Boeing 717s are used on inter-island routes (*Airways*, June 2007 & June 2001). At the end of April, the airline took delivery of its first 294-seat Airbus A330-200 (see *Adding Airplanes in Orderly Fashion*), slated to enter service on the Honolulu–Los Angeles route; a second aircraft follows in May. Hawaiian has ten orders for the A330, along with six firm orders for the 322-seat A350XWB.

The airline understood that it needed a new aircraft to fuel its plans for expansion, and first looked at the lease expiration of the 767s. After a long-range planning exercise, the decision was made in 2007 to find replacement type. "We didn't just snap our fingers and choose the Airbus A330," explains Dunkerley. "We presented our needs to both Boeing and Airbus, along with the three engine-makers [Pratt & Whitney, General Electric, and Rolls-Royce], and told them to compete for our business." Hawaiian looked at the whole package—price, guarantees, and delivery schedule—and negotiated with all five companies until it found the best option. The first three A330s, powered by Rolls-Royce Trent 700s, will be leased, while the remainder will be purchased direct from Airbus.

"The A330 turned out to be the right aircraft for this decade, and the A350 the right aircraft for the next decade," notes Dunkerley. Including purchase rights, the airline's commitment with Airbus is for 24 long-haul wide-bodies. And while Hawaiian intends to keep some 767s until their leases expire in 2020, it expects that better fuel efficiency of the Airbus twins, along with its increased range and passenger capacity, will position the airline for growth in Asia and elsewhere, as well as serving existing routes.

It may seem a logical step to move to the single-aisle A320 family when the time comes to replace the 717s; however, according to Dunkerley that decision hasn't been made. "The Boeing 717 is the perfect aircraft for inter-island flying, and we are in no hurry to seek an alternative," he says. "We will replace at some point, but it's a decision that we'll confront in four to five years' time." Meanwhile, the airline is content to wait and see what aircraft developments unfold over the next few years.

In 2008, Hawaiian opened its first Asian destination, with service to Manila, Philippines. The airline is also keen on serving the Japanese market, which has long generated considerable visitor traffic to Hawai'i. After a

PHOTOS: JERROLD WU

Eight 767-300ERs have been fitted with Aviation partners Boeing blended winglets.

new runway was opened at Tokyo-Haneda, the Japanese government offered new slots to US carriers. In turn, the US Department of Transport is expected to decide soon which airlines will receive these coveted slots. Hawaiian is confident in its application, especially because of the applicants it is the only one currently not serving Japan. If Hawaiian is successful, service would begin by the end of this year.

"Asia has many of the right characteristics that we would look for when considering new markets," admits Dunkerley. "Many of the countries there have growing economies and a burgeoning middle class, with money and a desire to travel." Dunkerley asserts that Hawai'i is ideally situated to tap into the increased demand for overseas travel, because of its alluring image in these countries. He cautions that while more long-haul flights are of interest, the airline wants to be balanced in its route development and staying profitable. The airline is also not ruling out more US mainland destinations, and the A330s will make nonstop Hawai'i–East Coast service viable.

In recent years, the airline industry in Hawai'i has seen its share of turmoil. Not least of which included the attempts by Hawaiian and its long-time rival Aloha to restructure through bankruptcy protection. While Hawaiian was successful, Aloha abruptly shut down its passenger operation in 2008. Dunkerley tells *Airways* that the collapse of Aloha impacted Hawaiian on a number of different levels. "Hawai'i is a tight-knit place and, competitor or not, we saw colleagues, and in many cases family members, all of a sudden lose their livelihoods," he says. "From a business perspective, we were able to grow and expand to fill Aloha's empty shoes. It's a tough business, and growth opportunities are difficult to come by, but Aloha provided an opportunity." In the past year or so, Hawaiian has hired about 900 people, many of whom are former Aloha employees.

While smaller airlines have always been part of the landscape in Hawai'i (*Airways*, March 2007), in recent years they have become more aggressive in their efforts to gain market share from the incumbents. When Mesa's go! (*Airways*, March 2007) and Mokulele Airlines (*Airways*, November 2009) entered the market they fought for passengers by offering one-way inter-island fares for $30—a bonanza for consumers, yet unsustainable for the airlines. Dunkerley tells *Airways* that the issue isn't the number of airlines operating in Hawai'i, but rather the number of seats available in the inter-island market. "Hawai'i is unique in that the 'Southwest effect', whereby low fares stimulate air travel by driving people from their cars to the air, doesn't work here as it does in other parts of the USA, Europe, and elsewhere," he explains. "We can't pull people from their cars and stimulate the market, because people have no choice but to fly between the islands. Simply coming in and driving the fares lower is the mistake made by many recent new entrants."

Fast Facts—Hawaiian Airlines

IATA: HA **ICAO**: HAL **IATA/ARC**: 173 **Radio**: *Hawaiian*

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Cities served (19)
Hawai'i: Hilo, Honolulu, Kahului, Kailua-Kona, Līhu'e
Mainland USA: Las Vegas, Los Angeles, Oakland, Phoenix, Portland, Sacramento, San Diego, San Jose, Santa Barbara, Seattle
International: Manila, Pago Pago, Papeete, Sydney

Code-shares: American, American Eagle, Continental, Island Air, Korean Air, Northwest, United, US Airways
FFP: HawaiianMiles

Interests: 100% of Air Nelson (ICAO: RLK, NZ8000 series flight numbers), Eagle Airways (EAG, NZ2000 series flight numbers), Mt Cook Airline (NZM, NZ5000 series flight numbers), operating as Air New Zealand Link; Zeal320 (trans-Tasman services), Air New Zealand Engineering Services, Safe Air New Zealand, Safe Air Australia, Tasman Aviation Enterprises (TAE), Christchurch Engine Centre (50%), Altitude Aerospace Interiors

Traffic (2009):
Flights: 192 per day
Passengers: 8,340,000
Passenger load factor: 83.9%

Financial (2009)
Operating revenue: $1,183,306,000
Operating income: $107,484,000
Net income: $116,720,000

Founded: January 30, 1929 (as Inter-Island Airways)
Start date: October 6, 1929; scheduled: November 11, 1929
Employees: 3,860
CEO: Mark B Dunkerley
Ownership: Hawaiian Holdings (RC Aviation); NASDAQ: HA

Fleet (average age 11.2 years)

Fleet

Type	Nº	Seats	Engines
Boeing 717-200	4	F8Y110	RR BR715A1-30
Boeing 717-200	11	F8Y115	RR BR715A1-30
Boeing 767-300ER	3	F18Y234	PW PW4060
Boeing 767-300ER	4	F18Y241	PW PW4060
Boeing 767-300ER	7	F18Y246	PW PW4060
Boeing 767-300EM	4	F18Y246	GE CF6-80A2

** one leased from AWAS, one leased from CIT Aerospace*

On order

Airbus A330-243	8	due Nov10 (leased from AWAS), 2Q11 (1), 1Q/2Q12 (2), 1Q/2Q13 (3), 1Q14 (1); plus 5 purchase rights
Airbus A350XWB-800	6	due 2017 (2), 2018 (2), 2019 (1), 2020 (1); plus 6 purchase rights

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The 294-seat Airbus A330-200 has an operating range of 6,000nm (11,000km), which would allow Hawaiian to fly nonstop between the islands and all of North America and cities in eastern Asia.

Despite the tremendous change that has occurred at Hawaiian, Dunkerley is proud of the hard work, dedication, and love for the company exhibited by the employees, and cites this as a big reason why the airline is performing well. But Dunkerley doesn't take anything for granted and is committed to continual improvement. "What was good in 2009 is not good enough in 2010," he says flatly. "We have the desire to run a successful business, so everyone needs to take a critical look at how we can do business better." He notes that Hawaiian may have the best on-time performance, but neither he, nor the other executives, are satisfied with current punctuality.

The weakened global economy has had a dramatic impact on all airlines, but as a carrier serving primarily a leisure destination, with razor-thin margins, the effects can be even more severe. But instead of placing blame, Dunkerley capitalizes on the challenges, turning them into opportunities. "When demand goes down, we are fortunate because competition intensifies," he says. "People have choice, and we get to know quickly if they like our product or the competitors'." Hawaiian believes that quality of service and value are what set it apart from others. "We know what we do. We sell Hawai'i," remarks Dunkerley. "It's our single-minded focus to be better at it than any other airline."

Quality and value are the hallmark of Hawaiian's service. On the 767s, the airline offers a 16-seat first class product, though it more accurately reflects business class standard elsewhere. On a Portland, Oregon, to Honolulu flight, service was excellent, beginning with Champagne once passengers found their seats. Warm towels were offered before the linen table service. Lunch included a choice of six delicious tasting plates, of which passengers could choose three. Because the airline serves the holiday market, the pitch and width of seats is not as generous as what may be found on other airlines; however, upgrades were offered at check-in for a one-way surcharge of $350.

In coach (economy) on the return flight, I was impressed by the complimentary items offered, including the choice of two meal options, pillows, and blankets. An upgraded meal is available for a nominal fee, as are digEplayers. And in what many have come to see as an irritating trend, the airline charges a fee of $23 for each checked bag. The consequence of this was played out at the departure gate when staff pleaded with customers to check their excess luggage, to allow room in the overhead storage bins.

For five of the last seven years, Hawaiian has been profitable, though you won't see Dunkerley become too excited, because while he notes it may be terrific when compared to other airlines, it's not satisfactory in the absolute sense. "We need to raise the level of expectation for profitability if we are to look forward and see a Hawaiian Airlines in business," he says passionately. "What we do must make sense so we have a means to celebrate the past, which in the case of this airline is more than eighty years. We have a responsibility to continue to write the history that we've come to celebrate."

While some executives see fit to lead from the boardroom, Dunkerley's approach is more hands-on—though he jokingly admits that his motives are sometimes selfish. "Getting out and meeting the staff is much more fun than sitting in my office, and it's harder for people to reach me," he says with a grin. "It's important to keep in touch with what we do, and hear from our employees about the things that are working and the things that need improving. It's an indispensable part of running the business."

Hawaiian Airlines and its pilots, along with four of the five other unions representing employees, recently agreed to new labor agreements. And while the cost of these agreements continue to escalate, Dunkerley notes that the price of an airline ticket in real dollars has steadily declined, adding there is nothing to suggest

IVAN NISHIMURA

When Aloha Airlines abruptly ceased passenger service in 2008, Hawaiian was proud of its ability to step in almost immediately, fill the void, and continue providing a critical service for the islands.

First class customers may choose three tasting plates from a choice of six different meals.

PHOTOS: KEN DONOHUE

Aloha! A welcoming cabin crew. Consistent service standards of employees have made Hawaiian one of the top-ranked US airlines.

that the trend will change. A ticket for the airline's first service in 1929, between Honolulu and Hilo, cost $39 (albeit equivalent today to $488). Eighty years later, the face amount of that same journey is not much more than the original number. "This is something that all airlines face, and a challenge not just for management, but for all employees. Costs need to come down for us to be sustainable and to continue to provide an increasing standard of living for our staff."

The answer to doing both, Dunkerley says, lies in being more efficient with the airline's aircraft, marketing, and real estate. With respect to the latter, the Hawaiian Department of Transportation is developing the new Mauka concourse at Honolulu, scheduled for completion in 2013. As well as being the airport's first major expansion in over 15 years, it will allow Hawaiian access to more gates, and to coordinate most of its operations in a single building.

With new aircraft and an expanding route network, the mood at Hawaiian is one of optimism. But for this 80-year-old carrier, the past is never far behind. It is a constant reminder of how hard everyone must work to survive in this fickle business. Promisingly, at Hawaiian Airlines, a renewed spirit and confidence is taking off. ✈

Hawaiian Airlines is heavily dependent on tourism, as are hotels such as the Marriott Waikiki Beach Resort and Spa that line the famous beach overlooked by Diamond Head.

Adding Airplanes in Orderly Fashion

by Ken Donohue

Introducing a new aircraft involves more than simply placing an order with the manufacturer and waiting for delivery. Like a child waiting for a first bike, the anticipation of acquiring a new aircraft can be exciting; but successfully planning for the delivery can take more than a year, and involves practically every department. That's why airlines hire people like Linda Srabian, Hawaiian's director Airbus integration, to oversee every detail.

A mechanical engineer by trade, Srabian honed her airline project management skills while responsible for new airplane introduction at United Airlines, specifically with the Airbus A320 and Boeing 777. She also spent time at US Airways when that airline introduced two types of Airbus aircraft, and was the launch customer for the EMBRAER 170 regional jet. With experience like this, it is no surprise that Hawaiian brought Srabian onboard to lead the company as it prepares to take delivery of ten Airbus A330s.

"Every group within the airline plays an integral rôle in ensuring a successful delivery and introduction of a new aircraft," says Srabian. "Operations needs to revise procedures and create manuals, and then there is the development of training programs, and FAA [Federal Aviation Administration] certification. And Marketing and Scheduling need to figure out where to fly the airplane."

Once the decision has been made to purchase or lease a new aircraft, the airline will provide a list of specifications to the manufacturer. The airline must first consider what type of product it wants to offer, including seats, IFE (in-flight entertainment), number of galleys and lavatories. "We start by looking at our current service delivery, and then ask ourselves if we want to upgrade anything," Srabian explains. "Currently, the IFE on our Boeing 767s is delivered by overhead monitors and digEplayers, but the new aircraft will be equipped with personal televisions [PTVs] at every seat, and because Hawaiian is more of a leisure airline, we don't need premium business class seats." These decisions need to be made early on in the process, because all of the specs need to be at the manufacturer at least one year before delivery.

It really becomes a balancing act, because airlines want highly customized interiors, where the manufactures would rather a one-size-fits-all approach. The airline negotiates and chooses vendors for what is called 'buyer furnished equipment', which includes seats, galleys, video system, and crew rest modules. Most people have little idea what goes into ordering equipment. According to Srabian, seats, for instance, have 19 different components that need to be sourced and delivered to the seat manufacturer, before a single seat can be made.

"The goal is to try and ensure consistency between the first and last aircraft," Srabian tells *Airways*. "This is difficult sometimes depending on number of years between deliveries. Sometimes we are able to retrofit earlier aircraft if there have been some refinements to newer models."

While the interior of the aircraft is important for passenger comfort and the airline's reputation, carriers must also develop a multi-phase certification plan with the FAA. Following the Valujet Douglas DC-9 crash in Florida in May 1996, the FAA implemented a more rigorous certification process to ensure that an airline will actually follow through

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on an order before expending significant resources. "One of the biggest challenges for an airline is to develop new procedures and manuals for each department," Srabian says. "Before training can begin, all procedures need to be signed off by the FAA."

Hawaiian will need six to eight flight crews for each A330, with pilots needing to complete ground school, time in the simulator, and a check-ride. Once the airline takes delivery of its first aircraft, it will undertake a three- to five-week demonstration phase, where crews will be challenged by the FAA to evacuate the aircraft and test different emergency and malfunction scenarios. As well, the aircraft will be flown from Honolulu to Kona, on the island of Hawai'i, where pilots will initiate a number of go-around procedures.

The extent of training will depend on work function. Ground handlers, for instance, may not need a lot of training, but because there are subtle differences between types for such things as pushback, opening and closing cargo doors, and fuelling, an Airbus technician will be available for a short time to assist. Mechanics will require five weeks of training, and Hawaiian has contracted with Delta Air Lines to provide maintenance support for the new aircraft. While flight attendants need only a day of training, scheduling 1,000 of them for the single day is a challenge.

Hawaiian will fly a 767 to the Airbus factory in Toulouse, France, to pick up the first A330. On board will be executives, dignitaries, and 60 employees whose names were drawn from hundreds of hopefuls. While the final decision has yet to be made, it's likely that the A330, with three HAL pilots and an Airbus check pilot on the flightdeck, will make one stop on the US mainland before continuing to Honolulu for a celebratory arrival.

Before the airline can put the aircraft into service as scheduled on June 4, and the second aircraft two weeks later, a number of proving flights between Honolulu and Los Angeles must be performed before certification can be granted. Some additional considerations include ensuring that if the aircraft cannot land in Honolulu, the established alternate at Hilo has the proper equipment—stairs and tow equipment—to accommodate the aircraft. In fact, Hawaiian had to purchase a new tug for Hilo should it be needed to handle the A330.

While this may all sound easy, there are many challenges in a project of this scope. However, the manufacturer knows the usual risks and accordingly allocates time for any delays; although a delay in one area can often have a ripple effect through the whole project. Srabian is quick to acknowledge that she has never had a late delivery.

"I have the best job in the world," exclaims Srabian. "This new airplane program is very exciting for the airline and its employees, because it means we're hiring people, expanding, and adding new routes." ✈