



Hawaiian Pilots Succeed with Unity, Resources

By Rusty Ayers, Hawaiian MEC Communications Specialist

In the Hawaiian language, the word is “*Ohana*.” It means extended family—a tight-knit clan that looks out for one another.

The pilots of Hawaiian Airlines needed every bit of *Ohana* and all the resources that ALPA could provide to help their airline successfully emerge from bankruptcy in June.

Hawaiian’s bankruptcy was certainly not an ordinary airline bankruptcy. The 26-month saga featured an ousted chief executive, two court-appointed trustees, two tentative agreements, and competing reorganization plans, including one offered by a Hawaiian pilot who disregarded ALPA advice and subsequently watched two of his financial partners indicted for bankruptcy fraud, conspiracy, and bribery.

“The ultimate irony was that Hawaiian entered Chapter 11 still making a profit, and remained profitable throughout the bankruptcy process,” says the Hawaiian pilots’ Master Executive Council chairman, Capt. Kirk McBride. “Seeking bankruptcy protection occurred only because of a corporate strategy to strong-arm aircraft manufacturers, and the strategy backfired on management. The bankruptcy was a sham that didn’t need to happen,” Capt. McBride says.

Founded in 1929 as Inter-Island Airways with eight Sikorsky seaplanes, Hawaiian is one of the oldest U.S. airlines and consistently ranks at or near the top of the charts in customer satisfaction and on-time performance. The airline’s mix of short-duration interisland flights, combined with lengthy transpacific overwater routes, makes it two airlines in one, according to Capt. Jim Giddings, a former MEC chairman and current chairman of the MEC’s Negotiating Committee. “Hawaiian remains one of the very few airlines that have a close identity with one of the last truly unique regional cultures in the United States,” Capt. Giddings says. The airline takes pride in its distinctive native personality, including the flower-haired maiden, known as the “Pualani,” who graces the airline’s colorful purple livery.

Bankruptcy battles

CEO John Adams’s decision to enter Chapter 11 in March 2003 was a grave miscalculation that ultimately cost him control of his airline, when Boeing Capital and other aircraft lessors refused to renegotiate the lower lease rates he sought and instead asked the bankruptcy court to re-

move management and appoint a trustee to run the airline.

Reentering Chapter 11 was a severe blow for Hawaiian’s 400 pilots. From a previous bankruptcy in 1993 until the 2000 contract negotiations, Hawaiian pilots had been forced to bargain concessions because of a series of man-

agement missteps that had left the airline in poor financial shape.

Adams was succeeded by a court-appointed trustee, Joshua Gotbaum, who demanded a \$50,000 monthly salary and \$10,000 per month for living expenses at the same time that he declared that the pilots’ defined-benefit pension plan was “toast.” Management further insisted that shareholders and creditors recoup 100 percent of their investment—virtually unheard of in a bankruptcy—while demanding pay and retirement concessions from employees.

This inauspicious start infuriated pilots and set the stage



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Capt. Robert Lee and F/O Johnny Lopez relax in the cockpit during Hawaiian's 75th anniversary celebration.

for a protracted struggle between the trustee and the pilot group and other Hawaiian unions. "Gotbaum was completely unfamiliar with the airline industry, our company, and the unique ways that business is conducted in Hawaii. All he did was slow things down and complicate our negotiations. We could have reached a deal with management and exited bankruptcy months sooner if not for his interference," Capt. McBride says.

Several investment groups recognized Hawaiian's value and profitability and filed competing plans of reorganization with the bankruptcy court. One group was headed by a Hawaiian pilot whose business partner, Paul Boghosian, claimed he could raise as much as \$350 million in new capital from Native American investment funds and banks in the Netherlands. But the funding didn't exist. Boghosian and another partner are now awaiting trial for fraud, bribery, and conspiracy, after allegedly trying to offer an undercover FBI agent posing as a hedge fund manager a \$500,000 bribe in exchange for a \$2.5 million loan.

The ultimate winner in the reorganization plan derby was San Diego-based Ranch Capital LLC, which won the bankruptcy auction after having acquired a majority stake in the airline's holding company, Hawaiian Holdings, and buying creditor claims.

As pilot contract negotiations dragged on through 2003 and into 2004, the Hawaiian MEC massed its resources and opened up the ALPA toolbox, while trying to make plans for and coordinate the efforts of scores of people spread across an ocean and six time zones. "Next to the power of our pilot group, the biggest help we had was access to the best experts in the United States," Capt. McBride says. "At every stage of the process, the amazing talent and expertise provided by ALPA's Retirement and Insurance, Economic and Financial Analysis, Legal, Communications, Representation, and President's Departments, to name just a few, made all the difference. Our bankruptcy attorneys at Cohen, Weiss, and Simon, as well

as the financial and investment experts at Milestone Partners, came together as a team that outmatched all the other players in the game."

When Hawaiian celebrated its 75th anniversary in November 2004, the MEC took out full-page newspaper ads in *The Honolulu Advertiser* and the *Honolulu Star-Bulletin*, urging management to treat employees fairly. More than half of the pilot group picketed at Honolulu International Airport that day. The pilot perspective stayed in the public eye as Capts. McBride and Giddings were quoted frequently in island news media.

The primary sticking point throughout negotiations was the future of the pilots' defined-benefit pension plan. Hawaiian pilots called it the "crown jewel" of their contract, and they had sacrificed pay and work rules in previous negotiations to protect it.

Negotiations intensified in January 2005, when Hawaiian management filed an 1113(c) motion in federal bankruptcy court, seeking to reject the pilot contract and impose its list of new provisions. All-night bargaining resulted in a tentative agreement at the end of February. But Hawaiian pilots narrowly rejected the proposed TA over concern about the amount of benefit protection that a retirement plan change would provide. The rejection set the stage for a showdown in bankruptcy court.

Weeks of intense trial preparation took place at the same time that on-and-off negotiations explored solutions to the pension-plan puzzle. In April, ALPA contract administrator Richard Domholt and a legal team from ALPA's general counsel Cohen, Weiss, and Simon—Richard Seltzer, Tom Ciantra, Peter DeChiara, Robin Gise, and David Hock—fought the 1113 motion. Experts from ALPA's R&I and E&FA Departments, along with investment banker Milestone Partners, offered strong testimony.

"My proudest moment during the whole ordeal was watching scores of pilots in uniform file into the courtroom at every hearing session to demonstrate to the court, the press, and the public that the pilots were united against unfair treatment," Capt. Giddings remembers. More bargaining took place between hearing dates. Throughout the trial and the many days of bargaining, the Hawaiian MEC kept the pilot group informed about events with nightly updates.

After the hearing was concluded but before Federal Bankruptcy Judge Robert Faris issued a ruling, he urged both sides to reach a negotiated solution. The alternative would be a "shotgun marriage" that neither management nor the union would like, Judge Faris warned.

ALPA and management went back to the bargaining table and, on April 28, reached a revised tentative agree-



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—Capt. Kirk McBride, Hawaiian MEC chairman

ment that raised pilot pay, increased company contributions to a “backup” retirement plan, improved grievance procedures, and reduced proposed increases in pilot health insurance contributions.

The Hawaiian MEC and Negotiating Committee team worked tirelessly to ensure ratification of the second TA. Realizing that most pilots were uncertain about how the TA would affect their retirement, the MEC and ALPA’s R&I Department crafted spreadsheets with detailed projections for each individual pilot. MEC volunteers were on hand daily in the HNL crew lounge to help each pilot examine calculations made for him or her. The

MEC also held two “virtual roadshows” during which pilots in Honolulu could ask questions in real time with ALPA Representation Department negotiators, R&I analysts in Herndon, and bankruptcy attorneys in New York City, via a transpacific satellite link—a first for ALPA.

A substantial majority of Hawaiian pilots approved the revised TA on May 10, 2005, removing the last roadblock standing in the way of the airline’s emergence from bankruptcy. The airline left Chapter 11 on June 2.

New agreement

Hawaiian’s new pilot work agreement, amendable in July 2007, provides for industry-competitive pay, good work rules, and an orderly retirement transition that allows the pilot group to control its own destiny.

The keys to the Hawaiian MEC’s success were pilot unity and a commitment from ALPA to offer every resource available, says Capt. McBride. “We realized that only unified leadership could prevent management from exploiting the bankruptcy process and splitting the pilot group. We made a conscious decision to set an example for our pilot group and stick together, come hell or high water,” he says.

“Nothing we ever requested from ALPA’s home office was turned down,” adds Capt. Giddings. “Virtually ev-

Hawaiian Pilot Group at A Glance

Number of Pilots: 283, with 117 on furlough

Operations: 135 flights daily, providing scheduled interisland service within Hawaii; scheduled nonstop service to cities in California, plus Las Vegas, Nev.; Phoenix, Ariz.; Portland, Ore.; and Seattle, Wash.; charter service between Honolulu and Anchorage, Alaska; and scheduled service to Sydney, Australia; Papeete, Tahiti; and Pago Pago, American Samoa.

Code-sharing relationships: American Eagle, Alaska, America West, and Island Air

Base: Honolulu, Oahu

Equipment: 11 Boeing 717-200s, 14 Boeing 767-300ERs

Alliances: In addition to the code-shares, American Airlines, Continental, Northwest, and Virgin Atlantic

ery department in ALPA actively contributed in the effort to protect Hawaiian pilots and their contract. Without that help, we might have seen a very different and very unhappy outcome.”

In addition to providing for further retirement negotiations, backstopped with adequate funding for a replacement plan, one contract improvement was the creation of an expedited mediation/arbitration program that gives pilots with grievances the ability to get their cases heard and resolved in a matter of months. The program promotes resolution of grievances by direct talks between the parties—in many cases including participa-

tion by individual pilots—and a real effort to seek results that satisfy both sides. It is also an effort to repair some of the damage done during the bankruptcy battle to the relationship between the pilots and management.

The new program also frees up the grievance process to try cases that are of major importance to the entire pilot group. Strengthened contract enforcement dovetails with ALPA’s strategic plan and the Hawaiian MEC leaders’ long-range planning, recently concluded with help from ALPA’s Representation Department.

The new contract and its emphasis on enforcement is already yielding tangible results: after a week of settlement discussions in July, followed by another week of mediation/arbitration, more than 60 outstanding grievances have been resolved.

In the months to come, the Hawaiian pilots’ *Ohana* will continue to be called on—for careful implementation of the new contract, vigorous enforcement of it, and preparation for negotiating retirement issues and 2007 Section 6 bargaining.

Fortunately, the upcoming work will move Hawaiian pilots and management away from memories of the bankruptcy battlefield and focus instead upon continuing work to expand the airline and rebuild a relationship that was tested by that experience. 🌀