ALASKA AIRLINES' SUCCESS IS FUELED BY MORE TRAVELERS VISITING HAWAII

News / Airlines

Alaska Airlines saw an opportunity in the **Hawaii** market nearly eight years ago that was too good to pass up.

Aloha and ATA airlines shut down nearly simultaneously in the spring of 2008, and the Seattle-based carrier stepped in to fill the void.

Alaska hasn't looked back since while growing exponentially to become a major player in the islands' tourism industry.

Brad Tilden, chairman, president and CEO of Alaska, said Monday he remains bullish as Hawaii closes in on its fourth straight year of record visitor arrivals and spending.

"Overall what we're seeing is really, really solid demand," Tilden, 54, said in an interview at the Honolulu Star-Advertiser office. "I think business is good in Hawaii and it's certainly very, very good for Alaska Airlines. I think all of the airlines are operating pretty well here."

Today, Alaska brings more than a million passengers a year to the four major islands. Tilden said

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Alaska will increase its capacity this year by 8 percent to nearly 1.4 million air seats in spite of stiff competition from other carriers in the West Coast-Hawaii market.

Alaska, which entered the Hawaii market with Seattle-Honolulu service in October 2007, was looking for new opportunities when Aloha and ATA ceased operations and cost the state 1.5 million air seats. It also wasn't too long before that Alaska's fleet of Boeing 737-800 aircraft was certified for over-ocean flights. The timing was right, and Alaska was in the right place at the right time.

"They left the market and left this huge void," said Tilden, who is in town this week with other company executives to meet with tourism officials and community leaders. "Year after year, for a long time, Alaska and other airlines were working to fill that void, but I think we're at a good spot now where the level of supply is appropriate given the amount of demand in the market. I know Alaska is certainly doing really well in Hawaii. I think the other airlines are as well."

Alaska increased its air seats into Hawaii by 615% in 2008, the year of the Aloha and ATA shutdowns, and then boosted that growth by 86%, 73%, 45% and 39% annually the following four years. Its growth in Hawaii was just 2% in 2013 and flat last year before it grew 8% this year.

Alaska's Strategy in Hawaii

The airline now accounts for 27% of the visitors from the West Coast to the islands and about 15% overall for all passenger traffic, Tilden said. Alaska offers 23 to 27 flights a day to Hawaii and serves all four major islands. It flies out of Anchorage, Alaska; Seattle and Bellingham, Wash.; Portland, Ore.; and Sacramento, San Jose, Oakland and San Diego, Calif.

"It's worked great for us, and I hope it's working well for Hawaii," Tilden said. "Our strategy is we actually don't fly out of SFO (San Francisco International Airport) or LAX (Los Angeles International Airport). So we fly out of eight secondary cities on the West Coast. And we fly with a smaller plane (157 seats), typically a 737-800. That strategy has worked great. For folks on the West Coast, the airports are closer to them, and we fly them directly to the island they want to fly to."

Airlift, the lifeblood of Hawaii tourism, grew 11.3% from the West Coast during the first half of this year but is expected to grow by just 4.7% during the second half of this year, according to Hawaii Tourism Authority data.

Tilden said he welcomes more competition, even in the Seattle market, which Delta Air Lines staked as one of its hubs in 2013.

"Competition is part of the economic structure in our country, and competition should, if it's working right, make the competitors better," Tilden said. "So that's the way we've approached it. Let's use this competition that we do now have, especially in Seattle, to make us the best airline we can be for our customers."

"What that means to me is we need to be safe, we need to be on time, we need to have low costs and low fares, we need to have great service and we need to be really well aligned with our employees and sort of have a sense that we're all in it together trying to do good things for our customers. We need to be good for the owners of our business."

Minimum Wage Battle in Seattle

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Alaska, which earned a company record $234 million in the second quarter, is fighting a voter-approved plan to raise the minimum wage at Seattle-Tacoma International Airport to $15 an hour.

Voters in the city of SeaTac, Wash., where the airport is located, narrowly adopted the $15 minimum wage in November 2013. Alaska Airlines and others challenged the new minimum in the courts, saying the airport should not be included in the area covered by the new wage. The state Supreme Court in Olympia upheld the $15 minimum for airport workers Aug. 20. Alaska Airlines and others filed a motion Sept. 9 asking the court to reconsider its decision.

Tilden said Alaska is fighting the $15 wage because it would put the airline at a competitive disadvantage.

“We certainly understand that there is a big income and equality issue in our country and there’s a big income and equality issue in Seattle,” said Tilden, who received a pay package in 2014 worth $3.5 million.

“We’re trying very hard to be on the right side of that issue and be offering good jobs to our people and, more importantly, to be doing the things — whether it’s a ramp service agent or fueler — to set our company up so those folks can have a good career ladder and move into jobs that are higher skilled, higher paid and have a better standard of living. We have made some changes. We’ve basically asked all of our contractors to make their minimum wage $12 an hour compared with the state minimum wage of 9-1/2 dollars or something like that.”

“The $15 dollar-an-hour issue applies to the city of SeaTac, which is an 11-square-mile city where Alaska is headquartered. We feel it will affect (parent company) Alaska Air Group very disproportionately to how it affects other airlines. It will affect our ability to compete with the other airlines. If that was going to be the playing field, and every airline dealt with that, and every airport, then we could probably make it work. But we just sort of feel it’s going to be a competitive disadvantage if it’s just affecting Alaska and not other airlines.”

“We want to make sure the economy works for everyone, but we also want to make sure it works. Going to $15 an hour, that was like a 60-something percent increase, and it doesn’t only affect people who make $15 an hour. It affects people who make $20, $25, $30 and $35 an hour before you have a new pay structure that has internal equity again. So that’s our concern is going forward in a way that’s responsible, that allows Alaska and other businesses to compete and grow.”

Information from: Honolulu Star-Advertiser, http://www.staradvertiser.com

27 SEPTEMBER 2015

SOURCE: SKIFT
ARTICLE LINK:
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