FLIGHT OF THE TROJAN HORSE

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Introduction

Flight of the Trojan Horse is a creative nonfiction account of the battle between go! and Aloha Airlines. Go! is depicted as a Trojan horse because the airline entered Hawai'i under the pretense of bringing reasonable air fares to Hawai'i's residents, but in time the state's population learned that go! intended to use far-below-cost pricing to put Aloha Airlines out of business and then raise fares to even higher levels. The story begins in the year 2004 when Aloha brings on board CEO David Banmiller, who will lead the airline throughout the conflict. Go! became a hindrance to Aloha's success shortly thereafter. Banmiller's substantial and successful efforts to save this small airline from extinction during its 2005 bankruptcy, plus back story regarding certain elements of Aloha's history, serve to establish an emotional connection between the reader and the airline. The story concludes with a court scene in 2009 as the judge makes a surprise ruling regarding the transfer of Aloha's name to Mesa Air Group. Mesa intended to rename its subsidiary go! with the name of the fallen rival. A brief mention of the March, 2014, cessation of business by go! brings the reader to the present day, but events between 2009 and 2014 are mostly left out because they do not contribute substantially to the emotional arc of the story.

I chose this particular airline battle as the topic for my creative thesis for several reasons. First, the story is one of the most publicized events affecting Hawai'i during the past decade. A strong aversion by Hawai'i residents to flying on go! that developed over the years suggests that the people of Hawai'i felt a strong disdain for go!'s tactics, particularly after Aloha's failure. In other words, many people of Hawai'i have established an emotional connection to this event and would be interested in hearing the full story laid out before them. Secondly, I am the right person to tell this story. My 400 page history book *Wings of*

Paradise, Hawaii's Incomparable Airlines, published in 2005, established my credentials as Hawai'i's leading expert on the history of Hawai'i's airlines. A bachelor's degree in economics allows me to understand the financial implications of certain activities, and my background as an airline pilot over a period of two decades provides me with a good sense for the emotional connection between employees and their airline. For all these reasons, Hawai'i's newspapers and TV stations used me as their primary voice for outside commentary during the conflict. Finally, this is a story that needs to be told. Hawai'i's political leaders failed to respond to pleas from Aloha's CEO for intervention as go! clearly used illegal predatory pricing to burn up Aloha's remaining cash. Governor Lingle paid a price for her inaction with Aloha's plea, and politicians need to be reminded that there are times when making the right decision will not be popular but needs to be done all the same, lest both they and their constituents suffer negative consequences stemming from inaction. Similarly, the economic system of the United States contains plenty of opportunities for abuse, and political leaders need to remove their blinders if they believe that laissez-faire economics will always provide suitable long-term solutions.

My choice of creative non-fiction as a genre for this thesis was an easy one. As a reader, I gravitate towards creative non-fiction. Done well, creative non-fiction delivers as strong an emotional payload as fiction writing. I think of Tom Wolfe's *The Right Stuff*, Alfred Lansing's *Endurance,* and Laura Hildenbrand's *Unbroken* as notable examples. The trick for a non-fiction writer is to choose a story that naturally packs emotion, rather than the author resorting to melodrama in an attempt to achieve such aims through questionable means. Fortunately, the events that drove Aloha Airlines out of business and plunged

Hawai'i's economy into a deep recession can indeed stir a reader's emotions without the need for excess embellishment.

Although many readers are not moved emotionally by the failure of an airline, their emotions can be aroused if executives and especially employees of the airline come alive as individuals in the work, and the reader develops an empathy towards these people. It is not so much the failure of a business that matters, it is the fact that 1900 people such as those portrayed by the author have experienced the rug being yanked out from underneath them, and needlessly so.

The biggest attraction to me of non-fiction writing is that I typically learn more about the functioning of the world outside my everyday existence than I do from fiction. In fiction writing, events within the novel materialize through the writer's understanding of how people think and how the greater world works. In non-fiction, the biases and limitations of the author's understanding can be less of a problem because the rules of non-fiction only allow events that actually transpired to be portrayed. Even if a non-fiction writer misinterprets the reason why certain events took place, a non-fiction account will unveil the series of events, all the same, and readers may interpret these events differently than the author, if they wish. Granted, the author's view of matters greatly influences what events are included and what events excluded within both fiction and non-fiction writing, but the events themselves cannot be invented by the non-fiction writer.

How then has my education as a University of Hawai'i graduate student in English prepared me to write better non-fiction? No less than 90% of lessons aimed at the teaching of fiction apply to non-fiction writers as well. The specific holds more power than the vague. Clichés should be avoided. Characters need to be believable, and as such a villain's positive attributes need to be explored as well as his negative. Likewise, shortcomings of positive figures add credibility to the those characters. Sharp editing that removes redundancy and superfluous material benefits both fiction and non-fiction writing. The list of lessons that benefit both genres could fill many pages.

Likewise, the study of poetry has improved my non-fiction writing. A non-fiction writer who has developed an ear for language enters the creative process with a significant advantage. Sometimes a certain cadence in prose writing can be attractive to the reader. The sound of words matters too, and poetic devices such as alliteration remain fair game for non-fiction writers. The most important word often gains strength from being placed last in line behind other words in a sentence or stanza. An ear for language becomes so ingrained within the writer that an awareness of improved word choices may not be readily apparent during the creative process.

The best creative non-fiction reads like well-written fiction. When possible, writing in scenes adds immediacy. Dialogue not only communicates information but, more importantly, conveys attitudes held by the speaker that might otherwise go unnoticed. These two attributes, writing in scenes and employment of significant dialogue, are two critical factors that separate creative non-fiction from a more generic brand of non-fiction. *Flight of the Trojan Horse* incorporates all of the fictional and poetic skills mentioned previously.

The most negative aspect of creative non-fiction writing is the tremendous time and energy required to accumulate sufficient details in order to write in a fashion that reads as powerfully as fiction. In rare cases, such as Alfred Lansing's *Endurance*, the author is blessed with characters who kept careful records of their observations and activities throughout the time period in question. Most creative non-fiction writers are not so lucky. I personally attended many of the important events of this story because I knew in advance that I would likely write significantly about this topic and I can now recreate certain scenes through memory and notes. Interviewing major players in the story requires that the author possess sufficient credibility to succeed in obtaining those interviews. More than one interview is typically needed because the first interview helps to establish the basic story. Inevitably, writers discover they wish to write certain scenes but lacks sufficient detail for those scenes. Thus, the need arises for additional interviews. Fortunately, my previous book established sufficient credibility as an aviation writer so that I received only positive responses from my interview requests.

In research, I drew heavily upon knowledge gained from writing my history of Hawai'i's airlines book. That writing depended primarily upon interviews and upon viewing old microfiche copies of newspaper articles. The writing of this thesis followed similar research methods. Thus, a relative scarcity of reference books characterizes my works cited section. One fortunate break was the discovery that Aloha pilot Mike Uslan had written an account of both his time as a pilot flying for Mesa, the parent company of go!, and his involvement as an Aloha pilot in defending his airline from this threat by his former employer. Uslan agreed to allow my quoting his work in this thesis.

Interviews and other direct contact with people affected by the fortunes of Aloha Airline proved to be an invaluable resource. I met several times with former Aloha Senior Vice President of Marketing and Sales, Thom Nulty, who set up a full-day interview in California with former CEO David Banmiller. I briefly spoke with members of the Ing and Ching families, the private owners of Aloha Airlines until its 2006 bankruptcy restructuring, to learn how they looked at events. Visits with Aloha employees took place throughout the years of the battle with go!. I also maintained a blog associated with my website, www.airlinesofhawaii.com, and through that blog I interacted with the traveling public and with airline employees. I attended most of the important events of this story, including almost all court proceedings, HERO's rally at the Hawai'i State Capitol, and other critical events.

One controversial element of this thesis involves a court scene in which I suggest the thoughts that are present within the minds of former Aloha Airlines employees as they are asked a provocative question by the judge. At that moment, I could not imagine these individuals thinking about any other subject, so intense was that moment. Additionally, I knew beyond a shadow of a doubt their general answer to that question, if given sufficient time to answer. The judge knew their answer as well, which is why he asked that question. Although this thesis is a work of non-fiction, I believe that creative non-fiction can attempt to ponder the thoughts in an individual's head if there is overwhelming evidence to suggest what that individual was thinking at that moment.

The writing of this thesis has proven to be a cathartic event for this author. I spoke often with Aloha employees and members of management as they sought to survive this unconventional attack from a mainland airline. I suspected that Aloha's chances for prevailing were high, and yet an unusual combination of events took place in the final months that brought down the airline and turned the world upside down for its people. I felt a deep loss as Aloha grounded its planes and its employees shed their tears that day. The act of writing this story allowed me to better understand the causes of Aloha's demise. I carry the hope that publishing this story and distributing it widely within Hawai'i might influence political leaders and help them avoid the type of mistakes in the future that led to the destruction of Aloha Airlines.

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Table of Abbreviations and Symbols

ALPA	Air Line Pilots Association
ATA	American Trans Air
ATSB	Air Transport Stabilization Board
CRJ	Canadair Regional Jet
CSI	Crime Scene Investigation
DC	Douglas Commercial
DHC	DeHavilland of Canada (an aircraft manufacturer)
FAA	Federal Aviation Administration
GMAC	General Motors Acceptance Corporation (now Ally Financial)
HERO	Hawaii airline Employees Repelling Ornstein
PBGC	Pension Benefit Guarantee Corp.
TPA	Trans Pacific Airlines (the original name of Aloha Airlines)

Preface

For sixty years, Aloha and Hawaiian Airlines traded shots in one of the most intense airline dogfights of all time. Whenever one interisland competitor gained overwhelming advantage, the other somehow clawed its way back into the game.

Newcomers challenged the two as well, but the legacy carriers always outlasted their foes. No doubt willing sacrifices by both employees and investors partially explained this survival streak, but there was more, much more. In the case of Aloha, the company enjoyed a core customer base of ferocious loyalty, owing to the airline's role in transforming the territory some sixty years earlier. Likewise, Aloha's employees regarded the company as a living, breathing extension of family. To these people, failure of the enterprise was unthinkable.

Following the dark days of the 911 attacks, both Aloha and Hawaiian descended into bankruptcy. When they emerged, Hawaiian held the advantage, and the age-old game of comeback was set to begin anew. Alas, things would be different this time around. A new airline proposed to enter Hawaii's interisland market. It planned to operate with the wrong airplanes, a classic mistake which suggested its stay in Hawaii would be brief. Spokesmen for the new airline offered words of altruistic generosity to the people of Hawaii, despite the parent company lacking a reputation for such behavior. Hawaiian and Aloha prepared to compete by tightening up the classic pillars of business viability: cost and product quality. Little did they realize that this newcomer had no intention of playing by such rules. A deadly game of deception and counter-moves was about to begin.

Clipping the Treetops

David Banmiller’s new job as Aloha Airlines CEO presented the man with a disturbing question: had he been brought to Honolulu to become the airline’s savior or its funeral director?

The month was November, 2004, when the former Jamaica Air CEO arrived in Honolulu to take on this new assignment. Most organizations include individuals who will make life easier for the person in charge, and Aloha was no exception. Stephanie Ackerman anticipated the most vital indoctrination issues prior to Banmiller's arrival. Executives in Hawai'i wore aloha shirts, not suits and ties, and Ackerman picked out a small assortment of suitable aloha shirts in his size and left these for the new boss. She also presented Banmiller with a list of essential differences in business practices found here in Hawai'i, such as a caution not refer to the other islands as "out islands" and instead use the accepted term "neighbor islands." With this short-course introduction, Banmiller submerged himself in the business at hand.

Colleagues called Banmiller an optimist, and his time as president of Air Cal demonstrated an ability to direct a profitable enterprise. His roles leading Sun Country Airlines and a reborn Pan American provided experience of quite a different sort: taking an airline through bankruptcy and, if necessary, shutting it down. Employees of Aloha found these latter qualifications worrisome. When Banmiller took the Aloha job he was sixty years old. His neatly-combed blond hair and a masculine chin presented a suitable executive visage, and deep furrows across the forehead spoke of experience during those years. Banmiller needed all the veracity he could muster because the airline, if left on its current course, would run out of money in less than two months.

Aloha had known better days. Back in the 1980s and early 1990s, the company achieved the status of Hawai'i's leading interisland airline. Top dog Hawaiian Airlines had stumbled in its battle with newcomer Mid-Pacific Air. Poor on-time performance and a tendency to cancel flights at the last minute miffed Hawaiian's customers. Aloha's CEO of the time, Joseph O'Gorman, responded by advertising that Aloha would fly all of its listed flights. O'Gorman tightened up on-time performance, added a first-class section on the Boeing 737s, and connect Aloha's frequent flyer program with that of United Airlines. His replacement, Maury Myers, continued these efforts to make Aloha the quality, no-hassle alternative in interisland flying. The efforts paid off with Aloha claiming, for the first time in its history, more than 50% of interisland passengers. The airline's paint scheme, a businesslike yellow and orange stripe running along the fuselage and up the tail, characterized this era of growth, profitability, and optimism.

Glen Zander, an Aloha's CEO who followed shortly thereafter, encountered quite a different set of problems. The total number of interisland passengers began to shrink at a frightening pace. Mainland airlines increasingly flew directly to the neighbor islands, and better health care and shopping opportunities on those islands negated the need for frequent Honolulu visits. In one four-year stretch total interisland traffic decreased 26% (Natarajan).

Aloha's chief addressed the shrinkage by expanding the company's reach outside the island-chain. Being a strong believer in the Southwest Airlines business model, Zander used Boeing 737s for long-distance flying as well. The new-generation 737-700 model offered enough range to connect Honolulu with West Coast destinations. The planes possessed shortcomings, though.

Seen from the cockpit of another jetliner, an Aloha Boeing 737-700 appeared to float gracefully within the clear blue sky of the stratosphere above the North Pacific. Brilliant white contrails streamed back from each of its wing-mounted engines. Look closely, though, and you'd see a much smaller contrail emerging from the tail end of the fuselage. This streak was caused by exhaust from the plane's auxiliary power unit, which the FAA required to keep running throughout the flight as a standby source of electrical power. The other jets en route to Hawai'i this day had APUs as well, but they were fastened to planes originally designed for long overwater routes and could be started at altitude after hours of frigid temperatures. Aloha's 737s couldn't, and thus their APUs drank fuel all the way across the pond. Sometimes the range of the 737-700s prevented a non-stop flight from Vancouver to Honolulu when strong westerly winds blew, and on such days Aloha's jets made an expensive and time-consuming refueling stop in Oakland. Boeing 737-700s contained only two long-range navigation systems, which meant that the failure of one grounded the plane until it was fixed. Competing planes sported a third unit for redundancy. Finally, the small size of the jets meant that costs were spread over a lesser number of seats, leading to the need for higher income per seat than larger jets. The net result of these shortcomings was that Aloha's long-range jets were difficult planes to make money with on long Pacific flights, compared to choices such as Boeing's 767. Not surprisingly, Aloha lost money on most of its long-distance flights. The trick was to find routes that were too lean for the bigger jets but offered just the right number of customers to fill a Boeing 737-700.

Zander's affinity for the Southwest Airlines business model impacted Aloha's interisland economics as well. He eliminated first-class from all of the airline's interisland jets. The previous focus on dependable, on-time transportation slipped as well. Then in 2001 rival Hawaiian Airlines replaced its tired DC-9 jets with new, fuel-efficient Boeing 717s. Surely Aloha would respond with an upgrade of its own since the history of this competition showed that to hesitate would lead to dire consequences. Aloha balked. Hawai'i Senator Daniel Inouye and his counterpart in Alaska, Ted Stevens, had years earlier amended legislation banning the noisiest jets from operating at US airports. That amendment allowed noisy Boeing 737-200s to continue flying in Hawai'i and Alaska. For this reason, as Hawaiian's quiet new 717s took to the sky with a growing number of interisland passengers, Aloha's fuel-hungry jets still ascended with an ancient bone-rattling roar that had long ago disappeared from one end of mainland America to the other. A change of jet types to something as attractive as Hawaiian's planes required time and lots of money. Fortunately, enough faithful passengers remained with Aloha to keep the airline's interisland flights profitable.

Such was the state in which David Banmiller received the airline. Zander had explained his departure from Aloha as being for personal reasons, but Banmiller knew better. The airline was bleeding at a prodigious rate. Judging from the cash burn rate, Banmiller concluded that he needed to slash $60 million dollars from the airline's annual costs to bring the company to reasonable profitability (Hao and Arakawa).

On his first day of work, Banmiller reviewed the organization chart and discovered 25 vice presidents. The airline could not support such excesses and these large numbers would also block efficient communications. Banmiller planned substantial cuts here (Nulty).

On his second and third days at work, the new CEO met with the labor groups. He got right to the point: Aloha needed a 10% wage cut from each labor group in order to save the company. An investor to bring Aloha out of bankruptcy wouldn't be possible without a financial turnaround plan, and labor concessions made up an essential component of the plan. Difficult negotiations began.

Two weeks after the new CEO’s arrival, Aloha announced the first route casualties of his cost savings program. The airline would end flights to American Samoa and the Marshall Islands (Nakaso, "Aloha"). These cuts were in addition to the imminent shutdown of service to Roratonga, in the Cook Islands. Zander had envisioned Roratonga as a stopping point on the way to New Zealand, but now all pie-in-the-sky dreams and money-losing routes had to go. Five days later, the executive chambers of Aloha hit the chopping block as Banmiller eliminated 36% of the company’s senior management slots. Not only would this move save the company money, it gave labor a warning that their haircut was coming soon too (Schaefers).

In mid-December, an experienced airline and travel agency executive, Thom Nulty, arrived in Honolulu to become senior vice president of marketing and sales. Nulty was a creative and affable fellow. The two were friends who had worked together before. Banmiller needed not only a competent marketing man but also a confidant he could trust, for the steps needed to turn Aloha around would be unpopular with employees and executives alike. Banmiller gave Nulty virtually no budget to work with, though. The new marketing man would have to use the best guerilla marketing he could devise.

As Christmas approached and Aloha's bank account dwindled, Banmiller and Nulty discussed their next move. The Air Transport Stabilization Board (ATSB) loan required a $4 million payment on December 23 (Segal "After"). This federal department loaned funds to qualifying airlines after the 9/11 tragedy to keep airlines in operation. Aloha didn't have this much cash available and a missed payment could prove fatal to the airline. One option, Chapter 11 bankruptcy, allowed for the deferral of certain payments and bought the company another 60 days of life. Hopefully, the process would attract a new owner. The airline's main problems would need to be well under control to land a decent buyer, however. Aloha's attorneys filed the bankruptcy papers on December 30, 2004, a date chosen to immediately precede the new year and thereby minimize negative press. In those papers, Banmiller revealed a mere $2 million cash on hand (Daysog, "Aloha"). For a business doing $500 million of business a year, $2 million was nothing. Now the race to find a white knight began.

On January 2, 2005, the first business day in the new year, Banmiller contacted Hawaiian Airlines to see if the carrier showed any interest in acquiring Aloha. Hawaiian responded favorably and preliminary discussions led to more detailed talks on the mainland at the house of Hawaiian Holding's Chairman of the Board, Larry Hershfield. Labor from both airlines joined the discussion and issues such as pilot seniority list integration began to be addressed. As Banmiller knew, a bankruptcy filing was both a sprint and long-distance run, and he lined up alternative solutions. Within 60 days, payments would recommence, and a solution should be in place by then.

Another problem created by bankruptcy had to do with customer fears. If customers become concerned that the company might actually shut down, they stopped buying tickets and the bankruptcy cascades into a business failure. The job of calming the public would be eased by common knowledge that more than half the airline seats flying between California and Hawai'i occurred on carriers in bankruptcy. Hawaiian Air, United, and ATA had all preceded Aloha in their Chapter 11 filings. Banmiller needed to keep moving quickly to show that Aloha would survive. Across the board cuts in pay for management personnel came first, followed by agreements with most unions on the property for 10% pay reductions. Pilots reluctantly gave up pay for a written assurance that their contract would not be abrogated during the bankruptcy process. What the pilots feared most was seeing their substantial pension funds turned over to the PBGC and thereby decimated by the rules of that federal organization. All employee groups on the property agreed to take cuts except for the mechanics, but a court order for extending those cuts until April of 2005 temporarily brought all parties into parity on cuts. Not long afterwards, the mechanics agreed to a pay cut, but instead of a reprieve, this group felt more pain as 79 of 250 mechanics received layoff notices (Segal "Aloha Air's Former Chief").

With labor savings lined up, Banmiller pursued funding to carry the airline through the bankruptcy process. Spendable cash wouldn't come immediately, though, and payroll needed to be met. The Ing and Ching families, majority stockholders in privately-owned Aloha Airlines, came to the rescue with $3 million to keep Aloha aloft. Not long afterwards, the families supplied another $1.5 million. Much deeper pockets were needed to pull off a successful turnaround, though, and Banmiller journeyed to New York to speak with the usual providers of funding. Banmiller knew the drill. MatlinPatterson stepped forward first, and Honolulu newspapers ran stories about how MatlinPatterson was willing to supply $90 million in financing. That deal fell through in mid-March as a few partners became nervous about Aloha. Fortunately, Banmiller had also spoken with Goldman Sachs during the New York visit, and when the Matlin loan encountered issues, the Goldman Sachs offer remained a viable alternative. Banmiller negotiated better aircraft lease rates, but only 8 of the original 13 jets at Aloha would remain on the property after the tumultuous trip through bankruptcy (Nulty).

Every week brought new problems that could derail the bankruptcy solution. As summer approached, Banmiller realized that Aloha's Chief Financial Officer was not on board with his plans. The leader of Aloha Airlines simply could not proceed through such a difficult process without a willing CFO, and for this reason the airline began an immediate search for a replacement. Banmiller interviewed three candidates but none looked right. He spoke on the phone with another candidate, Jeff Kessler, from a company that specialized in executives available for temporary use and asked if Kessler could fly out for an interview the next morning. The man complied, was hired immediately, and didn't get a chance to return home again for three months. He remained at Aloha and became an essential ingredient in the airline's management team.

Plenty of times a key creditor said it's time to pull the plug on Aloha and Banmiller scrambled to justify continued operations. The U.S. government turned out to be a particularly tough creditor and its Air Transportation Stabilization Board loan came to haunt the company. Financing from Goldman Sachs and Ableco Finance paid off the ATSB loan and freed Aloha from the heavy-handed ways of the U.S. government. Representatives of Aloha's aircraft lessor, GE Capital, arrived in Honolulu to take back nine of its jets but funds arrived to pay the lessor with just minutes to spare. Financiers in New York called at all hours and the CEO slept with his Blackberry.

At one point during a New York meeting, the lenders pushed Banmiller hard to drop the long-distance flying. Technically, they couldn’t tell him to do it. Banmiller responded they didn’t know the business but he did and the routes would stay. The CEO knew that Aloha was finished if those routes were to go and the airline had to depend upon its shrinking interisland flying.

Finally, a hint of reprieve blossomed as the summer months of 2005 yielded double the profits of the previous summer. Hawaiian Airlines remained interested in acquiring Aloha, but the deal would be brutal for some of Aloha's employees. MatlinPatterson came back into the picture and sought to fund Aloha's recovery from bankruptcy, and then a new possibility appeared. Billionaire Ron Burkle took an interest and one of his top men called Banmiller from the West Coast on a Saturday evening in September.

"Can you be here Monday morning?"

Banmiller agreed. That Monday morning in California he gave a short slide presentation on Aloha and the turnaround plan. Burkle and five or six vice presidents listened then disappeared into another room for fifteen to twenty minutes. Returning, the group announced a desire to acquire the carrier. Burkle wanted Banmiller to stay onboard as CEO as a condition to the deal and had another request, "Let's do the deal today."

Willie Gault, a retired NFL wide receiver, planned to be part of the deal too, but spent a considerable amount of time arguing with someone on the phone. Banmiller left but returned to Burkle's residence at 5:00 pm to wrap up the details (Nulty).

That evening he notified Hawaiian Airlines and MatlinPatterson that someone else had prevailed in the competition to acquire Aloha. The MatlinPatterson representative took the news especially hard and vowed never to do business with Aloha again.

The airline chief felt euphoria. Nearly a year's nonstop efforts had brought Aloha back from the brink of extinction. A solid new owner with deep pockets would allow Banmiller to rebuild this airline. The following day, Friday, September 23, word of the deal hit Hawai'i's newspapers. "Bankrupt Aloha Airlines announces $100 Million bailout" introduced the *Honolulu Star-Bulletin* story. In it, Banmiller announced a desire to be out of bankruptcy before year's end. An equally large story in the *Honolulu Star-Bulletin* that day provided an irritation to this otherwise splendid day. The story heading read, "Mesa Air to fly isle skies." Since Mesa Air flew small regional jets that were far too pricey to match the costs of larger airliners such as Aloha's Boeing 737s, Banmiller wasn't worried. He joked in a newspaper article the next day that, "Mesa may not have been aware of this particular transaction. The press releases may have crossed in the mail" (Segal "Aloha CEO").

No one at Ron Burkle's company Yucaipa took the threat seriously, either. As long as Banmiller could pull together the final details and hold the deal together, Aloha's emergence from bankruptcy would rate as one of the most satisfying moments of his long airline career.

A New Airline in Town

"Jonathan Ornstein is not like us mere mortals. He can find opportunities where the rest of us can't see anything."
Michael Boyd, airline analyst (Segal "Aloha CEO")

The competitive maneuvering between Mesa, Aloha, and Hawaiian began immediately. On September 24, 2005, Aloha's CEO Banmiller announced that his two investors remained unfazed by Mesa's announcement.

Airline executives knew that matching a competitor's low introductory fares was mandatory. Back in the early 1980s Hawaiian Airlines allowed newcomer Mid Pacific Airlines to establish a five-dollar-per-ticket price advantage, a move that catapulted Mid Pacific into the catbird's seat and nearly put Hawaiian out of business. Simply put, airline passengers will move in droves to whichever competitor offers a price advantage. Not until Hawaiian began matching fares again did the company regain some control of the competition. Former Aloha CEO Maury Meyers phrased it best: "You can match the competitor price cuts and lose money, or you can resist the cuts and lose even more money" (Forman 218).

Ornstein likely expected Hawai'i's established air carriers to match his ticket prices, and so he designed a strategy that rendered such a move to be of questionable value. Mesa's Hawai'i airline would begin service using a mere two jets, with a later doubling of the fleet. They were small jets too, containing just 50 seats, which was less than half the capacity of Aloha and Hawaiian's equipment. If a brutal fare war stretched on for some time, Mesa could simply outlast the competition with its minor exposure in the market. After all, Mesa was a billion dollar company with over 180 aircraft, $300 million in the bank, and record profits anticipated ahead.

Mesa owed much of its success to Jonathan Ornstein's abilities to outmaneuver its foes, to look at business as a chess game and stay two steps ahead of the competition. His airline career began in 1987 with a small Southern California commuter airline, where the twenty-eight year old carried out duties ranging from finance planning to tossing baggage and cleaning the planes. The planes were small and propeller-driven, the pay equally unimpressive, but it was a start. While tasked with selling an aircraft to New Mexico-based Mesa Airlines, Ornstein saw an opportunity, poured on the charm, and became assistant to Mesa's president. He soon took over planning, fleet, and pricing decisions.

The scrub brush, lizards, and high desert terrain of Farmington was still the backwaters of aviation, but during the next six years Mesa's revenues expanded nearly fifty times over, with profits climbing at an even more astronomical rate. Much of this growth came through the acquisition of ailing small airlines such as Aspen, Air Midwest, and WestAir. Ornstein cut labor costs at these companies and upgraded the fleets to more-economical aircraft. He became the golden boy of regional airline executives.

Not surprisingly, another airline lured Ornstein away. Continental Express used smaller aircraft to support the routes of owner Continental Airlines, and had been unprofitable for years. Ornstein applied his formulas at Continental Express and gained another feather in his cap by turning this company around. His tactics were controversial, though, and he clashed with Continental CEO Gordon Bethune, leading to a mandatory departure.

Opportunity beckoned for Ornstein. In 1996, he became CEO of low-cost European airline Virgin Express. His boss was none other than Richard Branson, the grand master of marketing, creator of Virgin Records and the global airline Virgin Atlantic, a charismatic self-made billionaire who defined himself with beautiful women, private tropical islands, and out-of-the-box thinking. Branson displayed a flair for daring escapades and outrageous publicity stunts: becoming the first to cross the Atlantic by balloon, setting a speedboat record across the same ocean, riding into Times Square atop a tank to publicize his cola drink, then later descending by crane in the square wearing a body suit that made him appear nude except for a large cell phone covering his loins (Gabriel). Branson was indeed a marketing mentor extraordinaire. For Ornstein, the airline's operation of Boeing 737 jets—a big leap forward from the plodding mid-sized propeller aircraft he had previously overseen—stood out as a major attraction.

The new CEO transformed the former Euro Belgian Airlines into a high profile, no-frills airline fit to wear Branson's Virgin title. Established airlines such as British Airways ruled the high end of the market while state-sponsored railroads commanded the value segment. Ornstein did away with advance purchase requirements and made economical last-minute air transportation as simple as jumping on a train. He priced the product lower than the big airlines could match and correctly guessed that the railroads would not meet his fares. The American CEO increased the airline's passenger count ten-fold, achieved profits, and won accolades from Sir Richard himself.

A bigger challenge now pulled Ornstein back across the Atlantic. His original success story, Mesa Airlines, had fallen into peril. With million-dollar-a-day losses and barely a week's cash remaining, Mesa would not last long. The former Mesa CEO had put together a group to invest in undervalued U.S. Airlines. These investors now used their cash to buy a stake in Mesa while Ornstein once again took command. This time, though, the CEO was an insider with strong ties to the board and fellow investors. The rescue succeeded, spectacularly so, and Mesa produced profits in 26 of the next 27 quarters (Segal "Mesa Extends"). Stock options, million dollar bonuses, and all the perks followed.

By the time Ornstein looked seriously at Hawai'i's interisland market, Mesa had grown to become the largest regional airline in the United States. The chief had transformed Mesa from an independent airline to a provider of air transportation for the country's largest airlines. Mesa's 50-90 seat regional jets carried passengers on the skinnier routes that would be unprofitable for major airlines with their larger jets and higher labor costs. Fully 98% of Mesa's revenues now streamed from these set-fee agreements with United, Delta, and US Airways (Brulliard). When the inevitable economic downturns occurred, the big airlines absorbed the bumps while Mesa's profits continued unabated.

Phoenix's Sky Harbor Airport had long been a booming hub with the shriek of jet engines and the smell of burned kerosene wafting outward during peak times. From the picture window of Mesa Headquarters, located just a few blocks northeast of Terminal 4, Jonathan Ornstein could keep an eye on the comings and goings of his operation. The entrance of his office was glass as well, giving the chief a good view of the hallway and therefore a grand opportunity to intercept any visitors of interest en route to other offices.

Ornstein now approached fifty years of age, his airframe carrying a hint of excess baggage. Life had been good, though, with gorgeous blond wife and daughter plus a young son who looked like the all-American boy. Jonathan split his time between Phoenix and a home near the beach in Orange County, California, which partially explained his suntanned face. He wore his brown hair short in a style more often found on college campuses than in boardrooms. A hint of goatee plus a motor scooter brought up the elevator and parked right in his office portrayed a bad boy image that likely blossomed during his Branson years.

Mark Kirby, president of US Airways, said he handled dealings with Mesa “frankly because I was the only person who could deal with Jonathan at times. He's loud, volatile, insulting, doesn't listen to the other's perspective” (Baily).

Most associates of Ornstein also referred to the golden boy as “Jonathan." He was the unquestionable engine behind the success, someone you didn't cross, less a CEO than an emperor. When asked by a reporter to describe her boss's volatility on a scale of one to ten, a Mesa headquarters employee responded, “Eleven."

The Target

To a mainland businessman, Aloha Airlines possessed all the markings of easy prey, a struggling company creeping out of bankruptcy with a weak balance sheet. Longtime Hawai'i residents knew a different Aloha, however. Not only had this airline survived nearly six decades by adapting unique survival skills, it had deeply rooted itself in the island community.

The company first took to the air in 1946, a year of great optimism as servicemen returned to the territory from the Second World War and merged back into civilian life. Qualified, military-trained pilots were plentiful, as were inexpensive transport aircraft that could be easily modified for use as airliners. Not surprisingly, the years immediately following World War II saw hundreds of new airlines spring up all across the United States, the most prolific expansion of airline travel ever recorded in the country. A short few years later, only a handful of these startups still remained in business, and Aloha was one. No doubt a prime reason for Aloha’s staying power had to do with the inspiration for its creation.

The post-World War II years were a time of social revolution in the Territory of Hawai'i. Before the war, Asian laborers who had traveled to Hawai'i to work the sugar and pineapple fields were treated as second-class citizens. Some returned to their homelands as contracts expired, but others chose to stay and raise families in this garden spot. It was this second generation that went off to war in outfits such as the famed 442nd Battalion, and they rightly returned with a determination to live as equals. Within a decade, Hawai'i’s entrenched Republicans were mostly defeated in elections by a new wave of Democrats led by returning servicemen of Asian ethnicity, and that political revolution has endured to this day. Descendants of immigrant laborers pooled their funds in investment groups known as huis to participate in projects too expensive for single families. A new class of entrepreneurs emerged. Still, no member of the economic revolution had managed to challenge one of the most capital-intensive and prestigious of all island enterprises, Hawaiian Airlines. That task would belong to Rudy Tongg.

Tongg's father immigrated from China, then lived and worked on the Big Island of Hawai'i. A young Ruddy eventually left that island for the big city of Honolulu, where he graduated from the University of Hawai'i and then went on to make his fortune running a publishing company during the war. Besides the less-than-equal treatment some Chinese, Japanese, and Filipino travelers experience over the years while traveling interisland within the territory, a new affront took place during the war years. The military determined who could fly on the limited airline seats. Interisland ships had all been requisitioned for far-away service in the war. Since few of the descendants of immigrant laborers held jobs that were considered high priority for the war effort, most were denied passage on flights they sought. When the war ended, Ruddy Tongg and others felt a deep desire to travel freely and with respect. Mr. Tongg's airline would be the vehicle to make this goal possible.

Not one to dream small, Ruddy Tongg envisioned an interisland airline linked to larger planes that would connect China with the west coast of the United States. The airline took on an equally-ambitious name, Trans Pacific Airlines. Such an enterprise required significant capital, and to raise money Tongg sold stock at the unusually-affordable price of one dollar per share. Anyone could afford a piece of this new airline, many bought in, and was there any doubt which airline these shareholders would choose to travel on? Trans

Pacific Airlines never received permission to land in China, which, considering the chance of success in such a venture, was likely a blessing in disguise. The company instead concentrated efforts within Hawai'i.

Interisland traffic rose faster than Hawaiian Airlines could respond, and so there were plenty of passengers for Tongg's airline, which now streamlined its name to the initials TPA. Only Hawaiian Airlines held a federal certificate for scheduled interisland air travel, but TPA found a creative detour around the problem. It leased its planes to a travel agency, which then scheduled the passengers itself. Hawaiian Airlines cried foul, the judge agreed that TPA indeed ran the equivalent of a scheduled operation without the certification to do so, and the judge imposed draconian limitations upon the upstart airline. From now on, Tongg's company could only fly a handful of trips each week. For all practical purposes, this ruling signed the death warrant for the aspiring airline.

A funny thing happened, though: TPA just kept right on flying, though at greatly reduced frequency. The airline shrunk to a staffing of just two pilots. Many ground employees donated their time free of charge, so great was their belief in TPA's mission. The airline owned its war-surplus C-47s outright, and TPA kept expenses to an absolute minimum. On Kauai, the airline borrowed the scale to weigh baggage from a local butcher shop and returned it every evening. Slowly the reality of the situation came into focus: you simply could not kill this airline as long as it refused to die.

Tongg had good reason to keep the airline aloft. His plan was to hang in there until federal authorities recognized the need for competition and granted TPA a certificate for scheduled interisland service. Fortunately, the political climate looked favorable for this move. TPA was the airline of choice for Hawai'i's new Democrats, and a Democratic

President named Harry S. Truman held the power to grant TPA’s wishes. On February 21, 1949, Truman signed the certificate that allowed TPA to compete on an equal basis with rival Hawaiian Airlines. Many at Hawaiian still regarded TPA as an illegitimate airline even after the issuance of this certificate, setting the stage for one of the airline world’s most heated rivalries.

Tongg, ever the promoter, went back to work and convinced stockholders big and small to contribute more funds so that the airline could gear up again. This time passengers wouldn’t come so easily. The boomtown atmosphere of post-WWII was now over and Hawaiian Airlines had brought capacity high enough to carry every air traveler in the territory. The long, hard slog to profitability had begun.

When the airline wasn’t fighting for its life, an entirely different side of the business became apparent. An airline was more than a business venture for those who worked there, it was family. A new hire could expect to spend the next thirty years or more working with those hired at a similar time. Because of the seniority system used in promoting pilots, flight attendants, mechanics, and others, employees could never make purely lateral moves to another airline. Instead, they would go to the bottom of that new airline’s seniority list for their specialty and begin the arduous climb once again. Seniority determined which pilots flew as captains and which flew as copilots, with huge differences in pay. The senior flight attendants claimed the most desired flight assignments while new-hires took the leftovers, and senior mechanics worked prime assignments on the day shift while those of lesser seniority held down night duties. Invest a few years of your life in an airline and there was little chance of ever enjoying similar working condition elsewhere. Your career depended upon the survival of your airline. For all practical purposes, you didn't just join an airline, you married it.

The concept of family at TPA didn't involve just rank and file workers, either. Once a month, Ruddy Tongg invited TPA employees over to his big beach house near Diamond Head for steak dinners. Here was a chance to celebrate whatever minor victories had been won that month. Tongg owned a drinking and dining establishment on Waikiki Beach as well, and TPA employees were welcome to come in and grab a bite on the house. Tongg enjoyed dancing with the lovely flight attendants. Such a cohesive atmosphere would be needed, for the predecessor of Aloha Airlines had more near-death experiences ahead.

Nonetheless, you just couldn't beat an airline job. Not only did employees enjoy decent compensation and travel benefits, but the close-knit family of employees shared joy at unexpected moments on the job, sometimes in the guise of mischief. Take, for example, the challenge a new-hire flight attendant named Patty Apoliona (later Smart) encountered one day when she spilled pineapple juice on her skirt while en route to Kauai. Patty had a pair of shorts to change into, fortunately, but she was out of uniform and scared of being fired. She washed the stained skirt in the restroom sink, but it wouldn't dry in time for the landing. No problem, the helpful copilot cracked open the DC-3's side window and held the skirt beside the opening. All of a sudden the skirt pulled free from the copilot's hands and disappeared through the opening. The cool-headed captain collected information from Patty, called Aloha's Honolulu operations on the radio and arranged for the young flight attendant's mother to meet her at Honolulu airport with a replacement skirt when they returned on the next leg.

Shortly thereafter came a radio reply.

"Patty, this is Captain Harry Saunders. We're a few minutes behind your flight and we saw your skirt floating through the air. We snagged it on our wingtip."

Thinking this feat of grand airmanship might save Patty's job, the young flight attendant pleaded for Captain Saunders to make a gentle landing. The skirt on the wingtip report proved to be a hoax, but Patty managed to keep her job all the same, though Ruddy Tongg called her into his office to explain the details of the story so that he could retell it that week at his Rotary Club meeting (Forman 123). The laughter, tears and joys of the job bound these employees together in much the same way that soldiers bonded in wartime.

The airline had to survive, though, to make these continued interactions between employees possible, and sometimes the threat of extinction became very real. One advantage Hawaiian Airlines enjoyed over TPA was access to capital. By the early 1950s the DC-3 transports that both Hawaiian and Aloha operated looked pretty long in the tooth compared to the upcoming wave of modern airliners. Beginning in 1953 Hawaiian Airlines introduced Convair 340s to their fleet (Forman 121). These planes were larger, much faster, pressurized, and air conditioned. They beat the pants off travel by DC-3. TPA had no means for financing such equipment and saw an immediate reduction in travelers. The airline spruced up its planes as much as possible, installing long panoramic windows, and encouraging flight attendants to sing and play musical instruments en route to entertain the passengers. What really mattered, though, was the airline's appeal in newspaper advertisements to its customer base. "Don't give up on us" was the message. The airline managed to buy itself time while it searched for a solution. Passengers typically felt the employees' appreciation for their business during these difficult years, and wording on the airline's planes appropriately read "TPA, The Aloha Airline."

Help arrived through a passing of the baton. Rudy Tongg was a charismatic promoter who lacked the knowledge and financial horsepower to pull TPA out of this hole. A Hawai'i businessman named Dr. Hung Wo Ching agreed to take command (Forman 140). Highly educated, respected by the financial community and quite successful at other ventures, Ching would lead TPA out of the thicket. First, he nailed down labor agreements for the next few years to add stability to the operation. John Bellinger of First Hawaiian Bank surprised Dr. Ching by offered a substantial loan to the airline. In those days, Hawai'i banks never loaned money to businessmen of Chinese descent, but times were indeed changing. Never mind that Ching needed to secure the loan with personal assets, a powerful alliance developed that day between this airline and First Hawaiian Bank. A similarly-close tie later evolved between Aloha and the president of Foodland stores, Maurice Sullivan. For decades many Aloha Airlines employees never bought a Thanksgiving turkey. Foodland provided one as a gift to all Aloha employees.

Ching next reduced the book value of the airline’s stock, which cleaned up certain important financial matters, then sold a substantial quantity of stock at the new value of 25 cents a share. With the airline recapitalized, he could now borrow money for new planes at attractive rates. Before long a small fleet of F-27 turboprop airlines swept through the Hawaiian skies with "Aloha Airlines" painted on each fuselage. These F-27s incorporated jet engines turning propellers, which meant that for the first time ever Aloha operated more advanced planes than the competition. Passengers responded with enthusiasm and Aloha gained an additional 11% of the market that year. When Hawaiian Airlines understood the seriousness of Aloha's threat, it offered to buy the airline. Hung Wo Ching's response must have floored Hawaiian's president of the time:

> Aloha Airlines is now operating near the break-even point with 30 per cent of the total inter-island traffic. We expect to make a profit with our new equipment by gaining an additional share of the market.
>
> Our ultimate goal is 50 per cent of the total market.
>
> On the other hand, our competitor today does 70 per cent of the total passenger volume. I can't understand why it cannot make a reasonable profit with this share of the market.
>
> If Hawaiian feels there is insufficient business for two airlines to operate profitably, I am personally confident that I can arrange to purchase Hawaiian at an attractive price under similar terms and conditions which Hawaiian offered us. The money for this purchase will come from the local people of the territory. (Forman 143)

With this statement, Hung Wo Ching indirectly proclaimed that the descendants of Hawai'i's Asian immigrant laborers had now reached a point where they could compete with any enterprise in the territory by pooling their capital, working hard and working wisely. The accomplishments of Aloha Airlines inspired a new generation that would someday take on responsibilities as Hawai'i's business and political leaders.

The lessons of the Convair and the F-27 effects on market share made a lasting impression upon the management of Hawai'i's interisland airlines. Not only did new flight equipment bring lower operating costs per seat, the introduction of new equipment influenced the traveling preferences of customers. Fall behind in the equipment races at your own peril.

The downside of adding new equipment was its expense, and the wrong decision could produce disastrous results. In the mid 1960s Hawaiian Airlines upped the ante yet again by placing orders for pure-jet Douglas DC-9 aircraft (Forman 170). Realizing that it could not afford to be left behind in this aircraft race, Aloha responded by ordering the only pure jet transport of the proper size available in time, the British-made BAC 111. This aircraft compared favorably in cost and performance to the DC-9 and the race was on. Aloha's first BAC 111 arrived just a month and a half after Hawaiian's DC-9, and both airlines managed to offer pure jet transports during the busy summer season of 1966.

All was fine for Aloha until the equation changed. Douglas aircraft soon offered a stretched version of their original DC-9. The newer DC-9 not only contained more seats (and better economy), it included devices on the wings that allowed for slower takeoffs and landings. This advancement meant that Hawaiian could now fly a full load of passengers in and out of the small Kona Airport, but Aloha could not. Douglas planned on building an even larger DC-9-50, and the British manufacturer of Aloha's jets offered no comparable upgrades (Forman 174). Aloha chose to make yet another expensive aircraft change, this time to the new 737 jets produced by Boeing. The expenses of this transition, coupled with a summer in which Aloha greatly overestimated interisland traffic resulted in a loss huge enough to wipe out twenty years of accumulated equity and place this airline on the ropes again (Forman 188).

Something drastic was needed to save the jobs of Aloha's employees, and as disagreeable as the solution appeared to Hung Wo Ching and others at the airline, management agreed to accept Hawaiian's offer for merger. The two sides worked out details including a cancellation of Aloha's order for jets and the referral of all summer bookings to Hawaiian's reservations. With Aloha absolutely committed to this merger now, Hawaiian's president then contacted Ching with devastating news. Hawaiian's investment bankers suggested pulling out of the merger "because Aloha was going broke anyway." Hawaiian backed away from the merger and left Aloha to die.

This feisty airline wasn't ready for the graveyard quite yet. All funds that Aloha owned to financial institutions came from Hawai'i banks, including ally First Hawaiian. Aloha negotiated a one year recess from payments while it got back on its feet, which amounted to a tremendous vote of confidence in the airline's management. A quick search for 737s yielded a couple that could fly that summer of 1970, and within a year's time Aloha regained its footing. No doubt the commitment that Ching and others felt for their airline influenced the bankers and other businessmen who made this recovery possible.

In the years that followed, Aloha slowly grew its interisland market share. Ching kept costs in check with ferocious determination. Fleets expansions were now frustratingly conservative in the eyes of many employees. The airline for the longest time even kept its books to the penny and reported annual earnings with such precision. Sometimes the cost savings went too far, such as the decision to remove the weather radar unit from the nose of each Aloha's Boeing 737 to save weight and maintenance expenses. The FAA granted airlines in Hawai'i and Alaska an exemption to the weather radar rule, and Ching took advantage of this cost-savings opportunity. Hawaiian Airlines jets contained weather radar, which allowed flight crews to see the heavy raindrops of thunderstorms and thereby weave their way around the worst storms during those infrequent times requiring deviations. Aloha pilots simply learned to follow Hawaiian's planes in such weather, allowing the competitor's jets to be the pathfinders. When it came to administrative offices, Ching circumvented the high rents being charged near Honolulu International Airport by contracting for a large brick building to be constructed on the far side of the interisland aircraft parking area. The former CEO would have been appalled by the ritzy corporate offices within Honolulu's Restaurant Row that Banmiller showed up to on his first day at work.

For much of the jet era, no one except the owners really knew the profitability of Aloha Airlines because the company had been taken private by the Ching and Ing families. In later years, Hung Wo Ching handed the reins of power over to Sheridan Ing, who aptly fended off a hostile takeover attempt and kept the airline on course. Now a slender old man with his characteristic crew-cut, Hung Wo Ching mostly faded from visibility but continued one tradition, visiting all stations on Christmas Day to personally thank the employees for giving up time with family to keep the airline flying on this holiday. In later years, senior employees sometimes bid to work on Christmas Day, just to get a chance one more time to meet the man who was the heart and soul of Aloha Airlines (Forman 328).

The next generation of Ing and Ching family members remained active participants in the airline, but none rose to the distinction of Hung Wo Ching or Sheridan Ing. Able leaders such as Joseph O'Gorman and Maury Myers came from the outside and steered the airline towards growth and further success.

Airlines wishing to become Hawai'i's third interisland carrier proved to be the most difficult challenges during the jet age. Consider when Mid-Pacific Airlines took flight during the early 1980s. Created by former Hawaiian Airlines executives, Mid-Pacific leveraged the low costs of Japanese YS-11 turboprops with the availability of cheap labor during a time when airline layoffs were at a peak (Forman 210). Ticket coupon books for $25 fares, which included two free coupons in each book, propelled Mid-Pac to become a major competitor in Hawai'i's interisland market. The Mid-Pac fares nearly put Hawaiian Airlines out of business, but Aloha held the position as strongest interisland airline at that point and led the resistance. Aloha's strategy involved matching Mid-Pac's fares on a select number of seats while charging profitable jet airline fares on the remainder of the seats. Mainland tourists willing to pay full fare did so, and local travelers looking for a deal picked up Aloha's version of the coupon book. Hawaiian also opted for two fares, but offered the lower fares in its own turboprop DHC-7 airplanes rather than selling some of the seats in its jets. The strategy worked and in time Mid-Pac disappeared. Other challengers included Mahalo Airlines, created by Roberts Hawai'i bus line owner Robert Iwamoto, and Discovery Airways. The former was defeated through another round of matching fares and the latter's failure to observe maximum foreign ownership rules of the U.S. Government led to its demise.

A curious side-effect of the 1980s leap upward in fuel costs was the re-engining of old Douglas DC-8 jets with efficient turbofan engines. United Airlines modified several of its DC-8s and concluded this would be a perfect plane for introducing non-stop flights between California cities and Maui's Kahului airport, which had previously been out-of-bounds for long-distance flights because of its relatively short runways. Once

United began bypassing Honolulu for direct flights to neighbor islands, other airlines joined in, and the need for inter-island flying began its plummet. A new generation of Boeing 757 and 767 jets would offer the performance to depart smaller neighbor-island airports safely then cross the pond to the U.S. mainland. Add in the effects of better medical facilities plus better shopping opportunities on other islands, and local demand for interisland flights dropped as well.

Hawaiian Airlines initiated long-distance flying to the mainland not long after the battle with Mid-Pac began and then expanded charter flights into scheduled service between California and Hawai'i. Aloha resisted this trend to long-distance flying but eventually relented and in 1984 started service between Honolulu, Guam, and Taipei using a single DC-10 (Forman 241). The route realized the vision of founder Ruddy Tonng, who had tried to establish service to China so long ago. Unfortunately, Continental Airlines vigorously defended the route and was willing to take a loss indefinitely by charging low ticket and cargo prices on the route. Aloha realized it could not win that fight but still managed to sell the DC-10 at enough profit to cover all losses. When Aloha finally reentered long-distance flying under Zander’s administration, many of the more attractive routes had already been saturated and thus much of the growth took place on more lightly-flown routes between Pacific Islands and to smaller cities in California that its new Boeing 737-700s could profitably serve where larger airliners could not.

By the time Aloha entered the 21st Century, it was a battle-hardened veteran of airline battles and most definitely a survivor. The youngsters like Patty Apoliona who had come on board in the airline’s early years were now either retired or senior employees. Many, but certainly not all, took on the roles of aunties or uncles for the new Aloha employees, guiding them in the traditions of Aloha employees. A senior employee could jump aboard Aloha’s Reno flight for a quick trip to Tahoe and be served by, laugh with, and hugged by the new generation of Aloha employees. For many senior employees who never married, Aloha was their only family. Yes, no other business quite matched the airline business for creating such a large-scale bonding of employees.

Sea of Question Marks

For Aloha's leaders, the euphoria of finding just the right group of investors gave way to the hard work of actually completing the deal and bringing Aloha's bankruptcy to a close. By September of 2005 Burkle made clear to Banmiller that the airline's underfunded pensions had to be jettisoned before the deal could be executed. When underfunded pension liability of more than $150 million was added to the proposed $100 million cash investment, the investment made little sense to Burkle, nor probably to any other investor with deep pockets. If Aloha failed, Burkle's Yucaipa would be on the hook for substantial sums (Yerton).

Pilots had the most at stake, since their pensions greatly exceeded those of many other employees. The pilots argued that Aloha had shown operating profits so far for the year, as the airline demonstrated its employee-concession-aided turnaround. With such results, they argued that a termination of their pension fund was not needed. Besides, their union, ALPA, possessed a document written by Aloha's management that promised no abrogation of their contract, and now Aloha was trying to do exactly that. Bankruptcy Court Judge Robert Faris initially agreed with the pilots that management's decision to press forward with the pension termination was troubling because of this previous agreement. Just days earlier, many Aloha pilots had walked in a picket line with signs proclaiming their willingness to stop flying if Aloha terminated the pension fund. Such a strike would likely spell the end for the airline, as both pilots and management surely knew.

If the pilots held any chance of winning this game of chicken, those chances lessened a few days later on Halloween when Mesa announced its upcoming $43 fares (Nakaso "Airfares"). Aloha's tentative investors still didn't believe that Mesa would be reckless enough to enter a market in which they couldn't make money, but such low fares certainly insured deep losses for all players if Mesa moved forward. Five days of brutal discussion in bankruptcy court took place in early November. Shortly thereafter, the flight attendants and Aloha reached a deal on the termination of their pension obligations. Judge Faris kept delaying a decision, kept pushing both sides to work out a deal. He said this is one of the few issues that caused him to lose sleep.

"Whoever wins this motion really doesn't win," Faris said. "Suppose the union wins the motion decision: They still face the fundamental problems of the business. There has to be a new investor and there's a question whether they would come in and take the company with all the defined-benefit plans. As Clint Eastwood asked in the 'Dirty Harry' movie, 'Do you feel lucky?'" (Segal "No One").

If there were no new investor, Faris suggested, he envisioned all the workers would lose their jobs, a reference to court testimony that Aloha's current investors would walk away and the lenders likely would force a liquidation of the airline.

"Suppose the company wins?" Faris asked. "There could very well be a strike or a job action like a sickout and you'd have a lot of grumpy people. It would be much better for everybody if you settled this rather than have me do it for you" (Segal "No one").

Not until late November did the airline and pilots came together on an agreement. In April of 2006, the PBGC took over the pensions. A few months later, retirees discovered just how deep the cuts could be. Recently-retired pilots would lose more than 50% of their retirement pay (Segal "Pension"). Banmiller paid a price for pulling this deal together. A strain developed between management and employees, especially the pilots, that would persist for the remainder of the airline's existence.

The end of 2005 brought changes to the lineup of interisland transportation providers. In late October, a company known as Superferry received $210 million in financing for its proposed ferry service between the islands ("Superferry"). That same month, Lion Coffee founder James Delano abandoned his plans to start a low-cost inter-island airline named "Fly Hawaii." His backers, including America Online founder Steve Case, abandoned the project when Mesa announced intentions to enter the market.

In early February of 2006, the *Honolulu Star-Bulletin* ran a story about the extensive steps Mesa had taken to prepare for interisland air service, with a start date of sometime in April. Hawaiian Airlines immediately filed legal action against Mesa, accusing the carrier of using information gained as a potential bidder for both Hawaiian Airlines and Aloha Airlines to gain access to confidential information that could then be used for competitive advantage if Mesa chose to enter the market. Mesa received the right to view confidential information regard each airline’s cost structures, cash on hand, the relative profitability of long-distance routes versus interisland flying, and a plethora of other information. Hawaiian Airlines sought to prohibit Mesa’s entry into the interisland market for a period of two years as well as seeking monetary damages. According to a story that appeared in the *Honolulu Advertiser*’s newspaper on Valentine’s Day, "Bennett, Hawaiian’s attorney, said that Mesa’s Ornstein told investors in a teleconference last month that Mesa had the benefit of looking at Hawaiian and Aloha books when they were under bankruptcy protection” (Daysog "Hawaiian Airlines Sues").

An article the next day in the *Honolulu Star-Bulletin* carried a lively exchange between Mesa's and Hawaiian Air's CEOs on the subject.

"They clearly enjoy a position where they can overcharge, and saw our new fares were half of what they were charging and decided to pull out all the stops to prevent us from entering the market," claimed Mesa's Jonathan Ornstein (Segal "Mesa Air Calls"). Hawaiian's CEO Mark Dunkerley responded that Hawaiian Airlines was one of the most competitive airlines in the world and didn't fear competition. Instead, it sought fairness because Mesa had downloaded 60 documents containing over 2000 pages of information about the inner workings of Hawaiian's business. "In short, Mesa was provided, on a confidential basis, with much or even all of the analysis and information that a competitor would need to build a business plan to compete with Hawaiian in the interisland market" (Segal "Mesa Air Calls").

The year 2006 offered the potential of better times for Aloha Airlines. Even though 2005 losses exceeded $18 million, the company had set in play cost savings that should improve the bottom line by $75 million in the coming year (Daysog "Aloha Air Looks). Then on February 17, 2006, Aloha exited from bankruptcy protection. Management and labor celebrated the occasion with a gathering at Dole Cannery. It was a bittersweet moment for many employees who had given up pay and, in the case of senior pilots, lost a considerable chunk of their future retirement earnings. Nonetheless, Aloha was still alive, and had sidestepped a potential end of its existence yet again.

The big question now was whether Mesa would call off its supposed plans to enter Hawai'i's interisland market. With the Yucaipa deal signed and funds already dispersed, Yucaipa and Gault had committed themselves to Aloha's future. Wasn't discouraging investors the real reason for Mesa's threat to enter the market? The mainland carrier hadn't even arranged counter space at Honolulu Airport yet. Now would be the logical time for Ornstein to throw in the towel. On the other hand, reasons existed why Mesa might actually move forward with the plan. Mesa needed to deal with a problem known as the CRJ200. Back in the 1990s when these 50-passenger Canadian regional jets first appeared, fuel was comparatively cheap and business travelers more willing to pay high prices for short flights. Recent fuel price increases rendered these gas guzzlers unattractive on a growing number of routes. Some CRJ200 now shared the same desert parking lots as ancient Pan Am, Eastern, and TWA widebody jets as they sat baking in the Arizona sun, victims of economic obsolescence. Perhaps Mesa would rather employ these planes in Hawai'i than park them in the desert. Still, the economics of the enterprise looked mighty sketchy.

On March 24, Mesa CEO Jonathan Ornstein removed all doubt about Mesa's future in Hawai'i by announcing the availability of $39 tickets for travel beginning June 9. Mesa's Hawai'i airline carried the name "go!." Although 50-passenger CRJ200 jets would begin the service, Mesa held open the possibility for bringing 70 and 86 seat jets to the islands in time. Mesa's chief said that his airline had more cash on hand than either Hawaiian or Aloha, with some $300 million in the bank (Daysog "Mesa's Airline").

Meanwhile, Hawai'i interisland carrier Island Air had just taken possession of its first of three 78-seat Q400 turboprops. In many ways this plane offered the best possible balance of features for interisland flying. It was nearly as fast as pure jets on short interisland routes, with flight times varying from the jets by just a few minutes. It burned fuel efficiently at lower altitudes, as opposed to the jets that gulped fuel until attaining altitudes seldom visited on interisland flights. It offered enough seats to spread out the cost of flight crews but was not so big as to take more than 15 minutes to turn around at an island destination. In all, the Q400 offered the best possible tradeoffs between all factors affecting interisland flying and offered the promise of actually lowering the cost of interisland flying.

A careful observer of the media in Hawai'i could see that go! advertised primarily with newspapers, particularly the *Honolulu Star-Bulletin*. Consequently, newspapers tended to give go! more benefit of the doubt than other media forms. Hawaiian and Aloha advertised primarily on television (although Aloha really had no budget for TV advertising any more), and the local TV channels leaned towards the established carriers in their coverage. Such media bias would continue throughout the competition.

As the June 9 start date drew nearer, the swordplay between interisland airlines continued. Go! kept extending its $39 introductory fare one week after another. Go! then introduced a $59 round-trip fare which Hawaiian immediately matched and Aloha matched after some reflection. On the eve of the beginning of scheduled flights, Mesa offered a $19 fare. Aloha’s marketing chief Thom Nulty called the fare “Goofy” and refused to match it, at least until he came up with a better idea (Dicus "New $19 Fare"). Hawaiian Airlines quickly matched the fare but Aloha held off. Days passed before Aloha announced its reply. Why bother to sell tickets at these prices so far below cost, suggested Nulty, why not just give them away? Thus Aloha offered to give 1,000 tickets away free of charge on a first-come, first-serve basis. Some of those tickets would be given away on neighbor islands to provide those customers a shot at the bonanza (Arakawa). Nulty called this June 9 event the "Great Go Away Give Away." When TV cameramen and reporters descended upon Honolulu International to cover go!’s commencement of service, they discovered lines of ticket buyers blocks longs, waiting for their chance to acquire free Aloha tickets. Thus, Aloha captured the lion’s share of the TV coverage that day and stole go!’s opening-day thunder. Travelers only used about 40% of those free tickets (Nulty).

Ornstein sounded his usual battle cry, “Interisland fares have been too high for too long, and go! is here to make a change” (Dicus "New $19 Fare").

And so go! began scheduled service in the islands. Peter Forman, the author of this thesis, appeared on public television with Howard Dicus and predicted that “peaceful coexistence is not really an option. I think we’re going to see a shootout at the O.K. Corral.”

The battle between go! and Aloha was underway.

A Trojan Horse

The trouble began back in 2002 with a visit to the crystal palace. A young Mesa Air copilot named Mike Uslan dropped by the pass bureau in the company's headquarters one day to obtain airline tickets for his wife and daughter. Pilots called this building the crystal palace because it was all glass, giving great views of Phoenix Sky Harbor Airport through the windows and allowing views throughout the offices, waiting areas, and hallways. Uslan had grown up in Hawai'i with a father involved in aviation. The young man dreamed of becoming a pilot flying in Hawai'i and eventually took pilot training on the mainland through an offshoot of Mesa Air. The great thing about this company was that it offered a quick path to the copilot seat of Mesa airliners once a pilot completed training. Uslan had now taken the leap into the copilot’s seat of a Mesa jet, and looked forward to building enough hours to put in his resume with a larger airline. Although the jets that pilots like Uslan flew were good, the pay and working conditions were not (Uslan).

The office of Mesa's chief pilot offered a clear view of employees visiting the pass bureau, and when he spotted Uslan at the pass desk, the management pilot motioned for Uslan to come over and talk.

The two exchanged cordial greetings, then the man asked Uslan to wait while he stepped out "to get something." Mike followed this request and remained in the office. He was thirty-something, powerfully-built, with short dark hair, but any tendency to look threatening was offset by a bit extra weight and a pleasant demeanor.

This lengthy delay gave Uslan an opportunity to ponder his first visit to the crystal palace. It took place on September 18, 2001, exactly one week after the 911 tragedies. As with most Americans, Uslan still carried a sick feeling in his gut from recently-watched TV images of the World Trade Center carnage. Out of curiosity, he had wandered over to Mesa's headquarters during several hours on the ground at Phoenix and almost immediately came face-to-face with CEO Jonathan Ornstein in the hallway.

"Hey, you're Jonathan, right?" he asked (Uslan).

Ornstein replied affirmatively, then warmed up when he learned that Uslan was a pilot. He invited Mike to check out his office. Once there, Ornstein offered him the seat at his desk. Uslan thought this behavior odd, but he later learned that his employer liked to pour on the charm and sell his ideas to individual pilots as an end-run around the union.

"So, where you from?" asked Ornstein.

"Hawai'i."

"We will fly to Hawai'i one day."

“Oh really? What are you going to do? Line up a codeshare? How will you do it?” Mike asked.

"No, all the airlines are going to go bankrupt,” he said. “What we’re gonna do is wait for the majors to park some 737s in the desert, then go in and lease them for next to nothing and take over the State of Hawai'i. Boeing 737s are the only way to do it."

The plan struck Uslan as far-fetched. "What about regional jets?"

“No, RJs cost too much per seat to fly, we will do it with 737s." Ornstein looked out the window towards Terminal 4. "737s are the only way,” he said again. Then he shifted the conversation to talk about a 10% pay cut that the pilots' union, ALPA, had just refused to accept. Ornstein suggested that the Air Line Pilots Association was working against the Mesa pilots through an unwillingness to embrace his vision for the company.

“You know Jonathan," said Uslan, "I kind of agree with the union. My hours have been cut about 30% this week alone. Another 10% is just too much. ALPA didn’t have anything to do with my decision”.

Ornstein grew visibly angry and Uslan realized he had gone too far for a new-hire. He made an excuse to leave and departed the building, hoping that the CEO would forget his name. In time, Uslan became involved in ALPA's P2P program, which was a rapid-response system used to quickly reach other pilots in the event of a strike. He also spoke his mind on various internet message boards.

Nearly a year passed, and now here he was back in the crystal palace, waiting in the chief pilot's office. The management pilot returned with someone he introduced as Mesa's corporate attorney, and at that moment Uslan realized he was in trouble. The two said he had nothing to be alarmed about. "Sit down."

Uslan refused and asked for union representation while the chief pilot and attorney stood in front of the door and blocked his exit. Mike figured if he forced his way out the door he'd be fired for insubordination, and if he answered their questions without an advisor in the room he'd be fired as well. So he said nothing. Not a word. The chief pilot and the attorney yelled and cursed at him for ten minutes about this "hostile work environment" he was creating. They demanded an explanation and Uslan let out not a peep. Finally, they expelled him from the room with the admonition "Don't go anywhere, we still have to figure out if you're suspended or fired."

Fortunately for Uslan, a union representative named Tom Russell entered the building and the shaken pilot explained what was going on. Russell was a retired Marine Corps drill sergeant and promptly unleashed his fury on Uslan about never going near this building without representation. Together with another rep, they went to work for the young copilot. Within a couple of hours, they reached an agreement that Uslan could keep his job if he never mentioned the events of that day.

Then the chief pilot got to the heart of things. “Jonathan is pissed with you and let me just be clear about one thing. If you ever post anything on Yahoo! again you will be fired instantly” (Uslan).

Uslan missed his flight to Hawai'i that day but held the job long enough to be hired by Aloha a few months later. What a difference existed between Mesa and Aloha. During simulator training on the mainland Mike Uslan met Peter Clark, Aloha’s chief pilot. Clark was a real gentleman, someone who sat down and dined with the new pilots and helped them the way a big brother would. Big mainland airlines had lost this personal touch, but such an atmosphere was alive and well at Aloha. Uslan’s childhood dream had been answered to the fullest degree possible. Working at Mesa had been a nightmare, and now that nightmare had followed him home to his islands with every intent of destroying his current employer (Uslan).

Mesa's Hawai'i campaign was going gangbusters by the end of the airline's first month of service. On June 30, 2006, go! doubled both its fleet and its flying. Instead of two 50-passenger jets, the airline now operated four, with a fifth available as a spare. The number of daily flights jumped from 32 to 62, and Hilo joined Kona, Kahului, and Lihue as destinations served from Honolulu (Segal "New Carrier").

The same week as the expansion, go! hit the publicity jackpot when *Midweek* magazine showed up in almost every Hawai'i mailbox with an in-depth cover story about go!, praising the virtues of Hawai'i's newest interisland airline. Mesa's decision to spend the lion's share of its advertising dollars with the *Honolulu Star-Bulletin* paid off as the paper rewarded this big spender with a glowing article in its sister publication. “We looked at the market and we saw it wasn’t possible for most people, local people, to fly when it’s $200 roundtrip for a 15-minute flight,” says Ornstein in the article. “It was ridiculous. They (other airlines) are upset because there is competition. Well hell, that’s what happens in the marketplace when you charge fares that are significantly above what would regularly be considered compensatory” ("It's Time").

Banmiller and Dunkerley must have felt their blood pressures climb every time they read such blurbs from Ornstein. He painted Hawaiian and Aloha as gouging the traveling public with $100 fares before go! came into the market with reasonable fares of $39 or less. It was all baloney. For one thing, Ornstein's numbers weren't close to the $75 average fares that the U.S. Department of Transportation recorded during the last full year before go!'s arrival. For another thing, Mesa's CEO failed to include $8 worth of security fees and taxes in his own fares, but when quoting Hawaiian and Aloha's previous fares those fees were included. Most importantly, though, go! couldn't make a profit at $39 fares, much less at the lower fares. It's planes were just too inefficient.

What Ornstein got right, however, was that inter-island had indeed been profitable for Aloha and Hawaiian prior to go!'s arrival. Maybe the two legacy carriers had pushed fares a bit too high on inter-island flights in efforts to offset losses on the long-haul markets. Typical interisland fares reached about $85 before both airlines lowered prices to $69 in order to take away some of go!'s punch upon its arrival. The fares weren't a flagrant violation of the public's trust, however, and for this reason Ornstein felt compelled to add significant spin to the story with every telling.

More than anyone else at Aloha, Mike Uslan understood just how serious a threat Jonathan Ornstein posed to the airline's future. With his wife and daughter now happily settled into the family's new rental overlooking Pearl Harbor, Uslan had much to lose and felt compelled to share his knowledge. A meeting with Aloha CEO David Banmiller shortly after go!'s arrival in 2006 enlightened his boss about their mutual antagonist, but Mike wanted to do more (Uslan). Through airline internet chat sites and personal meetings with other pilots, Mike learned that a senior Hawaiian Airlines pilot named Rick White shared common views. The two met one evening for a discussion. White came across as formidable and trustworthy, not particularly tall, but wide, a bull of a man with grey hair and aviator's mustache, a captain with a powerful handshake and deep voice. Within hours, the blueprint for HER0 took shape.

The name was Uslan's idea and stood for Hawai'i airline Employees Repelling Ornstein. Membership in the organization would primarily consist of Aloha, Hawaiian, and Island Air employees who wished to save their jobs by educating others about the unsavory tactics employed by newcomer Mesa. Since Rick White's daughter had just been hired to fly for Island Air, the two families offered representatives from all three airlines being damaged by go!'s below-cost fares. Two targets for their efforts came to mind. Air travelers needed to be informed about the downsides of giving their business to go!, and elected officials would be crazy to ignore a group backed by nearly 10,000 fellow employees who voted in Hawai'i. Besides, management of their airlines had so far struck out completely in attempts to get government to challenge go!'s anti-competitive behavior. The battle ahead might well depend upon this group.

HERO held an organizing meeting at a location near Honolulu International Airport, and the 40 attendees not only offered suggestions but left the building with tools to enlist others. Meanwhile a dontflygo.com website took the organization's message to the internet. The site designers understood how search engines worked, and they tweaked dontflygo.com to show up often when travelers looked for information about go! or interisland air travel in Hawai'i. The words printed within the website were eye-openers:

> Ornstein's Ethics
>
> Here is a famous quote from *Forbes* magazine: "In 1978 Ornstein dropped out of the University of Pennsylvania... at age 21, became E.F. Hutton's youngest-ever broker. But over nine years he bounced around five firms, getting fired from several. Why? A lengthy disciplinary record—the official printout is 21 feet long—charging unauthorized trading, misrepresentation, document alteration and churning. Eventually, Ornstein was fined $20,000 and suspended as a broker for three years. A published Securities & Exchange Commission opinion essentially called him a liar." (dontflygo.com)
>
> Fire Hazard on Go! Jets
>
> The NTSB recently investigated seven fires that had started on CRJ-200 jets, the type used by go!. All fires involved the introduction of moisture into the cabin, a particular problem for Hawai'i operations. (dontflygo.com)

> Filthy Cabins
>
> A study of airline cabins revealed that high levels of bacteria could be found on arm rests, seat trays, and other areas of the passenger cabin. Mesa ranked as one of the three dirtiest airlines in the study. (dontflygo.com)
>
> Sleeping In Airplanes
>
> A Texas TV station discovered that some Mesa Air pilots and flight attendants were regularly spending layovers sleeping in their jets rather than in hotel rooms. Crews called the cost-savings practice "camp outs." (dontflygo.com)

The articles went on and on with juicy new tidbits every couple of weeks. Large numbers of airline employees viewed the site and many joined this resistance movement. Web-surfing travelers discovered the site as well, since the website's designer had liberally salted it with meta-tags which would be keyed by a search for information about Mesa Air Group or go!. Some of those website visitors learned enough that they took their business elsewhere. No doubt Ornstein fumed, and his former employee's involvement in HERO had not gone unnoticed.

On Saturday morning, September 16, 2006, many Oahu residents wandered out their front doors and brought in the newspaper. Duane "Dog" Chapman flashed a shaka sign from his photo on the front page of the *Honolulu Star-Bulletin* with a headline "Judge Let's the 'Dog' Out." Also competing for readers eyes were "Allegations of Theft, Sex

Abuse, Swirl Around BOE Candidate" and "Mesa Accused of Conspiring to Oust Aloha from Isle Market."

The airline story told how Hawaiian Airlines had just wrapped up its case in bankruptcy court, where it asked Judge Faris for an injunction to prevent Mesa Air Group's go! from selling tickets for one year. At stake, in the eyes of many readers, was whether the fare war would continue. Why then all this talk about Aloha? Wasn't this, after all, a court battle between Hawaiian and Mesa?

Richard Bennett, attorney for Hawaiian Airlines, had gained access to revealing emails involving Mesa's Chief Financial Officer Peter Murnane. As *Star-Bulletin* readers sipped their coffee and nibbled on their papayas they read "Garfinkle, a former consultant for the parent company of Hawaiian Airlines, wrote in an e-mail to Murnane that the Hawai'i project did not make any sense if Aloha was still in the picture, according to Bennett. Murnane's response was that rather than wait for Aloha to die, Mesa should establish a presence in Hawai'i so no one else could move in, putting Mesa in position to give Aloha 'the last push,' Bennett said."

No doubt the previous quote was read aloud to many family members that day. The story also spoke of a document that Mesa prepared for investors, showing the mainland airline group intended to raise prices once Aloha disappeared.

Hawai'i's largest newspaper, the *Honolulu Advertiser*, shared these revelations as well and included a pointed summary by Hawaiian's attorney. "What Mesa has offered is a mirage. They're losing money. They're pricing below cost, and they're trying to drive Aloha out of business" (Daysog "Hawaiian Airlines Decries").

In a reply within that article, Jonathan Ornstein reverted to one of his favorite tactics, painting his side as the victim. "To me, Hawaiian is trying to divert everyone from the real issue, and the real issue is that Hawaiian historically has tried to quash its competition. They're determined to have us not compete with them." Later, Ornstein suggested that Murnane and Garfinkle had just been joking. When few bought that explanation, he changed tactics yet again with a story that Mesa would become the next Ryan Air, which made so much money from its website and auxiliary services that it could give away 20% of its seats every year. In other words, go! could deliver tickets indefinitely at below-cost levels (Segal "$19 Fares). Few believed the new explanation, either.

Aloha's Banmiller had resisted legal action against go!'s parent company, but this latest revelation placed Mesa's behavior in a much clearer light. Aloha quickly announced plans not only to sue Mesa for improper use of proprietary information, but also for predatory pricing. Since the latter charge fell under the category of anti-trust activities, triple damages could be awarded. No doubt Banmiller at the very least wished to use this threat as a bargaining chip.

Not one to retreat, Ornstein charged forward in a new offensive one week later by introducing $19 HERO fares. Ornstein claimed HERO was a clever name devised by a Mesa marketing executive. Hawai'i's airline employees and executives knew better. Rather than looking negatively at HERO, both CEOs of Aloha and Hawaiian criticized Ornstein for targeting their employees (Segal "$19 Airfare Lower").

Perhaps Ornstein believed that all would be forgiven by consumers as they snapped up these $19 fares, but many Hawai'i residents instead saw the fares as proof that go! was indeed gunning to put Aloha out of business. The shift in public sentiment showed up in passenger loads. While go! filled an impressive 82% of their seats in June, that number dropped to 74% in July. To stop the slide, Ornstein introduced $29 fares on July 30th, but even with this sale go!'s loads slid to 65% in August (Segal "go! Reports"). Naturally, dontflygo.com carried the full story with colorful graphs that showed the steady decline in ridership.

And so with a rogue website publicizing Mesa's dirt and the Hawai'i media recycling the scandalous emails for maximum effect, a most serious image problem befell Mesa. The one ingredient that prevented a perfect storm of public antipathy, the ace card that Mesa still held, was pricing. Many Americans hated to see mom and pop businesses bite the dust, but if a new Wal-Mart store offered great buys because of its low costs, so be it. What if Mesa's claims of low costs were simply untrue, though?

Aloha's CEO David Banmiller pondered this very matter. He had a good idea what costs go! incurred flying between the islands. In fact, Ornstein himself had already gone public with an estimate. Aloha employees counted passengers boarding go! flights because the percentage of seats filled was an absolutely vital part of the cost equation. The more passengers who flew on each flight, the lower the average cost per customer. Banmiller knew his own airline's costs within pennies. Two problems presented themselves, though. He had to find a neutral organization to generate the cost comparisons, and he needed to share Aloha's costs with the public. Divulging one's costs to customers was dangerous. If the threat from go! disappeared any time soon, these numbers would haunt Aloha for years as it tried to raise prices and find profits again. Still, Mesa was a potent threat that needed to be addressed.

On December 21, 2006, the *Honolulu Advertiser* ran a front-page story entitled "Below-Cost Fares Puzzle CEO." The article stated that any time interisland airlines sold tickets below $50, they were losing money. Aloha had hired Texas-based Sabre Airline Solutions to look at all three competitors and compute their costs.

"Why would somebody come in and charge $19, and $29 and $39 when their cost was substantially higher? Why would somebody do it?" asked Banmiller in the article. Of course he knew exactly why someone would do this, which was to bleed Aloha of cash. Instead of being accusatory, though, Banmiller played the role of the dumfounded CEO while every reader with any sense quickly reached the only obvious conclusion.

The report got worse for go!, though, much worse. Sabre computed the cost for operating jets at recently-observed loads. With 62% of seats filled, Aloha needed $50 a seat to break even, Hawaiian $55, and go! $67 a seat just to cover the costs. Go!'s costs not only weren't cheaper than Aloha's, they exceeded its rival's break-even numbers by a staggering $17 a seat! Moreover, Aloha was the lowest cost operator in the islands and its demise would hugely impact the cost of interisland travel in the long run.

The *Honolulu Advertiser* story included a reaction from Ornstein, who claimed that the article's estimates of go's costs were way off base. Ornstein suggested go!'s costs were about $40 a seat when the planes were 80 percent full. Why 80%? His planes weren't flying anywhere near that full any longer. Besides, Ornstein's latest estimate was a full 20% lower than numbers he had given just a few months earlier in a *Honolulu Star-Bulletin* article, back when his planes were burning cheaper fuel.

Ornstein also mentioned that the 50-seat CRJ 200 jets were merely "pathfinders" for the new airline and that larger, more efficient jets would bring those costs down. What the Mesa CEO didn't mention, however, was that larger jets no longer made sense for go!. If the airline couldn't even fill two-thirds of the seats on a handful of 50-passenger jets, it certainly couldn't fill an equal percentage of seats on much larger jets. The economics of big jets actually worked against an airline like go! if it couldn't capture more of the market (Daysog "Below-Cost Fares").

With this latest revelation about costs, informed Hawai'i consumers lost any real incentive to support go!, other than to prolong the fare-war. Go! continued to lose millions as the airline carried fewer passengers with every passing month. Lawsuits filed by Hawaiian and Aloha would bankrupt Mesa if successful, and the judge for the Hawaiian Airlines case, the Honorable Robert Faris, had already indicated that Mesa was likely guilty of misdeeds. Most CEOs at this point would have negotiated the airline's exit from the market in return for the dropping of legal claims. Not Jonathan Ornstein. Instead, he turned up the heat.

HERO's Fall

All the weeks of preparation by HERO’s founders came together on November 8, 2006, when over 150 pilots, flight attendants, and ground personnel from go!’s three competitors converged at the State Capitol in Honolulu for the great “go! Away” rally. Drivers along busy Beretania Avenue flashed shaka signs from their Toyotas and Nissans while truck drivers tooted their horns in support. News teams interviewed the spokesmen and legislators couldn’t miss the upbeat spirit of the gathering. The big payoff, though, came six hours later when a HERO volunteer released the rally’s YouTube video (Dontflygo "go! Away").

A lively Latin beat set the tempo as the camera highlighted a defiant Mike Uslan who came out swinging.

"Mesa Airlines came to Hawai'i under false pretenses, making false promises, lying to the state, lying to the people of Hawai'i. We're here to expose that, to let people know that what Mesa is doing is not only unfair, they're doing a very bad thing. We're not going to let it happen on our watch."

Then the voice of Gloria Estefan kicked in as the camera panned the rally crowd.

“Go! away

Won't you just go! away,

Go! away

Don't you come back one day.”

The beat was exciting and the HERO wavers along Beretania moved to the music. Their T-shirts said "go! is not a Hawaiian airline" and "Mesa has no Aloha", while the signs said "No Predators in our Island Air", "Play Fair or go! home", and "Bring Mesa to

Justice." There were moms with kids in strollers, older pilots, hot young gals in shorts, the whole gamut. Mostly they looked like families you'd see at a little league game or canoe rally. HERO's message was clear: these are the people whose livelihoods were on the chopping block, thanks to Mesa's tactics.

"Stay away
Won't you please stay away,
Live your life
But live it real far away."

Uslan's fellow Aloha copilot Randal Cummings spoke next. He was powerfully built and articulate with a lean look and shaved head.

"The employees of Hawai'i's airlines are rallying at the State Capitol today to protest Mesa's unfair competition in Hawai'i, to protest their illegal activities here in Hawai'i. We the employees of Hawai'i's local airlines compete by making our airlines number one in the nation for least complaints, most on time, least lost bags, least canceled flights, and least overbooking while Mesa competes with their millions of dollars trying to put us out of business. We're not going to stand for illegal competition in our state, we're not going to stand for illegal competition on our turf. If Mesa wants a fair fight, put the gloves back on and we'll bring a fair fight. If Mesa wants an unfair fight we can take the gloves off and we can do that too."

A chorus of "Don't fly go!, don't fly go!" now blended with Estefan's vocals as the video wound down.

Rally organizers and participants alike felt it had been a roaring success. Some took a moment to pen messages to Mesa CEO Jonathan Ornstein on a white "Mesa Has No

Aloha" T-shirt making the rounds. What a feeling of catharsis to rally the troops and then scribble a snide remark to the man trying to steal your livelihood. And everything would have been just fine if that shirt had gone where it belonged, into the bottom of a trash can. One unnamed soul, though, took the shirt and sent it to Ornstein. The joys of this victory would be short-lived, for a mighty tsunami would soon engulf HERO.

Two days after the successful rally, go! announced yet another $29 fare war. Whether the fare cut was aimed at damage control with the traveling public or at punishing the airline employees for speaking out against go!, Ornstein's timing spoke loudly that HERO was making an impact ("Fare War Rekindles").

Four more days passed, and then the curtain fell for HERO. Ornstein had indeed received the T-shirt, sent via Fed Ex on an account registered to an Island Air employee. Many of the 20 or so inscriptions were insulting, and of those, most were rather benign: "Stop polluting our Island Air!", "Mesa sucks", and "Our HERO? dontflygo.com." The Mesa CEO wasted no time capitalizing on HERO's mistake. He contacted the *Honolulu Star-Bulletin,* which promptly ran a story entitled "Go! Chief Receives Offensive T-shirt." A photo of the marked-up shirt included many slurs and gave HERO's members the aura of hoodlums. One scribbled comment that somehow escaped the attention of HERO's leaders upped the ante a hundred times over, though: "J.O. the Jew Borat" (Segal "go! Chief").

Leaders of the employee group knew perfectly well that their group was not anti-Semitic because a majority of HERO's leadership was Jewish itself. Referring to the comment, one HERO spokesman stated, "I really think that's inappropriate and merits an apology."

In the article, Mike Uslan added his perspective, "I don't know if Ornstein is going to play the race card, but he's not going to get very far with that." Uslan couldn't have been more wrong.

"'J.O. the Jew Borat,' that's the aloha spirit, right?" Ornstein said in the article. "To me, that's what these people are all about with threats of anti-Semitism. It's really shameful."

The First CEO to react to the news of the slur was Robert Mauracher of Island Air. "There's no association between HERO and Island Air," Mauracher said in the article. "We have no knowledge of it and don't endorse it." The leaders of Hawaiian and Aloha reacted similarly: they could not associate themselves in any way with an organization labeled anti-Semitic.

The full extent of the damage became apparent to HERO's leaders within hours. Randall Cummings, the organization's elegant rally speaker felt so ashamed of allowing such a comment out of an organization he represented that he offered his resignation to Aloha's CEO. Banmiller refused it. Two days later, word spread that HERO was disbanding. Then dontflygo.com removed its scathing attacks and substituted links to other sites. The one group that could let Hawai'i's residents feel the pulse of those targeted by Mesa, the families who could give this battle a human face, had just been decimated by a T-shirt. HERO was dead.

Ornstein wasted no time increasing the issue's visibility. In a *Pacific Business News* article, he stated, "This really showed my opposition's true colors. Those kind of things are really bad karma. The people involved will sincerely wish they chose a different path."

Two days later, Hawai'i's papers quoted Ornstein as vowing that go!'s cheapest tickets would never be more than $39. Now that he wore the cloak of the victim, Ornstein might as well be the benevolent victim who only wished good things for the people of Hawai'i. "The $39 fare will last as long as we are in Hawai'i," Ornstein said (Daysog "go! Vows").

Shortly thereafter, during an interview with the Associated Press, Ornstein brought up the T-shirt issue yet again. "The more they attack me personally, I'm not going to say it doesn't affect me," Ornstein said. "I'll be very frank. I don't like it. As a result, it may make us change our plan. If you guys want to make it to the death. Have it your way. We've been tame so far. Very tame" (Song). To many, Ornstein's rant sounded overly bold, like he was using this offensive piece of clothing to justify the destruction of an airline.

After two weeks of heartache from the T-shirt fiasco, the time had come for Mike Uslan to leave it all behind for a few hours of sun and relaxation. His faded red Toyota Land Cruiser sat high, way high, which offered a grand view on this warm Kailua afternoon. Buzz's steakhouse passed off the left side, the green leaves of a tall tree poked through the building's roof and added to the festive atmosphere of the place. Soon traffic stopped as tourists crossed the street ahead, guiding a procession of yellow kayaks on wheels through a crosswalk.

Uslan had spent time on the water today, as well. The rendezvous took place offshore the upscale neighborhood of Lanikai with former flying buddies from Mesa. They were not so lucky yet to be hired by an airline with the pay and working conditions of Aloha, but several had their applications in with both of Hawai'i's longtime airlines. Mike and friends paddled kayaks half a mile to the larger of two Mokulua Islands, the one with the sandy beach. Other Mesa pilots previously unknown to him gathered there as well, but Uslan felt comfortable with this crowd. HERO's Hawai'i Employees Repelling Ornstein designation let the employees of go! know that he wasn't after them personally. Besides, many shared his opinion of their CEO. If Ornstein were replaced and go!'s fares rose above cutthroat levels, he could live with the competition. The flying stories took off. Hours later, a wind blowing against his back eased the return paddle across the choppy blue water.

With the last of the kayaks clear of the crosswalk now, traffic began to accelerate. The huge macho tires of the land cruiser added a hum to the gentle ruffling of the weathered black rag top and to the song on the radio. Warm salt air fresh off the ocean swirled through the open windows. Within minutes he'd be through Kailua and then jump onto the H-3 highway for the quick trip home across the Ko'olau Mountains.

It happened crossing a bridge on the far end of Kailua. Whoomp, like someone shot the tail off his vehicle! The hood pointed up, the left side of the back end dropped to the ground and an awful sound of metal grinding into pavement began. Mike steered the vehicle within inches of the curb and stopped. The left rear wheel had come free, crossed three lanes of traffic, and then rolled beyond the bridge without hitting anyone, thank goodness. With heart beating rapidly, Mike retrieved the wheel and found it intact. The tire remained inflated, and no lug nuts could be found. Traffic backed up behind the disabled land cruiser.

Later, Uslan revealed to friends just how close he had come to dying. If the wheel had separated minutes later on the highway, the land cruiser sitting so high on these tires and jacked suspension would certainly have flipped. The flimsy top offered little protection. News stories would proclaim ALOHA PILOT DIES ON H3 FLIPOVER.

None of Mike's closest buddies in Kailua were home, but an acquaintance reached via cell phone agreed to visit an auto parts store for the proper lug nuts and to bring a heavy duty jack as well. The inevitable blue flashing light appeared behind his vehicle and soon the officer asked for the usual paperwork. That bit of business completed, the two walked around the vehicle looking for clues to the wheel's separation. None of the lug nuts on other wheels were loose. Mike had done no recent maintenance on that one wheel. Someone trying to steal these tired old wheels in Lanikai seemed unlikely, and why was only one wheel affected and in just the worst possible fashion?

Eventually his lug nuts and jack arrived, and fifteen minutes later Uslan's land cruiser was good to go. Contact with the pavement had buggered one of the lugs and the nut refused to go on, but the officer wanted to get traffic moving again and agreed to let Mike drive the vehicle to a friend's house in Kailua. Repairs could wait. His wife was on her way over to pick him up. For now, he felt drained, but happy, so very happy to be alive (Uslan).

Shortly thereafter, Hawai'i's third-largest airline, Island Air, announced major cutbacks. Sixty-five employees received their pink slips and two planes left service. These cutbacks were in addition to the loss of Island Air's 78-seat Q400 turboprop and the cancellation of other Q400 orders just two months previously. The loss of the Q400 was particularly a blow to Hawai'i consumers since it was by far the most cost-effective plane flying interisland. Before go!'s arrival, Island Air had ordered the large turboprops to compete head-to-head with Hawaiian and Aloha on heavily-traveled routes. Now with irrationally-low fares in place for over half a year, Island Air had chosen to abandon several routes and instead concentrate on flights to smaller airports less affected by the fare war. Island Air's CEO blamed the cutbacks squarely on go!'s pricing.

Aloha had fared poorly with go! in the market. Cost savings of $75 million per year realized during the bankruptcy process should have normally permitted Aloha to show a strong performance in 2006. Instead, the airline would lose over $40 million by the end of the year. This was a shocking figure, given that the bankruptcy process had left Aloha with less than $30 million to run the company. No doubt Yucaipa had ponied up extra cash to keep Aloha alive.

Any time three airlines competed for the same customers in a market, the airline in the middle was the one that took the worst beating. Frontier discovered this painful truth many years earlier while sharing the Denver hub with United and Continental. United held the position of top dog, the airline with the most connections, the airline preferred by business travelers. When Continental slashed its employee’s paychecks by half through an unorthodox use of the bankruptcy process, it became the low-cost carrier, the airline offering the best fares. Frontier fell somewhere in the middle and eventually went out of business. Now Hawaiian claimed top-dog status of the Hawai'i interisland market with its many connections to the mainland, its shiny new Boeing 717 interisland jets, and its reputation as the number one on time airline in the country. Go! wasn’t a low-cost airline, but it played that role and priced its product insanely low, simply by draining funds from the mother company’s bank account to keep up the illusion. Such an ordering placed Aloha squarely in the middle position, exactly where an airline didn’t want to be.

As for the renegade airline behind the fare wars, it too was feeling heat. "Mesa Air Net Income Plunges 68%" read the *Honolulu Advertiser* story. Go! certainly contributed to

Mesa's problems, but such a small portion of the company could not account for such a heavy drop in earnings. (Daysog "Mesa Air Net Income"). A *Pacific Business News* story, "ALPA Slams Mesa Air," revealed bigger problems. In a survey, over 90 percent of Mesa's pilots expressed their lack of confidence in management. “As Mesa expanded over the past three years, our management passed off our operational problems—broken aircraft, crew shortages, dirty cabins, delayed and cancelled flights—as the ‘price of rapid growth’," said James Ackerman, chairman of ALPA's Mesa unit. "Our operational problems still persist and, in fact, have worsened" ("ALPA Slams"). This turmoil resulted in rapidly falling profits at Mesa and the reduction of cash flow to finance go's battle in Hawai'i.

The outcome of this interisland war looked far from certain as the year 2006 slipped away.

Losing Altitude

As the year 2007 beckoned, Aloha's employees felt the pressure of this fare war as they pondered the unthinkable: what if go! actually drove Aloha out of business? While Banmiller, Nulty, Kessler and others focused on tactics for surviving this attack from a mainland predator, employees went about their traditional jobs. An opportunity arose, however, for Aloha's workers to make a difference in the outcome of this battle. Hawaiian Airlines had achieved the nation's number one ranking in on-time performance so many times that one sometimes took for granted that the title belonged to Hawaiian. Aloha set out to reclaim its former position as Hawai'i's most reliable airline, the type of reputation the company enjoyed back in the eighties.

Though tensions still existed between management and labor from the all too recent bankruptcy proceedings, the two sides worked together to show the traveling public that Aloha's product was every bit as good as the competition's. The great thing about this goal is that it required the effort of nearly everyone at the airline: baggage handlers, dispatchers, agents, flight attendants, pilots, the whole lineup. On January 3, 2007, news articles announced that Aloha had indeed claimed the nation's top spot for on-time service. Moreover, Aloha also tallied the least number of complaints compared to every other airline in the nation ("Aloha Breaks"). Yes, this was an airline worth saving.

In that same month, Aloha filed suit against Mesa for the same charges that Hawaiian had stated: entering Hawai'i's interisland market while retaining proprietary information shared when Mesa during the bankruptcy process. Additionally, Aloha claimed predatory pricing, a charge that brought triple damages. Aloha's court case would not be held in 2007 and so it offered no immediate relief. If only the airline could hang on until September, the scheduled date of the trial between Hawaiian Airlines and go!'s parent company. Besides damages, Hawaiian sought a court order to prevent Mesa from operating go!. Employees yearned to see this Mesa madness come to an end.

During all the trauma being seen throughout Hawai'i with airline losses, layoffs, and canceled airplane orders, one airline actually bucked the trend. A young businessman named Bill Boyer operated five 9-passenger twin-engine Piper Chieftans from the Kona Airport (Segal "Mokulele's go! Express"). The airline had been named by its first owner, a native Hawaiian woman who chose the Hawaiian word for island hopper, "Mokulele." Boyer now offered the planes for sale, however, because he had worked out a deal with Jonathan Ornstein for Mokulele to operate as go! Express with cost-effective single-engine Cessna Caravans of similar capacity to his Chieftans. The idea was for Boyer's go! Express to serve smaller destinations while go!'s jets handled the routes that competed with Hawaiian and Aloha. True to tradition for any airplane carrying the word "go!" on its side, the introduction of service with the new planes would debut with $19 fares.

Boyer's fortunes continued to improve when he befriended Dorvin Leis, a philanthropist and the largest mechanical contractor in the state. Leis decided to invest enough funds in Mokulele to grow the airline from four Caravans to as many as ten. One grand benefit for Leis would be that his workers could travel between islands at a much better fare and on an airline of which he owned a big share.

Meanwhile, the feud between Aloha pilot Mike Uslan and Mesa CEO Jonathan Ornstein intensified. Uslan and HERO claimed to have given up control of the inflammatory dontflygo.com website, but Ornstein wasn't so sure and wished to put an end to the harassment. In March, Mesa filed a lawsuit for unnamed damages against Uslan and ten John Doe defendants. Ornstein likely wished to put enough financial pressure on Uslan so that he would name the individuals who controlled the site. Mesa filed the suit in Arizona and claimed the website was hurting the airline's Arizona operations. Uslan's attorney put a different spin on the venue for this action, "Uslan is a resident of the state of Hawai'i. Mesa obviously filed this lawsuit in the district court of Arizona to make it more expensive and difficult for him to defend himself" (Dicus "Mesa Sues").

Fellow Aloha employees plus workers from other Hawai'i airlines came to Uslan's aid. Volunteers hosted a well-attended legal expense fundraiser at Ala Moana Beach Park for the young pilot and a TV station covered his struggle to defend his family from economic ruin. In June, an Arizona judge dismissed Mesa's charges, citing a lack of jurisdiction over the case ("Judge Dismisses").

Mesa had bigger worries than troublesome web criticism, however. Go!'s passenger loads were dropping, steadily. The airlines highest percentage of filled seats took place in its initial month of June, 2006, with 82% filled. By early 2007 barely 58% of seats contained travelers. The total number of passengers carried in any one month peaked in July, 2006, and then began a decline as well (Segal, "January"). Naturally, dontflygo.com covered the decline with colorful graphs for all eyes to see.

In an effort to reverse this trend and rekindle excitement for go!, Mesa supplemented the already low $39 fares with a $29 fare in November of 2006 (Daysog, "go! Airline Sets Off"), a $25 holiday season fare (Daysog, "go! Sets Yuletide"), and then a $19 ticket sale in March, 2007 (Daysog "go! Sets Off New"). What Mesa discovered was a phenomenon economists called price inelasticity. If the price of a ticket was cut in half, demand more than doubled if the market was elastic and increased less than double if the market was inelastic. The implication is that with inelastic demand, as it was at this time and in this price range for interisland travel, a price cut meant more travelers but lower total revenue brought in. Thus, as long as competitors matched fares, cutting ticket prices made no economic sense.

Moreover, neither Hawaiian nor Aloha would allow go! to gain passengers the easy way, which was by driving prices so low that competitors planes filled up and the new entrant won passengers simply because no one else had capacity to carry any more. Both of Hawai'i’s established airlines increased capacity as needed to accommodate demand, and thus go! had to earn its passengers, every one.

Why then could Southwest Airlines enter a market on the mainland in a big way, drop prices 25%, and fill up its jets while the competitor’s planes ran nearly full as well? In other words, why didn’t Hawai'i routes produce the same bumper crop of eager passengers materializing from nowhere when airfares dropped, the way things worked on the mainland? After pondering the question long enough, the answer became clear: no one was driving their Honda between Lanai and Lihue or cruising a Chrysler between Kahului and Kona. It was far easier to convince someone to switch mode of transportation with a good discount than it was to inspire a family to take a vacation they wouldn’t otherwise have considered. There just weren’t other modes of transportation to steal from, except for a very small one, and it was called superferry.

Imagine the work that had gone into the business plan for this newest generation ferry service to connect the Hawaiian Islands. Engineers toiled over the ship designs to make the vessels capable of withstanding the rough seas that rampaged through the channels between major Hawaiian Islands. Welders in Alabama labored with care so that these ferries wouldn't break down the way SeaFlight hydrofoils used to. Imagine the careful evaluation of fares versus fuel consumed versus a hundred other variables. And so the superferry arrived in Hawai'i just in time to participate in the most unbelievable airline fare war this corner of the world had ever seen. Revenue projections went right out the window. Why would a family bring their car to another island when the savings on airfare over boat fare could easily pay for the rental car? The cutthroat prices for interisland airline tickets took profits away from the ferry service, too.

During March Aloha gained an important ally in the battle to survive. United Airlines bought in to become a minority share owner of Aloha. This development complicated Mesa's position because United had previously been a big customer of Mesa's services and potentially could be again.

In May, as travelers shopped for tickets during the busiest season of all, summer, go! began another fare war at a price of merely $9 per ticket ("$9 Interisland"). Taxi fare from Waikiki cost double the fare to another island now. A certain breed of travelers remembered the $25 fares from the Mid-Pacific days of 1981 and for the rest of their lives would complain of interisland fares higher than this, but even these throwbacks to the days of cheap jet fuel recognized there was something wrong with such low, low fares during the busy travel season. Something sinister was underway, something predatory.

Back at the turn of the previous century, the United States establish laws prohibiting the use of below-cost pricing to drive away competition and establish a monopoly. As the 20th Century progressed, however, prosecution for predatory pricing claims fell out of favor. The United States Supreme Court established particularly tough standards for succeeding in prosecution of predatory pricing claims, partly because the court was more interested in seeing consumers enjoy hearty competition, and partly because scholars gravitated towards the position that predatory pricing was irrational and therefore seldom occurred (DiLorenzo). Their thought process went something like “Why would a competitor bother to spend large sums of money to eliminate a competitor through predatory pricing when other competitors were free to jump into the market once that one competitor disappeared?” Here in Hawai'i existed a flagrant underpricing of a product that was clearly going to bring one of the market’s few competitors to its knees. The harder Ornstein tried to convince consumers that go! was their friend through absurdly low fares, the more Hawai'i residents concluded just the opposite was true.

In August, Aloha’s owners brought Gordon Bethune on board as Chairman of the Board. Bethune had distinguished himself during the mid-90s as the man most responsible for pulling Continental Airlines out of its economic plunge and establishing it as one of America’s best-run airlines. During this period, Bethune crossed swords with Ornstein at Continental and necessitated that Ornstein leave the airline. Perhaps Aloha’s owners thought that Bethune held the key to defeating Ornstein once again. Instead, as events unfolded they would discover no weakening in Ornstein’s resolve to prevail over Aloha. If anything, Ornstein seemed more determined.

At long last September arrived, and with it the court battle between Hawaiian Air and Mesa. Here was Hawaiian’s chance to prove Mesa had retained some of those 2,000 pages of proprietary information that Hawaiian had shared with Mesa when it had claimed an interest in buying Hawaiian Air during Hawaiian’s time in bankruptcy. Mesa, of course, stated that the information had all been deleted or destroyed. If the judge agreed that Mesa had entered Hawai'i’s interisland market while still retaining this information, however, Hawaiian would likely be awarded the cost of losses incurred by the ferocious fare wars waged by go!, and those losses now amounted to a substantial sum. Hawaiian asked for $177 million plus attorney’s fees and other amounts (Daysog "Judge Says").

Hawaiian’s attorneys began sleuthing for evidence back in 2006 when they suspected Hawaiian’s former consultant, Mo Garfinkle, of sharing proprietary information with his new client, Mesa Air Group. A court order to view emails exchanged between Mesa and Garfinkle yielded the provocative “give them the last push” quote that Hawaiian Airlines shared with Hawai'i residents back in 2006 to show that Mesa intended to kill Aloha. Those emails contained additional damaging information, however, enough to allow Hawaiian Airlines to receive court approval to check the computers of certain Mesa executives to see if Hawaiian’s proprietary information still resided upon them.

On September 21, just four days before the trial began, Mesa issued a press release telling that the airline had placed Chief Financial Officer Peter Murnane on a leave of absence while "the company investigates matters relating to Mr. Murnane's conduct during the course of the company's ongoing litigation with Hawaiian Airlines" (Segal "Mesa CFO"). Mr. Murnane then selected famed criminal defense attorney Brook Hart to represent him in the upcoming trial. Such a last-minute move by Mesa cast serious questions about the airline’s preparations for the trial.

The bankruptcy courthouse stood between Hotel Street and Beretania Avenue near downtown Honolulu, beside a somewhat run-down pedestrian avenue of lunch spots known as Fort Street Mall. The building itself was massive and upscale, with escalators to whisk attorneys and curious onlookers up to the wood-paneled second floor for security processing. Inside the courtroom of Judge Faris, the two legal teams settled in as they awaited the judge's arrival. On the left side, as seen from the back of the courtroom, Mesa's attorney Max Blecher and his assistant conversed and shuffled through papers. Mr. Blecher was an older gentleman with puffy dark hair on the sides of his head to apparently compensate for a scarcity of the substance upon the top. On the right side, a small army of lawyers and legal aids bustled about as they prepared for the day's action. Lead attorney for Hawaiian Airlines was Sidney Levinson, a trial attorney from one of California's top bankruptcy firms. He was young, tall, professional in demeanor, and impeccably-groomed.

All rose for Judge Faris and the trial began. Mesa's Max Blecher began the day with a surprise announcement that a hard drive had been found that might contain important data for the trial, and he asked for a postponement. Judge Faris denied the request, citing sufficient time for Mesa to have prepared for this moment.

Levinson's opening statement got right to the point. Mesa had retained proprietary information of Hawaiian's from two years previous instead of destroying it as Mesa claimed, and this competitor had then used that information to its advantage while Mesa entered the interisland market. When the court required Mesa's CFO Peter Murnane to submit his personal computers for investigation, Mr. Murnane intentionally deleted the proprietary information from those computers. Levinson sought a default judgment against Mesa because of this act of destroying such vital evidence.

Blecher offered a defense that nobody in the room could have anticipated. He stated that Murnane's computers contained large quantities of erased data because their owner had been busy removing his porn collection from each of the machines. Mesa's vice president of legal affairs Chris Pappiaoanou later testified that he had indeed caught

Murnane viewing porn on the laptop in question. Murnane had supposedly been removed from his duties because of this porn incident.

That day, Levinson called his star witness to the stand, Jefford Englander, a computer forensics expert, sort of a CSI high-tech investigator of computers instead of crime scenes against humans. Englander spent 90 minutes methodically leading the courtroom through the steps that Murnane had taken to remove data from his laptop and two personal computers. Englander showed how some files had been modified with dates and times that were earlier than the dates and times when the files had originally been created. Special software had to be used to “scrub” other data completely off the hard drive, said the expert. To sum up the presentation, Englander stated that Murnane “was successful in his attempt to eradicate data from the hard drive and less successful in concealing his activities with the clock operations” (Segal "Mesa Blames"). He pointed out that an enormous quantity of data had been deleted by Murnane and added, “I have never seen anyone go to these lengths to erase adult content” (Daysog "Mesa Says").

The next day, Jonathan Ornstein testified. He sought to distance Murnane from Mesa, claiming that Murnane’s behavior with the computers was his own doing and not related to his duties with Mesa. Never one to miss an opportunity to slam his opponent, Ornstein claimed that Mesa entered the interisland market because Hawaiian and Aloha had raised the fares so quickly and that go! could make a profit charging fares ranging from $40 to $52 (though he failed to mention in what type of planes and the percentage of seats filled to reach profitability).

On day three, Judge Faris announced a ruling. Levinson's team had successfully proved that Mesa had indeed intentionally destroyed critical evidence for this trial. All that was left for the Hawaiian Airlines attorneys to prove was whether the original material provided to Mesa held unique importance or whether all of these 2,000 pages of material were of the type to which the public could gain access. Once that point was proved, the final portion of the trial, determining the damages, would take place.

Hawaiian Airlines CEO Mark Dunkerley had been astonished by Mesa's tactics in its defense. "To put an employee — indeed a friend of the CEO for 30-odd years — to hang him out to dry, to push him under the bus, with this absolutely flimsy and transparent argument about pornography is unbelievable" (Daysog "Judge Says").

For a team such as Levinson's, the challenge of proving the uniqueness of the data was a simple matter. While en route to that goal, important information needed to be divulged. Documents unearthed in the investigation showed that Mesa intended to kill Aloha within 24 months and then to raise airfare to levels that were higher than before Mesa's entry into the market. Ornstein disputed those figures, claiming lower numbers had been submitted to the board. The thousand pages to which Hawaiian's legal team had gained access included other revealing strategies. For example, Mesa and Garfinkle shared charts designed to show how quickly Aloha would burn its cash at various ticket prices.

Even before the judge's decision on damages, Mesa's stock tanked to a mere $4.44 a share, its lowest in four years (Daysog "Mesa Stock"). Further, an analyst pointed out that Mesa's cash had dropped from about $345 million before entry into the Hawai'i market to about $198 million now (Daysog "Judge Says"). An award even close to the amount claimed by Hawaiian Airlines could bankrupt the Arizona airline.

On October 30, Judge Faris ruled that Mesa owed Hawaiian Airlines $80 million, plus attorney's fees and interest. The judge did not impose a one year injunction against Mesa selling tickets, however, because he felt that the monetary damages adequately compensated Hawaiian Airlines. The airline's CEO Mark Dunkerley called the award "a triumph for fair competition and ethics over dishonesty and illegal behavior." He continue with "Mesa pretends that they are in Hawai'i to help the consumer. As the evidence in this trial showed, the reality is that Mesa's intent was to drive local competition out of business and raise fares. We are pleased that the court laid out the facts for all to see" (Segal "Mesa to Pay"). The judge had also left open the door for future awards to Hawaiian as further damages accumulated.

Ornstein responded that Mesa would appeal and called the award "exorbitant." For those Aloha employees who waited with anticipation for the outcome of this trial, hoping the Mesa would now exit the interisland market, Ornstein dashed their hopes. According to a newspaper article, "Ornstein said Mesa 'feels an obligation' to stay in the Hawai'i market and that 'fortunately or unfortunately,' it has the money to pay for any amount it is assessed" (Segal "Mesa to Pay")

Aloha's own trial against Mesa was set for April. Victory in that effort was highly probably, when one considered the quantity of incriminating evidence unearthed by Hawaiian's day in court. The big question, though, was whether Aloha would still be flying come April.

Last Chance

How does one market an airline without a budget? From the time Thom Nulty joined Aloha Airlines as senior vice president of marketing and sales during those difficult months of late 2004, and for years to come, he was tasked with promoting the company’s product with virtually no budget. A tall and personable fellow, Nulty had become Banmiller’s closest ally at the airline. Nulty lived in Orange County, California, prior to coming to Aloha. By talking to friends back home, he learned that a great many of them didn’t even know that an airline offered direct flights to Hawai'i from John Wayne Airport. He set out to change Aloha’s visibility in this critical market.

An order came down to Aloha employees that previous month’s copies of *Aloha* magazine were no longer to be thrown away. Nulty had figured that these magazines would make great advertisements, and as stacks of the month-old publications arrived at Orange County’s John Wayne Airport, Nulty picked them up and distributed them at doctor's and dentist's offices throughout the region. He gave away Orange County to Honolulu or Maui tickets at local charity events. Again, it was cheap but effective advertising.

Sometimes a routine maintenance requirement offered far more potential than met the eye. Take the need to repaint a Boeing 737-200 that had come from another carrier to join the interisland fleet. As long as Aloha needed to spend money for repainting the bird, why not do so in a fashion that would bring out the TV stations and newspaper photographers? Thus, when the plane emerged from the paint shop it wore the same “flower power” paintjob used by Aloha in the 1970s. Later, the airline teamed up with local artist Wyland, who painted whales and other marine animals on one of the long-distance Boeings. Again, the paint job brought much free publicity.

In later years, Aloha's critics suggested that the airline put itself in jeopardy by matching go!'s fares too aggressively. Nulty knew that Aloha had no choice in the matter but to match fares because the airline was responding to Hawaiian's ticket prices, not go!'s. Since Hawaiian aggressively matched prices with go!, Aloha had to go along because Hawaiian controlled nearly half the interisland market. Otherwise, Aloha's planes would be flying far too empty.

Decision making at Aloha took various forms. For important decisions, Banmiller, Kessler, and Nulty formed the inner circle. After Gordon Bethune joined the airline as chairman, he typically participated in these discussions via speaker phone. Other times Banmiller and Nulty grabbed a bite of dinner and carried on the conversations.

What most people didn't realize was that while the cutthroat fare wars raged, Mesa and Yucaipa were talking, sometimes with Aloha included. At various times Mesa proposed to purchase Aloha and then later Yucaipa drew up plans to purchase Mesa. At one point when talks were getting serious, Nulty asked an artist to sketch a rendition of a go! regional jet with the word "Aloha" painted in orange above the "go!." Talks had progressed far enough to include the pilots in the plan and receive their okay for this temporary solution. Once again, the talks with Mesa fell apart.

As the year 2008 approached, Yucaipa's Ron Burkle became reluctant to infuse additional cash into Aloha to buy it more time. Nulty and Banmiller both understood that a new solution needed to be found quickly. They set up meetings with the editorial boards of both the *Honolulu Advertiser* and *Star-Bulletin* (at the time operating as separate entities) and made their case. The editorial boards contained plenty of bright minds. They understood what was going on, but neither entity mentioned a word in their papers, likely motivated by a desire to avoid upsetting Ornstein and losing the chance for more of go!'s advertising dollars.

The meeting of Banmiller and Nulty with Governor Lingle turned into the most disheartening event of all. Banmiller carefully laid out the situation: the clearly predatory pricing that go! sustained, Aloha's status as one of the state's top ten employers, the carnage that would befall Hawai'i's tourism industry and the rest of the state's economy should Aloha fail. Lingle remained unimpressed. Banmiller pleaded with her with great emotion to do something. According to one reporter who witnessed the event, Lingle stepped back, took a bite of something, perhaps a granola bar or some trail mix, and calmly delivered her final verdict with the snack still in her mouth and affecting the clarity of her speech.

Both Banmiller and Nulty were now searching quickly for any solution. Thom Nulty spoke with an old friend at United one evening and suggested that United buy Aloha. That friend took the idea to the CEO and a dialog began. This solution made sense because both airlines employed the Boeing 737, ALPA represented pilots at both airlines, and Ornstein would likely give up the ridiculously low interisland ticket prices because he lacked the funds to put United out of business. The pilots of Aloha and United met and in just three days hammered out a plan for seniority integration. Things were starting to look promising again. The idea was for United to own the Hawai'i airline but for the current management team to continue running it. United agreed to press forward.

While Aloha pursued the acquisition by United, leaders of the Hawai'i airline became aware that West Coast to Hawai'i competitor American Trans Air (ATA) was going out of business (Nulty). Travelers weren't aware yet, but word had spread throughout the management suites of the airlines. This development offered two positive advantages. First, one fewer airline on the long-distance routes meant a better chance of profits for the remaining carriers. Secondly, ATA wished to find buyers for its fleet of Boeing 737-800s. Each 800 series jet offered about 20 more seats than Aloha’s 737-700s but without a substantial increase in operating costs. Nulty and the others knew that Aloha could fill many of those additional seats and the ATA Boeing 737-800s offered an excellent opportunity to bring Aloha’s West Coast to Hawai'i flying from its break even status to a profitable position. Such an argument could have great influence upon Ron Burkle. United Airlines didn’t like the idea, however, and asked Aloha to remain with its current fleet. At this point United called the shots, and so Banmiller and the others complied.

These opportunities with other airlines stood as particularly important possibilities because Aloha’s promising lawsuit against go! had been moved from April to October.

A new wrinkle threatened airlines during the early days of 2008. Jet fuel prices headed skyward, quickly. Crude had broken the $100 a barrel mark in February and airlines began bracing for the negative effects ("Crude Oil Historical"). The fuel price increase must have influenced Ornstein because interisland fares rose from $39 to $49.

Meanwhile, go! encountered its own problems. In February, two pilots on a morning flight from Honolulu to Hilo both fell asleep at the controls and the jet sailed right by its destination. Finally the pilots awoke, likely from a flight attendant pounding on the door or ringing the chimes, and the plane turned around with sufficient fuel to land at Hilo (Loe). The story made international news with TV stations as far away as Australia asking for interviews from Hawai'i aviation experts.

One afternoon in mid-March, an important individual asked Aloha's management team to provide a summary of the chances for Aloha's success. On a white board in the room with Nulty and Kessler, Banmiller wrote words that represented three possible solutions and then noted a likely chance of success above each solution. Above the word "ATA" Banmiller scribbled 25%, another proposed solution received a similar chance of success, but above the letters "UA" for United, Banmiller wrote 100% and underlined it (Nulty).

The day's events provided much satisfaction to Banmiller and Nulty, who felt they had saved the brave Hawai'i airline from demise yet again. The two headed to Longhi's at Ala Moana Center for a salad and congratulatory drink, then each headed home. As Banmiller reach for the keys to enter his residence, a pain in the back of his head, every bit as intense as being clobbered by a 2X4, hit him. A doorman saw the Airline CEO staggering around and called an ambulance. At the hospital, doctors diagnosed the problem as an aneurysm in the back of his head. The condition was one that could quickly kill a person or from which the patient could recover completely. At the time, Banmiller's symptoms indicated the former possibility would prevail.

When Nulty learned of Banmiller's condition, he headed to the hospital to see his friend and business colleague. Banmiller's chances looked sketchy and a priest was called.

Aloha's management team had to keep Banmiller's condition hidden from view, otherwise it could affect United's willingness to move forward with the deal. Nulty and Kessler even talked about asking David Banmiller's twin brother to come over from California and sit at the CEO's desk, just to keep people from getting suspicious. Then

Kessler came into the room where Nulty was working and announced just about the worst news imaginable: United had pulled out of the deal.

Thus, when Banmiller recovered consciousness and asked about the airline, he learned the terrible truth. When Burkle's advisors informed their boss of United's decision, he said this was the end of his funding for Aloha. Banmiller, Nulty, and Kessler all knew that with minimal funds remaining in the bank, Aloha needed to start preparations for shutting down the airline, even while they searched for last minute solutions. Aloha could not legally continue to sell tickets it could not honor.

Gradually, Banmiller began to recover. He asked for his laptop, and propped up on a pole extending from the hospital bed, he began to work. Much needed to be done by declaring bankruptcy once again and getting a hearing set up. By Thursday, March 20, 2008, Aloha announced it had reentering Chapter 11 bankruptcy. Banmiller was ambulatory by then (Nulty). The choice of Chapter 11, versus the liquidation version, Chapter 7, gave Aloha just a little more time to find another solution.

On the next day, Friday, Banmiller appeared in bankruptcy court before Judge Lloyd King. The CEO revealed that the airline was down to $3.8 million in cash and that the next 10 days of operations would likely consume $2.3 million of that money. Banmiller outlined a willingness to sell the airline outright or in pieces. In particular, the profitable interisland cargo division could bring up to $13 million and buy the company more time to find a solution (Daysog "Aloha Airlines for Sale").

The following week brought a scramble to find such a solution. Aloha’s leaders contacted Republic Airways, a mainland regional airline, Mesa’s nemesis, and tried to strike a last-minute deal. It would be a tough sell, for Aloha had lost $81 million the previous year and $11 million so far in 2008. As the week progressed, Banmiller contacted other potential suitors, too, but no one wanted to buy an airline still bleeding from such a punishing fare war. Meanwhile, the owner of Young Brothers interisland barge service expressed interest in Aloha Cargo, as did other potential bidders, and the race continued to forge a deal. The week ended without any deals, and on Sunday, March 30, 2008, Banmiller announced that the next day would be Aloha’s final day of passenger service ("Last Aloha"). Time had run out.

Shutdown

Attorneys stand in the courtroom aisles this Monday afternoon, March 31, 2008, trying to stay loose for the possible fight ahead. Two of them discuss whether they'd be boating to the Kaneohe sandbar on the weekend. Casual talk, handshakes, and chuckles mimic the tone of just another day at the office. Their eyes reveal the tension, though, eyes moving way too quickly to scan each new entrance into the courtroom, sometimes followed by a whispered, "Who's that?"

The attorneys exhibit a clear pecking order. The lowest in each pack are young and carry the big binders of support materials. Others surround the central figure of their group. The alpha of the largest group in the center of the room wears a red tie of power, a tall man with grey hair and somewhat narrow nose. He is lead attorney for GMAC, the lender that has most to benefit from a liquidation of Aloha Airlines. A bad sign. At least twice he and Aloha's CEO Banmiller speak, hand held up each time to keep the whisper from being heard by others. Another bad sign. Banmiller's tie is uncharacteristically subtle, blue with a delicate gold pattern. Make that three strikes. In an act of irony an assistant for the judge asks the media to take seats in the jury box. The courtroom will be filled and turning away spectators today.

Outside the courthouse in Fort Street Mall, hundreds of Aloha employees mill around. None are talking about boating. The atmosphere today is that of an execution, and the family, hundreds of them, are here with disbelief. They are a discouraged lot, disappointed that an airline from the mainland is getting away with such unethical and illegal tactics to take Aloha down, disappointed that their governor and attorney general failed in any real degree to respond to this attack that threatens the whole state, disappointed that Banmiller is no Hung Wo Ching who can rally the citizenry and shame the governor or legislature into doing what is right, disappointed by so many events that all contributed to the arrival of this awful day. A slim hope is that another airline has offered to buy Aloha, and both the shutdown and liquidation will be called off. No hint is made of such an action. A stay of execution from the governor, perhaps? The TV stations say she is sending a state attorney with the purpose of temporarily halting the shutdown, so a sliver of hope remains. Labor groups, unsecured creditors, and surely others will argue against this shutdown. The arguments will be long and drawn out, and it only takes one valid argument to halt this planned shutdown.

Besides, Aloha is the airline that refuses to die. There's too much history of this airline bouncing back from far worse predicaments. If ticket prices returned to rational levels Aloha could be viable tomorrow. It would all be just a bad dream. Guards invite the employees to ascend the stairs and enter an adjoining courtroom where the trial will be presented on large TV monitors. Monitors in the active courtroom reveal the employees filling up the second courtroom.

The action will begin shortly in the courtroom of Judge Faris. He presided over the bankruptcy of both Aloha and Hawaiian, and also stung Mesa with the large award to Hawaiian Airlines in the illegal use of proprietary information trial. Judge Faris is not here today, though. A relative of his works for one of these law firms, and instead Judge King will preside.

All rise as the judge enters. King's mostly-grey hair is a bit too long, a hair style you haven't seen since your high-school days. He's relaxed on the bench from running a bankruptcy court for many years, though, and it's clear that no attorney is going to be leading this judge anywhere the judge does not wish to go.

The various parties identify themselves in the courtroom. Following those physically present, several voices check in from a speaker that is connected to a dozen phone-in attorneys on the mainland. Aloha's legal team begins its presentation. The progression could not go more smoothly, for they are obviously well-prepared.

Aloha's attorneys have now reached the point where they ask the judge to shut down the passenger operation. Aloha CEO Banmiller sits in the front row facing the media in the jury box. Not a second of eye contact from the man, nothing but poker face. Now is the time the trial should become interesting, but the judge surprises all with his reply that he will not issue a ruling to shut the airline down. As he sees it, management has requested that the airline terminate service and that act decides the matter.

With that brief explanation, Aloha's death warrant has been signed. The presentation halts for a few seconds while attorneys digest these words. The crowd makes not a sound and a monitor reveals that the courtroom filled with employees is just as still.

A voice blurts out from the speaker; it is one of the remote attorneys monitoring the trial. He represents Aloha's flight attendants, and the judge grants this voice from thousands of miles away a chance to argue his point. A legal precedent is cited which should affect this shutdown, but Judge King responds that the ruling affects cases in Chapter 11 bankruptcy and this matter has now moved to Chapter 7. Objection denied.

The attorney sent by the governor says not a word.

The legal discussion resumes. Now there is no longer a question of whether Aloha will die. The parties are preparing to carve up the bird. Mercifully, the judge soon recesses for the day.

Final Flight

While Banmiller lays out the Airline's strategy in bankruptcy court this Monday afternoon, others take care of business at the airport. The plan today is to bring all of Aloha's mainland jets home and not send any more across the Pacific. Interisland flying will go on as usual. This way, all birds will roost in Honolulu before the stroke of midnight and enable an orderly shutdown.

Aloha's workers carry out their duties, enabling passengers to reach their destinations. Emotions run high. Some employees are tearful, many hug, but they do their jobs, they take care of the customers.

The final flight is scheduled to return from Maui at about 10:45pm. Some Aloha employees fly to Maui just to ride back on this last flight. A thousand people, mostly Aloha employees, gather for the arrival of the flight. Tomorrow morning, 1900 former Aloha workers will be unemployed. Some wear leis to pass along to others. The terminal is packed. After passengers deplane the final round of hugs and tears begins. The family will never be together again.

Sifting Through the Wreckage

April 1, 2008, brought an eerie sight to Honolulu International Airport. A seldom-used taxiway near the beginning of Runways 4 Right and 4 Left contained a good portion of Aloha's fleet. Since Aloha would no longer pay for the gates, the airport would no longer accommodate the jets near the terminal. Those jets at the terminal were soon moved to the taxiway. The older interisland jets possessed far less value than the long-distance Boeing 737-700s, and many remained parked here for an extended period. The valuable jets disappeared quickly, as leasing companies returned them to the mainland for repainting and deployment in new assignments.

The calm of Aloha’s fleet contrasted with the turmoil underway in other locations. Phones rang constantly at travel companies as concerned vacationers asked how Aloha's failure will affect their ability to take their upcoming vacation. In all, about 16% of Mainland to Hawai'i seats disappeared as ATA and Aloha went out of business. Not too surprisingly, economists would later see that visitors from the mainland U.S. dropped about 16%, too. Far more pressing problems demanded the attention of travel companies, though. Thousands of travelers who had arrived in Hawai'i aboard Aloha planes now lacked reservations to get home. Many other airlines were traveling with full planes now, leading to a big jump in airfares throughout the near future. Some travelers could not afford expensive tickets home. Fortunately, several hotel chains offered discounts of as much as 50% to displaced Aloha customers. Hawaiian Airlines added an extra flight to Los Angeles to help the Aloha passengers return home, and Hawaiian quickly announced plans to begin regular service to Oakland, in an attempt to fill the void left by Aloha.

Hawaiian Airlines anticipated a flood of ticket counter inquiries Tuesday morning and opened its doors at 4 am to accommodate the crowds. Both Hawaiian and go! stated a willingness to accept Aloha tickets for travel on a space-available basis, after other passengers had been accommodated. Trying to find an empty seat could be quite a challenge that week, however. With nearly half the capacity of the interisland market now parked on that Honolulu International Airport taxiway, finding empty seats would indeed be a challenge. Aloha scheduled between 11,000 and 13,000 seats daily between Hawai'i's major cities. Now go! announced plans to add 2,000 seats and Hawaiian planned 6,000 more seats, still leaving a fairly large reduction in capacity (Wiles). To help muster those seats, Hawaiian enlisted one of its long-range Boeing 767 jets for use on the Honolulu to Maui leg, for the purpose of supplementing the smaller Boeing 717 jets. The 767 was ill-suited for this short-distance flying, owing to the slow turn-around time for such a large aircraft, but Hawaiian found the means to keep passengers moving between the islands.

Aloha’s longtime ally First Hawaiian Bank teamed up with the City of Honolulu to offer a job fair for former Aloha workers the following week. The idea was to find ways to keep as many of these employees as possible employed so that the local economy wouldn’t be crushed by the migration of such a large number of workers to the unemployment lines.

Governor Lingle had put in an 11th hour push to see if the legislature could come up with something to get Aloha airborne again. Kirk Caldwell, Democratic majority leader, responded that there were no moves left that the legislature could take.

At Aloha Airlines executive offices, things were anything but quiet at the moment. A number of loose ends needed to be resolved quickly. Two divisions of the airline, air cargo and Aloha’s airline services division, continued to make profits and had been spared the ax, at least temporarily. Of the two, Aloha Air Cargo stood out as the most troublesome, because a controversy brewed regarding which pilots would continue to fly. Under the seniority system of the pilot's union, the most senior pilots should be afforded an opportunity to bid for the remaining jobs at the company. Potential bidders for the cargo division didn't like this idea and sought to retain the current, relatively young pilots. Some outsiders questioned the need to follow a union contract after the airline entered Chapter 7 bankruptcy.

The pilots played their only remaining card: a threatened work stoppage if the seniority rules weren't followed. This threat could seriously impact the state because Aloha Air Cargo provided the only air cargo service between major Hawaiian Islands. Perishable items such as fish, flowers, and bread could not be transferred to the much slower barges of Young Brothers. By now, Senator Inouye's office had become a sort of defacto clearing house for issues dealing with Aloha Air Cargo. When the senator learned of the pilot's willingness to strike, he pulled whatever support he held for the group and the die was cast. When Saltchuk, the owner of Young Brothers barge service, gained control of Aloha Air Cargo, the junior pilots were the ones who made the move.

Similarly, Aloha contract services found a new home, and the sales proceeds went to pay the next in line at bankruptcy court.

Hawaiian Airlines quickly announced plans to hire a considerable number of employees, with preferential hiring given to former Aloha employees. For those lucky few who made the transition to Hawaiian Airlines, this opportunity was a blessing. Senior Aloha captains began as junior copilots all over again, but at least they still maintained a domicile in Hawai'i and for an airline too strong for Mesa to take down.

Under the traditional economic model, other companies would now enter the market and jobs in a similar line of work would open for the former Aloha employees. While some hiring took place in the state by Hawaiian Airlines, nowhere near the former number of jobs materialized. For one thing, go! didn't hire pilots or flight attendants locally. Even if it did, the pay was so low and the animosity felt towards this company so high, few Aloha employees would consider making this jump. Further, the majority of flights added to fill the void on mainland to Hawai'i routes were added by mainland-based companies. Fabulous jobs as pilots, flight attendants, mechanics, and other positions gradually opened up, but they were based in places such as Seattle, San Francisco, and Los Angeles. In other words, many excellent airline jobs had permanently relocated to the mainland, and there was nothing temporary about it. That mainland hiring didn't take place nearly as quickly as one might expect, however, because the next act of this tragedy was about to unfold.

The high-rollers of America's financial community engaged in practices such as packaging large numbers of mortgage loans together and then selling these as a unit to other organizations. The advantage of packaging was that risk of an individual mortgage loan going bad was greatly tempered by the quantity of loans included within each package. Unfortunately, mortgage lending procedures had become so lax in recent years and property values had grown so hugely, that these packages of mortgage loans were of questionable value should a shock rattle the mortgage market, which of course it did. A mild dip in the economy led to a dip in housing prices, which led to some mortgage defaults, which led to talk about a problem with sub-prime mortgages, which led to a further plunge in the economy and in housing prices, which led to more defaults and … you get the picture. A full-fledged economic meltdown began, and it wasn't just an American problem because these toxic sub-prime mortgages had been sold worldwide. By the time things bottomed out, the stock markets traded fractions of their former values and unemployment climbed to unimaginable levels. This was the economic condition that soon greeted the former Aloha employees as they sought to find new employment.

The situation worsened still further. The loss of ATA and Aloha prevented the degree of air travel discounting that prevailed in other vacation markets, and as a result, Hawaii suffered a disproportionately heavy loss of tourism dollars. Why vacation in Hawaii when bargain ticket prices enticed travelers to head for most other tourist destinations? In previous economic downturns, Hawaii lagged behind other states before the brunt of the recession arrived, but this time around the Aloha State suffered a one-two-three punch from the loss of Aloha Airlines, a deep recession associated with the subprime mortgage fiasco, and much deeper discounting of airline tickets to other vacation destinations compared to what transpired on mainland to Hawaii routes.

Eventually, though, the mortgage meltdown ran its course and the economy began to slowly bounce back. Airlines indeed added new capacity on the mainland to Hawai'i routes to fill the voids left by ATA and Aloha. Of the airlines most aggressively adding flights, none surpassed Alaska Airlines. This Seattle-based company offered flights that overlapped many of Aloha's former routes. Passengers responded positively, and Alaska added even more flights. The airplane that made this expansion possible was none other than the Boeing 737-800, the same jet that Banmiller, Kessler, and Nulty believed would become the salvation of Aloha's long-distance routes, if they had only been given the chance.

As for the effects of Aloha's demise upon a large portion of its former employees, the consequences were every bit as bad as one might imagine. Many former-Aloha families lost houses, cars, and other material goods. The non-tangible effects of the job loss were sometimes crueler, however. When airlines undergo layoffs or failures, a great strain is placed upon individual families, and a surprisingly large number of divorces transpire within the coming few years. Some former Aloha employees lost their ability to properly cope with the new reality of life without Aloha. One long-time veteran of Aloha Airlines had a son employed as pilot with Aloha at the time Aloha failed. The son needed to support a family and took a job flying with an airline in Japan. The problem was that the son had serious trouble adjusting to the jet-lag caused by flying in Japan and then commuting home to spend time with family. The young man's availability of free time was now severely restricted, too. Medication taken to help with sleep problems caused other problems in the son and he was on the verge of losing his new flying job. The father traveled to Japan to speak with the young man's employer but while in a skyscraper the father caught sight of his son passing downward outside the window in a suicidal leap.

By the end of April, 2008, Mesa and Hawaiian Airlines reached a settlement regarding the $80 million dollar bankruptcy court award. Mesa paid Hawaiian $52 million (Daysog "Mesa Settles"). One problem this settlement caused for Aloha's creditor's such as Yucaipa, however, was that Mesa had so little money left in the bank that any additional legal awards of this size would place Mesa in bankruptcy. The claimant might recover less money than was spent on legal expenses. Yucaipa had gained rights to the Aloha lawsuit since the one creditor in line ahead of Yucaipa, GMAC, had already been made whole by the bankruptcy court. Of any additional value that could be extracted from the former Aloha Airlines, approximately 95% of that value would now belong to Yucaipa.

Could the gamble to put Aloha out of business have been worthwhile for Mesa? Hardly, as Hawai'i air travelers avoided go! even more carefully than they had done while Aloha survived. Comparing go!'s November, 2008, loads with the same month the previous year, go! carried only 1.3% more passengers even though its capacity was up substantially ("Go! Carries"). Virtually all of Aloha's passengers were flying on Hawaiian Air, and Hawai'i's largest airline now carried in excess of 84% of all interisland travelers.

The joke went something like this: Who won the battle between Aloha and go!? The answer? Hawaiian Airlines. Although Hawaiian's time in court revealed most everything Aloha needed to win a decisive legal decision over Mesa, Aloha didn't press forward with its case in time to save the airline. Most likely Banmiller wished to see the court action take place sooner, but Yucaipa negotiated directly with Ornstein for much of the battle, and if Yucaipa agreed to a delay in the court date, Banmiller could do little to bring back the original schedule.

Of course Banmiller would never tell anyone outside his most trusted circle of his concerns with Yucaipa, the CEO was far too loyal to his employer, a loyalty that made labor uneasy about their CEO at times. David Banmiller must have been one frustrated soul as Aloha reached the end of the line. He had kept the struggling airline aloft after his arrival long enough to find a willing new investor, he negotiated all the cost savings needed to turn this airline around, and he even paved the way for a merger with United in the eleventh hour. Aloha would have survived the fare war if not for a series of events that occurred in those final months: a spike in fuel prices, whispers within the financial community that subprime mortgages would create financial havoc, and a parent company that inadvertently kept Ornstein in the game and court dates in flux by negotiating with the airline's nemesis. No doubt such thoughts tormented Banmiller on sleepless nights.

As for Aloha's employees, their frustrations lay with Ornstein, the creator and conductor of this plot, and with government officials who allowed go! to sell its predatory fares for years without any challenge whatsoever. The politicians lacked the will to disrupt a popular fare war and they lacked the foresight to understand just how seriously the loss of Aloha Airlines would disrupt the state's economy.

Then on November 28, 2008, Yucaipa dropped a bombshell that enraged Aloha's former employees. Yucaipa had reached a settlement with Mesa in which Burkle's company promised not to pursue legal claims against the Arizona company. In return, Yucaipa received $2 million in cash and certain considerations in terms of income from go!. Yucaipa also agreed to use its position to acquire the rights to Aloha's name from the court and transfer this name to Mesa (Gomes). Presumably, go!'s jets would soon wear the name Aloha. In the minds of Aloha's former employees, this move constituted a grievous outrage. They had built the good name Aloha along with other employees over a period of 60 years. A mainland company comes along, soils their own name through unethical behavior and poor service, then simply buys the name of their victim on the open market. In the minds of Aloha's former employees, America's political and judicial systems were unquestionably broken for such a travesty to occur.

In December, Aloha bankruptcy trustee Dane Field held an auction for the Aloha name and other intellectual property. Of course Yucaipa won with its millions of dollars of credit available from Yucaipa's position as number one secured creditor. Judge King didn't immediately approve the sale, however. Months later, a hearing took place to consider the issues involved.

Buying Aloha

On March 3, 2009, Judge King's courtroom once again hosted teams of attorneys and onlookers to argue over, and soon learn, the fate of the name "Aloha Airlines." Nearly two dozen former Aloha employees shuffled into the wooden pews of the courthouse. Many hoped to testify. Blue jeans here, a pair of tennis shoes there, a yellow Aloha T-shirt, a ragged logo cap, and plenty of grey hair revealed this group to be retired foot soldiers of the airline: passenger agents, mechanics, and machinists who had spent their lifetimes at Aloha. They came out of respect for the airline that had provided their livelihoods for so many decades. They also came to witness this final disgrace.

Honolulu Advertiser reporter Rick Daysog scored one of the better seats this morning. He sat in the front of the courtroom directly behind the trustee. Short with dark hair, aloha shirt, and a ready smile, Daysog presented a disarming image as he held notepad and pen beside him. This could indeed be a newsworthy session. Even the court calendar suggested uncertainty. A one week postponement of the hearing raised eyebrows, and the court schedule now revealed a procedure entitled "order to show cause" preceding the motion for name sale. That the judge himself had instigated the order raised even more questions.

Even the lineup of attorneys suggested concern. The Honolulu-based attorney for Hawaiian Airlines was conspicuously absent. In his place, Sid Levinson would argue Hawaiian's case telephonically from California. Levinson was the brilliant trial attorney who had led Hawaiian's successful $80 million suit against Mesa. To see a major-league home run champion warming up for a sand-lot game suggested something indeed was afoot.

Still, if asked to place bets on the outcome, most present would wager on Yucaipa and their new teammate Mesa.

Judge King entered the courtroom and took his seat. The cursory introduction of those attorneys in the room and phone-based now completed, King dove into the order to show cause.

"I have here a letter from *Honolulu Advertiser* reporter Rick Daysog claiming that he was not allowed into the auction for Aloha's intellectual property. This was supposed to be a public auction and the proceedings may well have been compromised by this action."

The judge quickly shifted his questioning to Hawaiian Air's attorney, 2400 miles away. "What is your client's position, Mr. Levinson, regarding last hearing's request for the court to return Hawaiian's $50,000 deposit in the bidding?"

Levinson hadn't expected a fastball so early in the game and he stalled by stating the obvious. "We are still a backup bidder and the money has not been returned for that reason."

Satisfied with this response, Judge King next addressed the audience. "Ladies and gentlemen, many of you came here to testify today, but should Yucaipa be disqualified and the sale go to the backup bidder your testimony may not be necessary."

The judge then added, "My concern is that if we say this sale is invalid, Yucaipa will just come back with its millions in credit once again and there will be no consequences for what happened to Mr. Daysog."

Levinson understood the trajectory now. King intended to award Aloha's name and intellectual property to his client, Hawaiian Airlines. Circumstances had changed, and

Hawaiian no longer desired to win this contest. In fact, the Aloha name would become a lightning rod for Hawaiian.

"Your honor," the voice of Levinson rose from the speaker, "We understand that we're the backup bidder, but we no longer want to be in that position. We'd prefer to see our deposit of $50,000 be refunded."

More resistance followed. Yucaipa's Klyman argued "There was no collusion, no wrongdoing and my client should not be penalized."

Judge King's characteristic smile as he spoke now vanished. "The exclusion of a reporter is an outrage. This is the United States of America and you just told a reporter no."

But even the attorney for the former Aloha mechanics and machinists, a redhead named Rebecca Covert, spoke against an award to Hawaiian.

"We would object to the sale. Aloha Airlines was founded for the good of the common man. Another airline should not use that name and goodwill."

His controversial remedy attacked from all sides, Judge King now turned to his fallback position. "The sale was not a public sale. The sale is declared invalid."

Thus, another delay of months would transpire before Yucaipa could win and Mesa could then receive the name Aloha Airlines. On Wall Street this day, shares of Mesa stock closed at less than a nickel a share.

Finale

The date was May 15, 2009, as the procession of former Aloha employees filed into Honolulu's U.S. bankruptcy court yet again. Two months earlier, a reporter's note to the judge provided an excuse for this delay, but now the time had arrived for the final act of this tragedy to play out. The attorneys in attendance knew the drill. The court must return as much value as possible from the fallen company to the topmost secured creditor while tossing a few bread crumbs to the trustee and unsecured creditors. Yucaipa was next in line and willing to use its credit to buy Aloha's intellectual property, including the name. Everyone who had read the newspapers knew the next stop for the name after Yucaipa gained control.

Judge Lloyd King entered the courtroom and all stood. He spent a little time on preliminaries and then, with a great deal of gravity, gazed throughout the audience and asked if anyone had an objection to providing Yucaipa with Aloha's name so that it could then pass that name along to go!. The collection of former Aloha employees traded quick glances. Of course they objected. They wanted to yell that in all their lives they had never known something as unjust as what was being proposed in this courtroom at this minute. How could they find the words, though? How could they do justice to such a pregnant question?

Moments passed.

Absolute silence.

"Well I have an objection," said King. "Mesa entered the Hawai'i interisland air market with the intention of forcing Aloha out of business. Mesa succeeded in inflicting great harm, not only upon the Aloha corporate entities but upon thousands of Aloha employees and families. Now, through Yucaipa, Mesa seeks to perfect its wrongdoing by becoming Aloha. It is difficult to imagine a court overlooking what Mesa has done and putting its stamp of approval on Mesa's subsidiary, go!, becoming Aloha" ("No 'Aloha'")

Judge King denied Yucaipa's request for Aloha's name yet again that day. Yucaipa appealed the decision, and in December Yucaipa received the airline's intellectual property and name with a stipulation that these never be passed along for use by Mesa.

Go! struggled along, lasting exactly six year beyond the final flight of Aloha Airlines. Towards the end of those years, Hawaiian Airlines discovered it could set ticket prices higher than go!'s and still fill up its planes, so determined were most Hawai'i residents to avoid flying on the airline that had killed Aloha. Including the cost of settling Hawaiian's lawsuit, the cost to Mesa for its go! experiment exceeded $100 million, a large amount to be sure, but an amount eclipsed at least a hundred times over by the cost to Hawai'i of losing its second largest airline.

Mesa never could buy Aloha. Instead, the name remains associated with its Hawaiian meaning, and with an airline whose employees delivered air transportation in a particularly caring tradition.

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