

## Hawaiian CEO: Airfares are fair



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Bill Buley - The Garden Island

KAPAA — Ask most folks about the cost of an airline ticket these days, and they'll tell you they're too high. Cost too much. No reason for those airfares to be what they are, other than filling the pockets of CEOs. We have no choice here on Kauai, some say, so the airlines are sticking it to us.

Mark Dunkerley says otherwise.

The CEO and president of Hawaiian Holdings, the parent of Hawaiian Airlines, says it operates on a thin profit margin — try a single family of four on a trans-Pacific flight.

“Our margins are very, very tight,” he said Wednesday before about 100 people at the Kauai Chamber of Commerce luncheon at the Courtyard Marriott Kauai.

To explain just how competitive the markets are, Dunkerley offered a flier that outlined expenses for an overseas Airbus A330-200 flight with 294 occupied seats. Of those, 251 seats paid for 86 percent of the plane, which includes taxes and fees, maintenance, aircraft rent, salaries and fuel. Another 39 seats covered aircraft and passenger servicing, commissions and selling expenses and other costs.

The final page showed a picture of a mom and dad and two kids — the profit.

“So when we make decisions, we have to make them very, very cautiously, because it doesn't take much to take you from a profit-making to loss-making,” Dunkerley said.

It's also why Hawaiian Airlines, based in Honolulu, emphasizes service and employee training, he added. One lost bag, one flight attendant with an attitude, one spilled cup of coffee, can ruin the experience for those four profit-making passengers.

“We'd of been better off just not flying that day,” he said.

Hawaiian has been flying high.

It set a new record in its 84-year history with 9,935,743 passengers transported in 2013, 4.8 percent higher than the previous year.

It reported its third-quarter net income last year at \$41 million, nearly as much as its 2012 net income of \$45 million.

Hawaiian is gearing up for big business to the Lihue Airport this summer.

New non-stop service will commence between Los Angeles and Lihue four times a week from June 26 to Sept. 19 (12 weeks), and Oakland and Lihue three times a week from June 14 to Aug. 15 (10 weeks). Both new seasonal summer routes will be operated by Hawaiian Airlines' 264-seat Boeing 767-300ER aircraft and will add more than 20,000 seats to the Kauai travel market this summer.

Dunkerley said Hawaiian is investing \$11 billion in new aircraft to fly between islands and the Mainland, much of which will benefit Kauai, he said.

But Hawaiian Airlines is facing challenges, he said. The passenger security fee per ticket stands at \$2.50 for each leg of a trip but is capped at \$5 to reach a destination with stopovers. According to a bipartisan budget deal in Congress, starting July 1, the security fee would be \$5.60 each way, to and from your destination, doubling the fee for those flying nonstop.

Doesn't sound like much, but it is, especially here. Because while interisland flights are shorter distances than trips to the Mainland, the security fee remains the same.

"Congress has decided to increase yet again fees on airline traffic," Dunkerley said. "We are now at the point where the cost part of fees and taxes amounts to roughly 15-20 percent of your total cost."

"Congress has decided that is a pretty clever idea, so you don't understand, you don't get to see, how much you're paying in taxes."

The fees, he said, are particularly onerous on small island communities that depend on tourism and travel. Last year, Hawaiian Airlines carried a total of 684,763 passengers to Kauai. People traveling to Kauai, he said, aren't coming on a whim and have a budget. When airline tickets are higher because of government fees, travelers cutback elsewhere.

"In a community where travel is so important, just the lifeblood of the state, it's particularly unfortunate," he said.

Dunkerley presented information that showed Hawaiian is providing fair deals for islanders.

Neighbor island fares have soared 28 percent since 2004, but according to a flier provided by Hawaiian Air, that's a bargain. Gasoline has climbed 103 percent, college education shot up 207 percent and housing rose 60 percent over the same time frame.

And according to fliers provided at the meeting, interisland fares are reasonable. A 102-mile flight from Honolulu to Lihue, one way, can be had for \$65 on Hawaiian Air, while a 98-mile flight from Saginaw, Mich., to Detroit, one way, is \$110.

"We're working very hard to find efficiencies," Dunkerley said.

Sonia Topenio, regional manager with Bank of Hawaii, said, "Hawaiian Airlines has been doing good for the island of Kauai. I'm a frequent traveler and I've never missed a flight."

Wade Lord, general manager of Kukui Grove Center, said Hawaiian's fares are fair.

"The reality of the cost to operate an airline is brought home by a lot of the data he provided today," Lord said. "It's a competitive and regulated business. When 20 percent of the cost of tickets goes to taxes you don't even know about, that's a pretty telling statement."

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