AIR LINE PILOTS ASSOCIATION, INTERNATIONAL
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October 26, 2009

VIA FACSIMILE & FIRST CLASS MAIL

Mr. Lawrence Gibbons
Director-Mediation
National Mediation Board
1301 K Street NW, Suite 250 East
Washington, DC 20005-7011

Re: Hawaiian Airlines (NMB Case No. A-13475)

Dear Mr. Gibbons:

On behalf of the pilots of Hawaiian Airlines, as represented by the Air Line Pilots Association, International, ALPA formally requests the issuance of a proffer of arbitration by the National Mediation Board in the above captioned case pursuant to Section 5 of the Railway Labor Act. The current collective bargaining agreement with Hawaiian Airlines was effective June 1, 2005 and became amendable on June 30, 2007.

The recent history of pilot negotiations is relevant to the Association's request. In 2003, and at the Company's request to avoid bankruptcy, Hawaiian pilots and other employees entered into concessionary negotiations. In those negotiations the Company sought $16 million of savings from employees. $8 million of that total was requested from pilots (fully half of the demand) even though the pilots' portion of company payroll (approximately $40 million at that time) was only one-third of the total. The Company further demanded that these concessions be in the form of productivity improvements and not pay cuts.

In an effort to help the Company avoid filing bankruptcy, the pilots delivered the entire $8 million of savings through work rule and productivity changes. Along with replacement of DC-10s by B-767s, these changes resulted in the furlough of 100 out of 400 Hawaiian pilots some of whom were furloughed for five years. As part of this concessionary deal, Hawaiian promised in writing that it would not file a Section 1113 motion to reject the pilot agreement if the Company had to enter bankruptcy later so long as Hawaiian's finances did not further deteriorate.

In 2003 the Company filed for protection under the bankruptcy code. Notwithstanding the above commitment, and even as the Company's financial condition was improving, the Company sought rejection of the pilot contract under Section 1113, arguing that it needed to eliminate the defined benefit pension plan, alter the scope clause and obtain further productivity enhancements. As financial reports show, and management officials acknowledged in our last mediation session, the Company made a substantial profit even while in bankruptcy.

To help the Company succeed and because bankruptcy court is not a level playing field for employees, Hawaiian pilots and other employees worked hard to reach consensual agreements which would facilitate the Company's bankruptcy emergence. While creditors received 100 cents on the dollar for their claims (unheard of in an airline bankruptcy), pilots agreed to a contract that had flat costs over its life. That contract, under which pilots still work, replaced pilots' defined benefit retirement plan with a defined contribution plan, increased pilot and retiree benefit contributions, changed the scope and job security provisions of the contract, and produced additional productivity concessions which were used to fund three very modest 1% annual wage rate increases. This agreement remains in effect today more than two years after its amendable date and long after the Company posted and continues to post positive, sustained and even record financial and operational performance.[1]

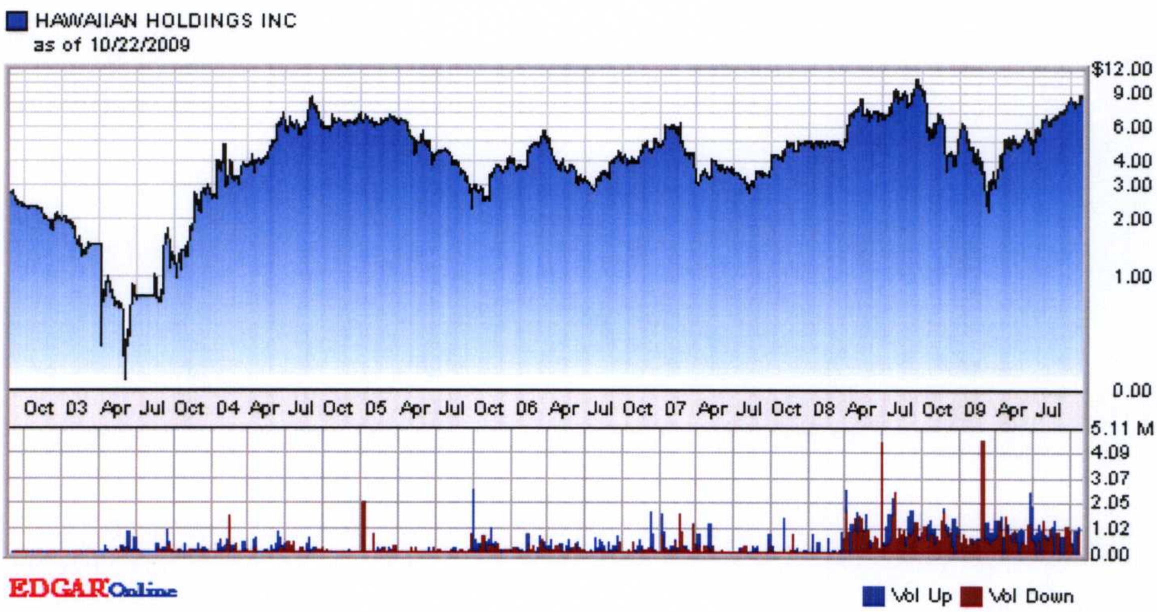
Negotiations for a replacement contract began in late 2006, with little or no initial progress. The Company initially refused to discuss improvements to the retirement plan and demanded that any contract gains be offset by equal concessions to produce another "flat cost" contract. In late 2007 the Company requested that ALPA enter into an Airbus Letter of Agreement that would grant relief to acquire and fly new, larger A-330 aircraft at the same pay rate as smaller, existing B-767 aircraft. (The pilot CBA permits ALPA to insist on completing negotiations for new aircraft before they could enter revenue service.) As part of the Airbus LOA, and because pilots were already concerned that management was delaying negotiations unnecessarily, the parties entered into a Negotiations Protocol Agreement. In relevant part, the parties agreed to continue direct negotiations for six (6) months and then enter a period of private mediation. If no agreement was reached by September 15, 2008, the parties agreed to apply jointly for NMB assistance.

The parties conducted regular direct negotiations through the spring of 2008. During this period ALPA once again set aside regular Section 6 negotiations to assist the company and agreed without delay to work rule changes that enabled Hawaiian to add flying and gain a larger share of the interisland market after both Aloha and ATA Airlines went out of business in the same week in April. In June 2008 the parties engaged former NMB mediator Richard Frey. Pursuant to the Negotiations Protocol

[1] Hawaiian is the nation's highest-ranked carrier for service quality and performance in 2008 in the 19th annual Airline Quality Rating study. Hawaiian has also led all U.S. carriers in on-time performance for each of the past five years (2004-2008) and has been an industry leader in fewest misplaced bags during that same period (#1 from 2005-2007, #2 in 2008) as reported by the U.S. Department of Transportation. Consumer surveys by *Conde Nast Traveler, Travel + Leisure* and *Zagat* have all ranked Hawaiian as the top domestic airline serving Hawaii. (Hawaiian Airlines Website)

Agreement, the parties met in private mediation with Mr. Frey but no agreement was reached by September 15, 2008. On September 16, 2008, ALPA requested mediation under the auspices of the NMB. The Company also submitted a mediation request. Mediation commenced in December of 2008 and has continued at regular intervals through October 2009. In addition to sessions officiated by Ms. Hedges and Ms. Sims, the parties have met on several occasions without the presence of Board mediators.

While the Company steadfastly maintains that its pilot contract is not competitive and that even more productivity improvements must still be achieved, Hawaiian's operational metrics and sustained financial performance from the time of its bankruptcy to the present, belie the Company's claim. Impressive financial gains and unparalleled operational performance are reflected in its stock price during the period described herein. Consequently, the chart below shows that the Company's stock has climbed steeply to its current level from the time of its bankruptcy.



In short, HAL is one of the most profitable U.S. airlines over the last 8 years. It has recorded quarterly net profits which averaged over $27 million in the past three quarters, registered a record profit in 2008 and will, it appears, duplicate that performance this year. The Company has purchase orders for up to $4.4 billion in new Airbus aircraft, is expanding internationally and has an extremely enviable competitive position in the Hawaiian Islands where the Company dominates the market. That position improved last year with the demise of major competitors Aloha Airlines and ATA, and yet again just last week with Mokulele Airlines cessation.

The Hawaiian Airlines Board of Directors seems to agree that the airline's results are impressive. It increased the CEO's total compensation by 42% for 2008 and approved bonuses and awards for its top five executives of over $5 million in 2008 – in addition to salary! This is almost twice the amount needed, considering offsets, to fund ALPA's requested pay increases for 2010.

All the while, the Company argues that pilots must, in large part, "buy" compensation related improvements by producing work rule and productivity concessions. Based on their position at the negotiation table, one would think that Hawaiian Airlines is actually losing money. The Company will proudly celebrate its 80th anniversary next month. Unfortunately, pilots and other employees are now "celebrating" eight years of Company efforts to pick their pockets at the same time that senior executives are richly rewarded.

Some progress has been made both in direct negotiations and mediation and there are some twenty (20) tentatively agreed items. The vast majority of these are issues initially raised by management under the heading of "productivity enhancements" and "management prerogatives." Management continues to insist – after three years of negotiations -- that ALPA must offset Company-provided economic improvements with even more productivity gains.[2]

Hawaiian Airlines pilots are now working on a bankruptcy-era contract laden with concessions that is more than two years past its amendable date in a bargaining cycle where pilot groups at demonstrably less successful airlines are bargaining substantial improvements without the concessions that Hawaiian management is now demanding. ALPA is seeking modest compensation-related improvements in amounts that have been discussed carefully with and documented for the Board's mediators. ALPA has also detailed for the Board its willingness to consider reasonable contract modifications that address many of management's concerns. The Company, however, continues to insist that it will not agree to increase costs consistent with ALPA's offers without substantial offsets.

Negotiations are now down to a few compensation and work rule items with the entire four-year dollar gap between the parties' positions roughly equal to the bonuses that were paid to the top 20 managers in 2008. These substantial bonuses are expected to be paid to senior management again this year.

Regrettably, ALPA has now concluded – despite pilots' efforts over many years to save the Company, address its legitimate needs and work to reach a consensual agreement –

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[2] Unfortunately, the Company's approach to negotiations is not unique to ALPA. Hawaiian Airlines IAM members recently rejected a tentative agreement in which management demanded that Company 401(k) contributions be reduced from current levels to fund new pay increases.

that a proffer of arbitration is necessary. Pilots have been negotiating earnestly for three years and private mediators and the NMB have worked hard to facilitate resolution of remaining issues. But we are now more than two years past the CBA's amendable date and the Company, despite record profits and amazing performance by all Hawaiian employees, continues to demand that modest and reasonable economic improvements must be offset by substantial economic and productivity concessions.

The Company continues to insist that its present business plan requires significant sacrifice from pilots and other employees. That position is not justified by either the competitive environment, the Company's place in the industry, or its present financial condition. And there is simply no reason to believe that the Company will change its position without the release from mediation, imposition of a cooling-off period and a strike deadline.

Nor is ALPA willing to agree to the Company's contract construct after providing very substantial work rule, pay, benefit and job security concessions from 2003 on, as have other Hawaiian employees, and putting reasonable proposals on the table that would result in a contract that conforms to other pilot contracts negotiated in the post-bankruptcy environment. The Association believes that further mediation is not likely to lead to an agreement and that further bargaining, in the absence of a proffer, will be futile.

Accordingly, ALPA makes its request for a proffer of arbitration and trusts that the Board will give this request its prompt and favorable consideration.

Sincerely,

John H Prater

Captain John H. Prater, President
Air Line Pilots Association, International

cc: The Honorable E. Dougherty
The Honorable L. Puchala
The Honorable H. Hoglander
Mr. Mark Dunkerley
Captain E. Sampson
Mr. Bruce York