



# Hawaiian Airlines

90<sup>th</sup> Anniversary Economic  
Impact Report



July 2019

## Table of Contents

Executive Summary .....	3
Introduction .....	6
Economic and Community Impact .....	8
Passenger and Visitor Spending .....	10
Inter-Island Service .....	14
Cargo Impacts .....	17
Capital Expenditures .....	19
Operational Expenditures .....	22
Charitable Giving .....	26
Looking Forward .....	27

# Executive Summary: 90<sup>th</sup> Anniversary Economic Impact Report

On Armistice Day, November 11, 1929, two Sikorsky S-38 aircraft took off from Honolulu and embarked on a three hour and fifteen-minute flight bound for Hilo, with only a short stop in Maui along the way. Today, these flights are celebrated as the first scheduled commercial airline service in Hawai'i.

Stanley Kennedy, a World War I naval pilot who was born and raised in Honolulu, had a vision to connect the Islands by way of the skies. "It is gratifying to report that our efforts to give the public a better service has been appreciated," Kennedy wrote in the company's 1930 annual report, a year in which Hawaiian Airlines (HA) transported 13,043 guests, including 2,676 passengers who enjoyed sight-seeing tours in a single-engine Bellanca aircraft. "The large number of passengers that we have carried between the various islands clearly shows the public's response to our endeavors."



Kennedy's "better service" originated under the name Inter-Island Airways, and has since blossomed into Hawaiian Airlines. HA now serves close to 12 million passengers annually and continues to play a critical role not only in connecting people and cultures among the Islands, but also linking Hawai'i to the rest of the world.

This year, Hawaiian Airlines celebrates its 90<sup>th</sup> year of service. To mark this occasion, the airline commissioned ICF to conduct a report to quantify the impact that HA has on the State of Hawai'i and what it means to the state's economy as well as the community. As the largest airline in Hawai'i, HA is a significant driver of economic activity in the region and plays a key role in supporting local industries, bringing visitors to the region, and transporting cargo and critical supplies.

Consider the following:

- Hawaiian Airlines is one of the largest employers in the state, with some 7,300 employees across its network; more than 6,600 live in Hawai'i, contributing to the economic and social fabric of the state.
- The airline's parent company, Hawaiian Holdings Inc., with \$2.84 billion in revenue in 2018, is the number one public company in Hawai'i, according to Pacific Business News' 2018-2019 Book of Lists.

- According to U.S. DOT figures, HA carries more passengers who are starting or ending their trip in Hawai'i than any other airline.
- In 2018, HA supported 284 non-profit organizations. Donations from the airline came in the form of cash donations, in-kind donations to 501(c)3s, and the Hawaiian Airlines Foundation. Over the last five years, HA has donated more than \$2 million to local charities and non-profit organizations. HA employees and their families are also active volunteers in their communities.
- Due to the state's unique geography, HA provides a service to Hawai'i that is unmatched anywhere else in the U.S. and most of the world. The regional economy would be severely stalled without the airline's inter-island, domestic, and international flight services.

ICF's analysis of the most recent available data shows that in 2018, HA generated the equivalent of \$9.3 billion for the economy, supported 60,600 total jobs, and transported 2.7 million passengers to the Islands. These numbers are a result of the multiplying effects of HA's direct industry activity; \$1 of HA's direct activity produces a total effect that is nearly 2.0 times greater than the initial spending. For example, when wages are paid to airline employees or when airline passengers spend money on tourism, these dollars ripple through the economy and generate a secondary impact that doubles its size. This secondary activity is felt across the economy as each dollar is being spent at a wide range of local businesses.

## A state-based airline

Unlike other airlines that operate in Hawai'i, HA has always been, and continues to be, based in the state. Because every one of its flights starts or ends its journey in Hawai'i, most of its pilots, cabin crews, mechanics, and administrative staff are based locally. Further, because Hawai'i is a remote archipelago, aviation takes on an outsized importance. Civil aviation contributed to 19 percent of Hawaii's GDP in 2014<sup>1</sup>.

The state's businesses are further supported by HA's role in providing the critical infrastructure necessary for the economy to function. Due to the state's unique geography, HA provides a service to Hawai'i that is unmatched anywhere else in the U.S. and most of the world. "There is no other state that relies so heavily on air transport to connect itself geographically," says Paul Brewbaker, a local economist with deep knowledge of the Islands' economic and cultural history. "To paraphrase former Governor [Linda] Lingle, HA is the freeway system for the Hawaiian Islands." The impact of Hawaiian Airlines can be further considered in the context of its commercial passenger and cargo services.

<sup>1</sup>Sept. 17 FAA report on the Economic Impact of Civil Aviation on the US Economy



# Executive Summary: 90<sup>th</sup> Anniversary Economic Impact Report

## Commercial

In 2018, HA was the number one global provider of seats to and from Hawai'i, and the number two global provider of flights to and from Hawai'i. This amounts to about 11.8 million total passengers who fly to, from and between the Islands with Hawaiian Airlines and continue to spend money throughout the state on commodities such as food and beverage, retail, car parking and rental expenditures.

## Cargo

Businesses in Hawai'i rely on imports to fulfill nearly half of industry demands (see page 18) and many rely on daily cargo shipments of high value and perishable goods from both Neighbor Islands and the U.S. Mainland. The state's economy greatly benefits from the airline's ability to provide a critical component of infrastructure to meet the demands of industries such as healthcare, food and beverage, retail, and veterinary services. Only dedicated freight carriers such as UPS and FedEx carry more cargo to Hawai'i than HA.

Because of HA, businesses in Hawai'i are able to reach markets all over the globe. Goods exported from the state support over 3,200 jobs and the direct income from major export industries continues to grow, increasing 25% from 1990 to 2016. Each week Hawaiian Airlines exports about 500 tons of goods from across the Islands to the U.S. Mainland alone, adding \$129.7 million to the Islands' economy.

## Culture and Community

The impacts that HA provides to the state of Hawai'i are not only felt in the economic benefits the airline delivers, but also in its cultural contributions and service in the community. HA has built strong relationships within the state of Hawai'i and plays a critical role in the day-to-day business activities of countless regional organizations and the residents who benefit from the availability of those goods and services.

This report features a handful of HA's partners who shared their experiences of working with the airline and the level of reliance each organization has on Hawaiian Airlines in their quest toward achieving their respective missions. These profiles include stories of businesses that have relied on HA for services such as delivering perishable medical supplies, transporting high value cargo and even enabling the transportation of students between neighboring islands for athletic competition and community service opportunities. Their stories will likely resonate with countless businesses, organizations and families who live in Hawai'i.

Looking back through the airline's 90-year history, it is difficult to imagine that any of those first passengers on Inter-Island Airways' Bellanca sight-seeing tours could have foreseen just how important

HA would become to the region and its residents. What started as a vision to connect the Islands has expanded dramatically to meet the needs of the state and to allow HA to compete in a global economy.

When assessing both the economic and cultural implications of HA's activities in the state of Hawai'i, what emerges is a picture of a company that is not only a strong driver of the state's economy and its unique culture, but a key linchpin that significantly affects the daily lives of Hawai'i's citizens and the countless businesses and organizations that rely on its services.

2018

GENERATED

**\$9.3B**

OF ECONOMIC  
BENEFIT

SUPPORTED

**60,600**

JOBS

TRANSPORTED

**11.8M**

PASSENGERS ON  
HA FLIGHTS

TRANSPORTED

**6.3M**

PASSENGERS  
BETWEEN ISLANDS

“*There is no other state that relies so heavily on air transport to connect itself geographically.*”

— Paul H. Brewbaker, Economist



# Economic and Community Impact: Full Report



## Introduction

Airlines are key engines of economic development in the regions they serve. This is especially true in remote regions where roads and rail are not prevalent, so air transport takes on an outsized importance. This is a fundamental factor in the critical relationship between Hawaiian Airlines and the economy and people of the Hawaiian Islands.

ICF's analysis concludes Hawaiian Airlines' activity employs more than 60,000 workers in Hawai'i, supports more than \$9 billion in industry activity, and generates more than \$500 million in taxes. It has had a critical economic impact in each of its 90 years of service to the Hawaiian Islands.

The analysis in this report quantifies HA's 2018 economic impact on the state of Hawai'i. Hawaiian Airlines not only generates direct economic benefits from visitor and employee spending, it is also involved in generating regional employment and revenue through its spending on daily operations, its capital investments, and visitor and passenger indirect spending. Impacts are measured in terms of job creation, industry output, and tax revenue generated across the state's four most populous counties: Honolulu, Maui, Kaua'i, and Hawai'i.

These findings detail the value that HA generated for the state in 2018, demonstrating its crucial role in the economy by bringing visitors to the Islands, transporting cargo to and from the state, and providing the necessary infrastructure to enable mobility for residents, visitors and businesses alike.

As the preeminent inter-island passenger air carrier, and one of the top providers of transpacific passenger carriage, Hawaiian Airlines is an essential fiber running through the fabric of the state's economy and community.

“*Getting around the Hawaiian Islands, fast, is what HA does that makes it possible for the Hawaiian Islands' economy to thrive.*”

— Paul H. Brewbaker, Economist

2018

HA GENERATED

**\$3.22B**

IN VISITOR SPENDING

HA TRANSPORTED

**1.9M**

VISITORS TO HAWAII

HA EXPORTED

**500 TONS**

OF CARGO TO THE  
US MAINLAND EACH WEEK

HA IMPORTED

**765 TONS**

OF CARGO FROM THE  
US MAINLAND EACH WEEK

HA SPENT

**\$1.2B**

ON OPERATIONAL  
EXPENDITURES

HA SPENT

**\$106M**

ON CAPITAL  
EXPENDITURES



# Methodology

Airline spending initiates economic impacts in any region, not only through the direct purchase of goods and services from the surrounding economy but also through supporting employment and tourism. This is especially true in Hawai'i, where civil aviation contributes nearly one dollar out of every five to the state's GDP, a much higher rate than in any other state.<sup>2</sup> Hawaiian Airlines, which has employees in 100 of the state's 106 non-military ZIP codes, spends its money in the state and creates economic impacts via multiple pathways, from operational purchases and capital spending to employing airport workers and transporting passengers to and from the region.

Direct spending by HA and its visitors is the most straightforward economic impact. However, this direct spending represents only a portion of the airline-generated impact. The full economic impact of HA on the regional economy, including indirect impacts in sectors beyond the initial spending categories, can be assessed through economic impact modeling. For this analysis the Hawaiian 2012 State Input-Output model was used to determine the total 2018 economic impact of HA on the State.<sup>3</sup>

**Note:** see page 10 for definitions of important terminology.

## JOB IMPACTS<sup>4</sup>

Represents the annual job-years created by industry, based on the output per worker and output impacts for each industry.

## TOTAL INDUSTRY OUTPUT

Represents the total industry activity generated by the direct spending (gross sales).

## TAX IMPACT

Breakdown of taxes collected by federal, state and local government, including corporate taxes, household income taxes, and other business taxes.

## Hawai'i I-O Model

ICF utilized the 2012 Inter-County Hawai'i I-O model maintained by the State of Hawai'i Department of Business, Economic Development and Tourism (DBEDT) in this analysis. Used to assess inter-island and Hawai'i impacts, the model includes 68 sectors (or industries, such air transportation, utilities, construction, etc.) for O'ahu and 20 sectors each for Hawai'i, Maui, and Kaua'i counties.<sup>5</sup>

### The Hawai'i I-O model includes two types of impacts:

#### Type 1

Includes direct (impacts in the primary industries of spending) and indirect (impacts in industries that supply or interact with primary industries) impacts in the primary and secondary industries where spending by Hawaiian Airlines and its passengers would be focused. For example, this includes money spent to pay for salaries, supplies, raw materials and operating expenses. This is especially important for a company based in Hawai'i, because most of this money stays in the state. Even money that is spent outside of Hawai'i, however — such as the purchase of aircraft — still provides a benefit in the state.

#### Type 2

Includes direct, indirect, and induced (includes spending by workers who earn money due to HA) impacts, inclusive of primary and secondary industries as well as wage-related spending. For example, businesses initially benefiting from the direct effects will subsequently increase spending at other local businesses, creating an indirect effect.

The FAA considers indirect effects of the airline industry to include visitor expenditures to:

- Traveler accommodations (hotels, motels, etc.)
- Food and beverage providers (restaurants, bars, fast-food outlets and stores)
- Arts, entertainment, and recreation (museums, theaters and amusement parks)
- Visitor travel services (sightseeing, other tourist services and travel agencies)
- Ground transportation (to and from airports)
- Other on-and-off airport purchases of goods and services (souvenirs, etc.)

Induced effects are the results of increased personal income caused by the direct and indirect effects. Businesses experiencing increased revenue from the direct and indirect effects will subsequently increase payroll expenditures (by hiring more employees, increasing payroll hours, raising salaries, etc.). Households will, in turn, increase spending at local businesses. The induced effect is a measure of this increase in household-to-business activity.

<sup>2</sup>Sept. 17 FAA report on the Economic Impact of Civil Aviation on the US Economy

<sup>3</sup>Dollar values in this report are reported in real values, which are adjusted for inflation. Converting all values to 2019 dollars allows them to be directly comparable. It is best practice to report dollar values in the current year

<sup>4</sup>Full and part-time employment in job-years

<sup>5</sup>The inter-county model utilized in this report refers to Honolulu County as O'ahu



# Economic Impacts

This section provides a summary of the economic modeling results as well as a detailed discussion of the impacts associated with each spending category and industry impact.

## Summary of Economic Impacts

The tables below summarize the results of the economic impact modeling analysis by county. Table 1 represents the total economic impact of HA activity in 2018, while Table 2 shows the multiplier effect that direct activity related to HA has on each county. Findings indicate that HA supports 60,600 jobs annually, generates \$9.3 billion in industry output, and supports \$562.9 million in total tax revenue.

**Table 1: Total Impact of HA on Hawai'i (2019 USD)**

	O'ahu	Maui County	Kaua'i County	Hawai'i County	State Total
Jobs	30,300	14,570	6,680	9,060	<b>60,600</b>
Industry Output (\$ Billion)	\$5.60	\$1.80	\$0.80	\$1.10	<b>\$9.30</b>
Tax Impact (\$ Million)	\$359.20	\$96.20	\$41.40	\$66.20	<b>\$562.90</b>

Source: ICF analysis, numbers may not sum due to rounding.

The secondary effects of airline activity can be summarized through each multiplier. For example, \$1 of direct activity produces a total effect that is nearly 2.0 times greater than the initial spending. Thus, for every dollar of direct industry output generated by HA, roughly \$2.00 is returned to the economy of Hawai'i. Every dollar of direct industry activity that occurs due to HA has an impact that is twice its magnitude. When that direct spending, be it wages paid to airline employees or spending by airline passengers who are visiting Hawai'i, ripples throughout the economy it generates a secondary impact that doubles its size. This secondary activity is felt across the economy as each dollar is being spent at local supermarkets and stores, hospitals and day cares. HA multipliers are summarized in Table 2.

HA is a significant contributor to cargo activity in the state. HA imports over 61,700 tons of cargo annually to Hawai'i from both the U.S. Mainland and internationally, with a total value of over \$335.7

million. Similarly, HA exports nearly 30,300 tons of cargo each year to U.S. Mainland and international locations, with a value of about \$151.2 million.

As an island economy, Hawai'i is highly dependent on cargo services for inter-island transport. HA's high frequency of cargo-carrying flights therefore enable the state's economy in that capacity.

"Without airlines, there would not be an agricultural industry in Hawai'i," said Alfred Kuehlewind, who started CFI Perishables in the early 1970s as a one-man office in Los Angeles, shipping strawberries to Europe. Today, CFI operates 14 U.S. locations with more than 700 employees, specializing in airfreight exports and imports and the distribution of seafood, agricultural products, flowers and greens. They have some 100 employees in Hawai'i in five locations.

**Table 2: Multipliers of HA-Related Activity**

	O'ahu	Maui County	Kaua'i County	Hawai'i County	State Total
Jobs Multiplier	1.76	1.86	1.81	1.80	1.79
Industry Output Multiplier	\$2.23	\$1.72	\$1.73	\$1.76	\$2.00

Source: ICF analysis, numbers may not sum due to rounding.

# Impact Profiles

## Spreading the Aloha Spirit with the Help of Hawaiian Airlines

### KANILE'A 'UKULELE

The 'ukulele's history dates back to the late 19th century when the Kingdom of Hawai'i was still under monarchical rule. Today, more than 140 years later, the 'ukulele persists as a significant cultural icon unique to the Islands, bringing joy to the ears and hearts of millions.

Few people have been able to master the craft of building 'ukuleles like Joe and Kristen Souza, owners of Kanile'a 'Ukulele, in Kaneohe, Hawai'i. In the 20 years since Kanile'a 'Ukulele was founded, the company has grown from a one-man operation to a staff of 21 employees and has established itself as one of the top manufacturers in the industry amassing sales of over 20,000 instruments in total.

Part of the secret to the 'ukulele maker's success is its use of native island materials to make its instruments. The Souzas use naturally felled Koa trees as the main material for their 'ukuleles and have committed to planting a new tree for every instrument they manufacture. So committed, in fact, that the Souzas have purchased hundreds of acres of land in the State of Hawai'i for planting trees and sourcing their own materials for their instruments. "We are not just planting for what

we are currently building, but planting for future generations," says Joe.

### Connecting Business and Culture

While inter-island travel on Hawaiian Airlines for the reforestation project takes a significant amount of time, Joe and Kristen still aim to fulfill their vision "to make the whole world play an 'ukulele" and Hawaiian Airlines plays a major role in helping them fulfill that mission. The Souzas often travel to trade shows both internationally and on the U.S. Mainland with their instruments and staff in tow. For these trips, Joe says, Hawaiian Airlines is a natural choice due to the Souzas' trust in and loyalty to the airline and its cultural relevance.

"It's the whole Hawaiian experience, it's not just us as a company and what we bring as our product, but it's also the Hawaiian Airlines staff, demonstrating the Aloha Spirit," Joe says. "Using Hawaiian Airlines really aligns with who we are and what we're doing as far as sharing on a global level what we do as a 'ukulele manufacturer and our mission of spreading Aloha and how we inspire the soul using our instrument. Hawaiian Airlines is a pivotal player in us

being there." With the continued support of Hawaiian Airlines, Kanile'a 'Ukulele has expanded its reach globally and continues to work toward its mission of spreading "the aloha spirit" all over the world.

"There are so many ways in which Hawaiian has aided in what we do as a 'ukulele manufacturer from Hawai'i, knowing that we are a niche in a niche market. The 'ukulele has grown so much on a global level, the 'ukulele community requires us to be part of it. For example, earlier this year we were in Anaheim for National Association of Music Merchants, a huge trade show that had more than 80,000 people come over for a four-day event. Hawaiian allows us to be there and in the capacity that we need to be there as a team in order to service our dealers, distributors, and everything else taking place."

**“Using Hawaiian Airlines really aligns with who we are...and our mission of spreading Aloha.”**

— Joe Souza, Kanile'a 'Ukulele



Photo courtesy of Kanile'a 'Ukulele

# Passenger and Visitor Spending

In 2017, tourism accounted for 31% of all employment in the State of Hawai'i.<sup>6,7</sup> As the most prominent air carrier in the state, HA is responsible for bringing a large number of visitors to the Hawaiian Islands every year. According to the most recent figures available, the state of Hawai'i saw about 8.9 million visitors in 2017, generating a total spend of \$16.64 billion.<sup>8</sup>

Passengers on HA flights accounted for 25% of total enplaned inbound Hawai'i passengers in 2018.<sup>9</sup> In 2017, Tourism accounted for 204,000 jobs in Hawai'i — HA supported 14% of those jobs.<sup>10</sup> Based on information from the Hawai'i Tourism Authority, it is assumed that about 59% of visitors and passengers arrive at airports and begin their stay on the island of O'ahu, 21% on Maui, 13% on Hawai'i, and 8% on Kaua'i.

Table 3 shows the total number of in-bound visitors and passengers transported by Hawaiian Airlines, and their total spending in millions of dollars.

**Table 3: Economic Impact in State of Hawai'i from HA visitors and passengers**

	Total Number	Total Spending (\$ Millions)
Visitors (in-bound)	<b>1.9 Million</b>	\$3,220
Passengers* (in-bound)	<b>2.7 Million</b>	\$131

Source: HA, ICF Analysis, Numbers may not sum due to rounding

Note: See "Important Terminology"

## Important Terminology

**Visitors:** Number of non-residents traveling to Hawai'i on Hawaiian Airlines

**Passengers:** Number of total passengers traveling to and within Hawai'i on Hawaiian Airlines

**Visitor Spending:** Spending in the local tourism economy by non-resident visitors traveling on Hawaiian Airlines to Hawai'i

**Passenger Spending:** Airport spending activity by passengers traveling on Hawaiian Airlines to and within Hawai'i

**Direct Impacts:** Impacts in the primary industries where spending by HA and its visitors are focused, such as operations, airport employment, and tourism spending such lodging and restaurant/food purchases

**Indirect Impacts:** Impacts in the industries that supply or interact with the primary industries, for example when HA capital projects require the purchase of construction-related building materials

**Induced Impacts:** The increased spending by workers who earn money due to the proposed projects, such as when laborers use their wages at local restaurants

**Multipliers:** Coefficients that describe the response of the economy to a stimulus (a change in demand or production)

## Visitor Spending

Visitors to the Hawaiian Islands spend money on local transit, such as taxis and shuttles, lodging, dining, souvenirs, entertainment, and travel arrangements and reservation services. These visitors tend to have different spending patterns and varied lengths of stay depending on their country of origin. For example, visitors from Japan tend to spend over 30% less per trip than visitors from Europe and spend less than 50% as much time, per stay, in Hawai'i.<sup>11</sup> Using point of origin for passengers, ICF was able to determine the number of passengers coming from each market region: Europe & Canada, Japan, other Asia, Oceania, and East and West United States. The different spending patterns of visitors were then applied to determine a total visitor spend.

Table 4 shows the average dollar amount spent per visitor per trip by point of origin. For all points of origin, lodging makes up the largest

share of spending, though for other categories, spending patterns show a larger variation. For instance, European and Canadian visitors spend significantly less on gifts and souvenirs than visitors from other regions of the world.

Using average spending per trip and the total number of visitors, ICF was able to determine the total direct visitor spending that occurs in each Hawaiian county. As demonstrated in Table 5, of the \$3.2 billion of visitor spending that occurs in the State of Hawai'i, \$1.6 billion occurs on O'ahu, \$772 million in Maui, \$461 million in Hawai'i, and \$356 million in Kaua'i County. \$3.22 billion in annual visitor spending supports more than 47,300 jobs, \$6.6 billion in industry output, and \$454.2 million in annual tax revenue. Table 6 shows the impact of visitor spending on each county, again with O'ahu experiencing the majority of the impact.

<sup>6</sup>Bureau of Labor Statistics. Economy at a Glance. Hawai'i. <https://www.bls.gov/eag/eag.hi.htm>

<sup>7</sup>Hawaii Tourism Authority. Statement by George D. Szigeti. <https://governor.hawaii.gov/newsroom/latest-news/hawaii-tourism-industry-set-new-record-totals-in-2017>

<sup>8</sup>Hawaii Tourism Authority. 2017 Annual Visitor Research Report. <https://www.hawaiitourismauthority.org/media/2766/2017-annual-visitor-research-report.pdf>

<sup>9</sup>U.S. DOT T-100 Database

<sup>10</sup>Based on direct jobs supported by visitor spending

<sup>11</sup>Hawaii Tourism Authority, 2017 Annual Visitor Research Report. <http://files.hawaii.gov/dbedt/visitor/visitor-research/2017-annual-visitor.pdf>



**Table 4: Direct Visitor Spending (Per Visitor Per Trip, 2019 USD)**

	Europe & Canada	Japan	Other Asia	Oceania	U.S. West	U.S. East
Transportation	\$264	\$80	\$223	\$169	\$180	\$242
Lodging	\$1,000	\$501	\$626	\$976	\$755	\$942
Dining	\$514	\$311	\$438	\$545	\$350	\$442
Gifts/Souvenirs	\$187	\$397	\$637	\$585	\$159	\$201
Entertainment	\$201	\$116	\$218	\$249	\$149	\$228
Other Spending	\$66	\$64	\$37	\$157	\$39	\$127
<b>Total</b>	<b>\$2,231</b>	<b>\$1,470</b>	<b>\$2,180</b>	<b>\$2,681</b>	<b>\$1,632</b>	<b>\$2,181</b>

Source: ICF Analysis, Numbers may not sum due to rounding.

**Table 5: Direct Visitor Spending by County (\$ Millions, 2019 USD)**

	O'ahu	Maui County	Kaua'i County	Hawai'i County	State Total
Transportation	\$138.10	\$82.80	\$38.50	\$47.30	\$306.70
Lodging	\$641.00	\$349.30	\$162.30	\$202.60	\$1,355.20
Dining	\$341.80	\$164.70	\$76.10	\$98.10	\$680.70
Gifts/Souvenirs	\$301.50	\$83.50	\$37.30	\$58.10	\$480.40
Entertainment	\$144.80	\$70.90	\$32.70	\$42.00	\$290.40
Other Spending	\$59.20	\$21.00	\$9.60	\$13.30	\$130.10
<b>Total</b>	<b>\$1,626.40</b>	<b>\$772.20</b>	<b>\$356.40</b>	<b>\$461.50</b>	<b>\$3,216.50</b>

Source: ICF Analysis, Numbers may not sum due to rounding.

**Table 6: Economic Impact of Visitor Spending (2019 USD)**

	O'ahu	Maui County	Kaua'i County	Hawai'i County	State Total
Jobs	23,890	11,030	5,360	7,030	47,300
Industry Output (\$ Billion)	\$3.80	\$1.40	\$0.60	\$0.80	\$6.60
Tax Impact (\$ Million)	\$291.80	\$75.90	\$34.20	\$52.20	\$454.20

Source: ICF Analysis, Numbers may not sum due to rounding.

Table 7 shows the multiplier effect that visitor spending has on jobs and industry output across the State. One dollar of direct visitor spending supports \$2.06 in industry output in the State of Hawai'i, and one direct job related to visitor spending supports 1.7 jobs in the State. If the number of direct jobs related to visitor spend were to increase by 100, the number of total jobs supported would increase to 172, as secondary jobs would be created in the sectors that serve the primary industries of activity. For example, if those 100 jobs were supported in the hotel industry, we would expect the additional 72 jobs to be created in service providers such as food distributors, linen servicers, etc.

**Table 7: Multiplier Effect of Visitor Spending**

	O'ahu	Maui County	Kaua'i County	Hawai'i County	State Total
Jobs Multiplier	1.65	1.85	1.78	1.75	1.72
Industry Output Multiplier	\$2.35	\$1.77	\$1.75	\$1.81	\$2.06

Source: ICF Analysis, Numbers may not sum due to rounding

## In-Airport Passenger Spending

Passengers on HA flights contribute to Hawaii's economy in many ways, but their first and last dollars spent while in Hawai'i are likely contributed through in-airport spending. In this report, ICF's analysis of in-airport passenger spending includes spending by in-bound passengers flying to Hawai'i from the U.S. Mainland or international destinations and is non-inclusive of passengers of Neighbor Island travel.

Of the \$131 million of HA passenger spending that occurs in the state's airports, the majority is on O'ahu and stems largely from spending on car rentals (\$106.5 million), as detailed in Table 8. Direct passenger spending spurs secondary impacts. For example, passenger spending

at an in-airport retailer, such as a concession stand, triggers the retailer to increase their inventory, generating secondary activity down their chain of suppliers. To further illustrate this point, passenger spending helps support wages at businesses patronized by car rental customers, including gas stations and gift shops.

Table 9 shows the impact of passenger spending on each county. Over 70% of total economic impact from passenger spending occurs on O'ahu.

**Table 8: Direct HA Passenger Spending in Airports by County (\$ Millions, 2019 USD)**

	O'ahu	Maui County	Kaua'i County	Hawai'i County	State Total
F&B Expenditure	\$6.40	\$2.20	\$0.80	\$1.40	\$10.80
Retail Expenditure	\$5.40	\$1.90	\$0.70	\$1.10	\$9.10
Car Parking	\$2.90	\$1.00	\$0.40	\$0.60	\$4.90
Car Rental	\$63.10	\$21.90	\$8.00	\$13.50	\$106.50
<b>Total</b>	<b>\$77.80</b>	<b>\$27.00</b>	<b>\$9.90</b>	<b>\$16.60</b>	<b>\$131.30</b>

Source: ICF Analysis, Numbers may not sum due to rounding.

**\$131 million of passenger spending in airports supports:**

**2,260**  
JOBS

**\$270.7M**  
IN INDUSTRY  
OUTPUT

**\$15.4M**  
IN TAX REVENUE  
IN THE STATE  
OF HAWAII

**Table 9: Economic Impact of Passenger Spending in Airports (2019 USD)**

	O'ahu	Maui County	Kaua'i County	Hawai'i County	State Total
Jobs	1,580	340	130	200	2,260
Industry Output	\$179.80	\$45.10	\$17.30	\$28.60	\$270.70
Tax Impact (\$ Million)	\$11.40	\$2.00	\$0.70	\$1.40	\$15.40

Source: ICF Analysis, Numbers may not sum due to rounding.

The indirect and induced effects of HA passenger spending can be summarized through multipliers. For example, \$1 of direct spending by HA passenger supports \$2.06 in industry activity in the State. The impact of direct passenger spending is highest on O'ahu, where \$1 of direct spending supports \$2.31 of industry activity. Similarly, one

direct job at Hawaiian Airlines supports 1.5 jobs in the state. Moreover, if passengers were to increase spending by \$1,000 annually, the impact on economy-wide industry output would increase by \$2,060 annually as this direct spending triggers secondary spending in the supply chain of those industries.

**Table 10: Multiplier Effect of Passenger Spending**

	O'ahu	Maui County	Kaua'i County	Hawai'i County	State Total
Jobs Multiplier	1.43	1.84	1.89	1.90	1.54
Industry Output Multiplier	\$2.31	\$1.67	\$1.74	\$1.72	\$2.06

Source: ICF Analysis, Numbers may not sum due to rounding.

# Impact Profiles

## Orchestrating a Movement

### HAWAII YOUTH SYMPHONY

"Making music is a right, not a privilege." This is the vision of the Hawai'i Youth Symphony (HYS). Serving more than 700 students annually from 100+ schools in the state, HYS provides Hawai'i's youth with access to quality music education and the opportunity to perform as a service to the community. Since 1964, HYS has been teaching children mostly on the island of O'ahu.

There is significant potential to develop music programs on neighboring islands, and Hawaiian Airlines is helping HYS to advance this mission. There are nearly 192,000 students in the state of Hawai'i who are eligible for participation in its orchestral programs and HYS aims to provide access to its resources for as many of them as possible. In 2017-18, HYS was able to raise more than \$400,000 from private donations, grants, and corporate scholarships, which go a long way toward subsidizing fees and providing travel for students in HYS programs.

"Everywhere in our state is under resourced for classical music, so whatever we can do to service those communities,

we believe that's our kuleana, our responsibility," says Randy Wong, current president of HYS.

To make that happen, traveling between islands is essential and requires a reliable partner such as Hawaiian Airlines to transport dozens of students and their instruments. Like many non-profit organizations, HYS has a corporate account with HA. The Hawaiian Airlines group desk helps with all of HYS's travel arrangements to help ease the burden associated with the logistical challenges. According to Wong, "It's like you're flying with family. The aloha spirit is so pervasive among employees - there's just this sense of warmth and hospitality. Hawaiian Airlines has always just been part of the HYS experience."

This summer, more than 200 students from across the Hawaiian Islands, Asia, the U.S. Mainland, and Pacific Rim will visit O'ahu for participation in the Pacific Music Institute and an opportunity to work with some of the world's most renowned music educators, conductors, and musicians.

Many will have Hawaiian Airlines to thank for reliably getting them to the Island with their valuable instruments in tow. As Wong puts it, "We just want people to come to Hawai'i. We have something pretty special here. I mean, a summer in Hawai'i making music, what's better than that?"

***"It's like you're flying with family. The aloha spirit is so pervasive among employees - there's just this sense of warmth and hospitality."***

**— Randy Wong,  
President of HYS**





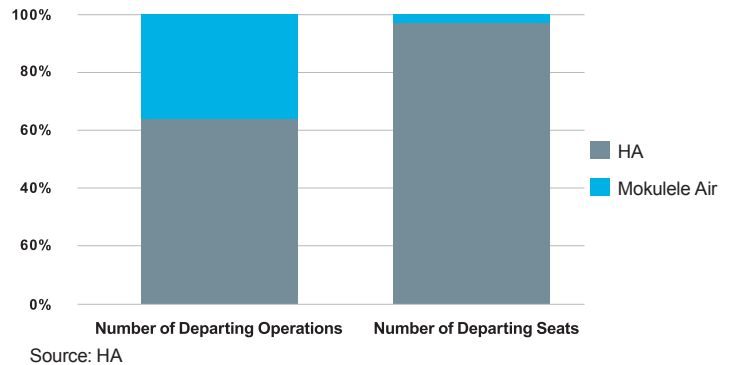
## Inter-Island Service

Travel between islands is very common in Hawai'i for business and leisure purposes. Hawaiian Airlines is the primary provider of inter-island passenger seats for the Hawaiian Islands and its main competitor is Mokulele Air. Of all departing flights and seats, 65% of flights and 95% of departing seats are operated by HA. In 2018, HA reported enplaned passengers on 11 of the 13 inter-island routes that had scheduled service between islands. Approximately 35% of HA's inter-island passengers flew between O'ahu and the island of Hawai'i. On seven inter-island routes, Hawaiian Airlines carried more than 80% on each. In total, Hawaiian Airlines was the provider of over 96% of total inter-island passenger traffic in 2018.<sup>12</sup>

Many Hawai'i residents have inter-island commutes. Nearly 3,000 residents do not reside in the county of their employment: 977 residents of Hawai'i County, 1,012 Honolulu residents, 217 Kaua'i residents, and 775 Maui residents work on neighboring islands. HA also carries cargo to and from international destinations. Nearly 22,000 tons of imported

material of international origin are carried by Hawaiian Airlines annually, with a value of \$118.7 million. Additionally, close to 4,500 tons of goods exported from the Islands to international destinations are carried by HA each year, with a value of \$22.6 million annually.

**Figure 1: HA Share of Inter-Island Passenger Flights**

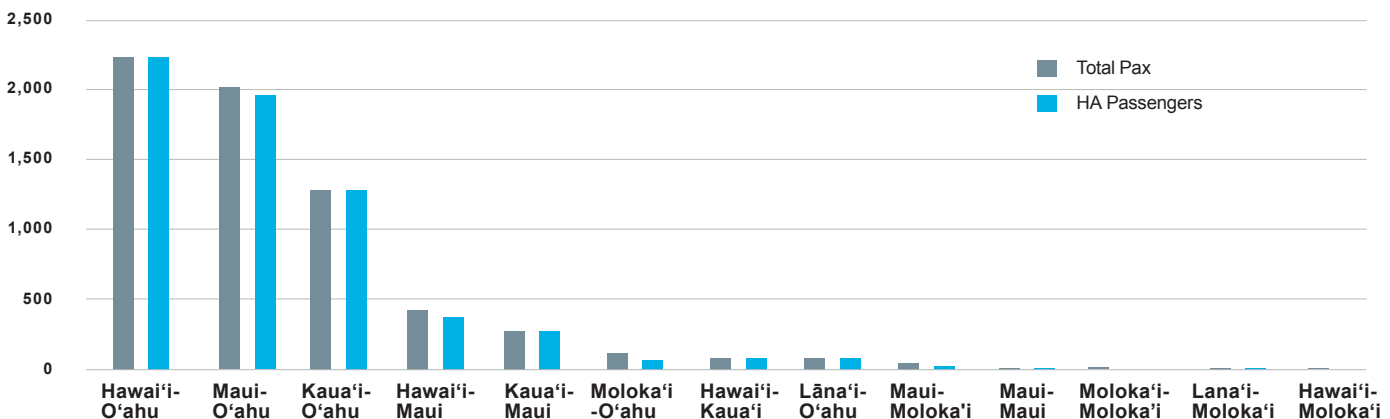


**Table 11: Resident County to Workplace Commuting Flow by Island (State of Hawai'i)**

Place of Residence	Place of Work				
	Hawai'i Total	Hawai'i	O'ahu	Kaua'i	Maui
Hawai'i	79,932	78,955	883	27	67
O'ahu	482,699	411	481,687	129	472
Kaua'i	33,080	109	88	32,863	20
Maui	78,971	61	617	97	78,196
State of Hawai'i	674,682	79,536	483,275	33,116	78,755
U.S. States (excluding Hawai'i)	4,259	297	3,407	140	415
<b>Total</b>	<b>678,941</b>	<b>79,833</b>	<b>486,682</b>	<b>33,256</b>	<b>79,170</b>

Source: U.S. Census Bureau, Communication and employment data "Table 2. Resident County to Workplace County Commuting Flow for the United States and Puerto Rico Sorted by Workplace Geography: 5-Year ACS, 2011-2015"

**Figure 2: Inter-Island Passenger Volumes (in thousands)**



Source: U.S. DOT T-100

<sup>12</sup>U.S. DOT T-100

## Under-served Markets

It is estimated that 39% of total inter-island passengers who flew on Hawaiian Airlines in 2018 are residents of Hawai'i.<sup>13</sup> HA's commitment to serving residents of Hawai'i is evidenced by its continued operations in smaller, under-served markets. When Island Air ceased operations to these smaller markets, such as Moloka'i and Lāna'i, Hawaiian Airlines continued its commitment to serving those communities. These routes, now served with HA turboprop planes, include Lāna'i to Moloka'i, Maui to Moloka'i, and Lāna'i to O'ahu.

According to the Innovata Flight Schedules Database, in 2013, Island Air had a 73% market share of seats between Honolulu and Moloka'i when they began to slow operations. By the following year HA had filled the gaps in service to provide 50% of all seats, and Island Air served only 14% of seats. Today, HA has a 67% market share of the Honolulu to Moloka'i route.<sup>14</sup>

Based on CY 2019 forward schedules, Hawaiian Airlines will continue to be the lead provider of inter-island flights. The airline will provide 8.3 million departing seats between islands, which translates to roughly 87% of all seats. HA will have 72.9 thousand flight departures, making up nearly 52% of all annual flights traveling between the Hawaiian Islands. HA has a significant market share (93% of all departures) of the narrow body jet traffic compared to competitors who rely on turbo-prop planes.<sup>15</sup>

**When Island Air officially suspended all operations in November of 2017, Hawaiian Airlines was there to ensure that Island Air passengers were not left stranded. Hawaiian Airlines was quick to assist ticket holders of their former rival and allowed Island Air passengers to standby for seating on regularly scheduled HA flights.**

## Neighbor Island Travel Plan

Hawaiian Airlines commenced its Neighbor Island Travel Plan in late 2011. The program provides a cost-effective way to travel between the Hawaiian Islands. The program keeps seat prices fixed, even when fewer seats become available and prices rise. Additionally, plan holders have the certainty that if there is a seat available on a qualifying flight, they will be able to conveniently book it at the fixed price.<sup>16</sup> There are four plan options, two for leisure and two for business, depending on the number of trips plan holders anticipate needing. The most popular plan is the Hana a Walea (Work and Play) plan. The most popular route for the Alahula (My Favorite Island) plan is Honolulu to Hilo, Hawai'i.<sup>17</sup>



<sup>13</sup>U.S. DOT O&D Survey

<sup>14</sup>Island Air ceased all operations in November 2017

<sup>15</sup>Innovata Flight Schedules Database. Schedules for CY 2019

<sup>16</sup>Hawaiian Airlines, Neighbor Island Travel Plan. <https://www.hawaiianairlines.com/our-services/products-and-programs/neighbor-island-travel-plan>

<sup>17</sup>Data provided by HA

# Impact Profiles

## Air Cargo Service Opens Farm-to-table Possibilities for Hawai'i

### ABLE FREIGHT AND CFI PERISHABLES

People often don't see the act of picking up fresh produce at the grocery store as a privilege. For many Americans, going to the grocery store is just another errand, a necessary, often uneventful, task. However, in Hawai'i, without the contributions of companies that offer cargo and freight services, the selection of fresh produce on the Islands would be severely limited.

Cargo is an essential part of Hawai'i's import/export business. Hawaiian Airlines makes it possible for these companies to ship goods on any of the airline's routes including the most recent addition between Hawai'i and Boston. Because of the unique geography of Hawai'i and its isolation from the U.S. Mainland, Hawaiian Airlines' cargo service is vital to the fishing and agricultural industries. Its service allows local growers to share their goods with various cities around the world and it also gives locals the opportunity to benefit from importing goods that are not indigenous to the Islands.

Brendan Akamu of Able Freight explains the role Hawaiian Airlines plays in getting food on the shelves. "Fresh strawberries are delivered to us in LA on Wednesday,

we ship them that evening and by Thursday morning they are on store shelves in Hawai'i. That's thanks to Hawaiian Airlines. It's a great feeling to walk into markets and know that by using Hawaiian's freight services, we can accomplish that!"

When Able started in Hawai'i, they were using many carriers. "Over the years, we've grown to understand that Hawaiian best fits our needs because Hawai'i is its home. Other carriers might not focus on Hawai'i and perhaps downsize their service, but Hawaiian consistently understands the importance of maintaining sufficient cargo capacity for this market," Akamu explains.

Hawaiian Airlines understands that this is part of its overall responsibility to the Islands and its customers can see this commitment shine through in the relationships formed through these business arrangements. Alfred Kuehlewind, owner and founder of CFI Perishables says, "Because Hawai'i is a small state, you get to know people better, and the more you get to know people, the more you like to deal with them. It's a nice relationship here. It's part of the Aloha spirit."

That spirit has fostered opportunity. At Able, for example, they have grown from two employees to 18 and from having no refrigerated trucks to using five. Its export business from Hawai'i has grown 400 percent. "A lot of that has to do with Hawaiian having service across the globe; it really opens up a lot of more business opportunities."

***"We get strawberries in LA on Wednesday... and by Thursday morning they are on store shelves in Hawai'i. That's thanks to Hawaiian Airlines."***

— Brendan Akamu, Able Freight





## Cargo Impacts

Island economies rely heavily on imports. 48.4% of industry demands made by Hawaii's businesses are imported. Top imports (in terms of tons imported) by air to Hawai'i include industrial machinery, electrical machinery, apparel, seafood, and plastics (See Figure 3 for further detail). This demand varies across the islands; on O'ahu 50% of industry demands are met by imports, 70% on Maui, 60% on Hawai'i, and 61% on Kaua'i.<sup>18</sup>

While the majority of cargo comes by ship rather than by air, key inputs that are perishable or of high value require the speed and efficiency of air transport to reach their final destination. Industries such as health services, food and beverage retail, restaurants, and veterinary and pet services are therefore disproportionately impacted. HA is a critical piece of Hawai'i's cargo link to the U.S. Mainland. Hawai'i's businesses rely on daily cargo shipment to transport perishable and high value goods.

Only dedicated freight carriers such as UPS and FedEx carry more cargo to Hawai'i than HA, and such dedicated freight operators have different business models and tend to be significantly more expensive. In addition to cargo from the U.S. Mainland, HA feeds Neighbor Island cargo shipments on carriers such as Aloha Air Cargo and Transair. In

mid-August 2018, HA celebrated the launch of all-cargo Neighbor Island service after receiving their first two ATR-72F aircraft. The aircraft is set to become the new benchmark in regional air cargo. HA's ATR-72s can accommodate up to seven LD-3 containers, which equates to nearly 12 U.S. tons of cargo freight. "The ATR-72 is the perfect aircraft to get the job done and symbolizes our continued dedication to our community as Hawai'i's hometown carrier" states Brad Matheny, Managing Director of Cargo Services at Hawaiian Airlines.

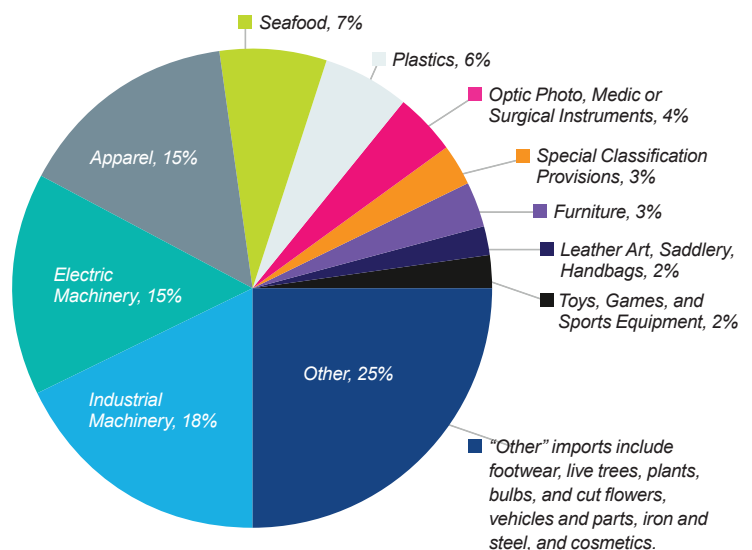
Due to its high frequency schedule, HA often transports the most critical types of cargo. HA transports nearly 62,000 tons of imported material, and more than 30,000 tons of exported material from Hawai'i to the U.S. Mainland or international destinations, including fresh seafood and fresh fruits. The exports bring about \$130 million a year into the state economy.

Hawaiian Airlines is also a lifeline for inter-island cargo transport, especially when weather or mechanical issues make transport by boat unreliable. For example, earlier this year, Esaki's Produce turned to Hawaiian Airlines to get grocery stores stocked on Kaua'i, after a month of delays in shipping by sea.<sup>19</sup>

**“For the last 90 years, Hawaiian Airlines has created pathways to markets which transcend Hawaii's geographic remoteness, isolation, and dis-contiguity. The Internet delivery channel would be pointless without air cargo carriers like HA.”**

— Paul H. Brewbaker, Economist

Figure 3: Top Hawaiian Imports By Air



<sup>18</sup> EMSI's extrapolation of data provided by Hawai'i Department of Labor and International Relations, Research and Statistics Office

<sup>19</sup> The Garden Island, 2019. By any means. <https://www.thegardenisland.com/2019/03/08/hawaii-news/by-any-means/>

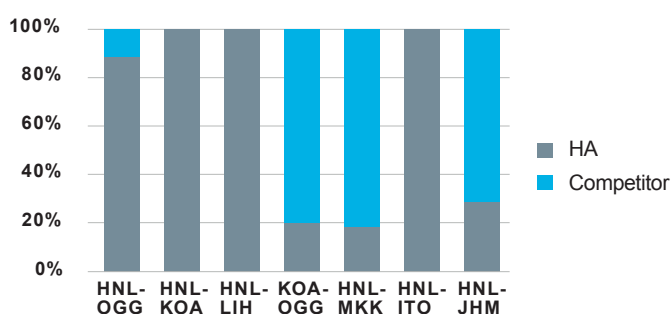
## Export Growth

On average, Hawaii's exports by air have grown by 9% per year from 2004 to 2017. The direct income from major export industries in Hawai'i from 1990 to 2016 increased 25%, or an average increase of 2% per year. Visitor expenditures have consistently accounted for the highest portion of that income, in 2016 totaling over \$15.9 billion. Defense expenditures are the next largest source of income, followed by fresh and processed pineapple, and raw sugar and molasses. Agricultural exports from 1973 to 2010 have increased over 960%, increasing by an average of 13% per year. Of all the agricultural products, tree nuts are the largest export, followed by fruit and other products. Other products include: sugar & tropical products, minor oilseeds, essential oils, beverages other than juice, nursery & greenhouse, wine, & misc. horticultural and vegetable products.

In 2017, 3,232 U.S. jobs were supported by goods exported from Hawai'i.<sup>20</sup> 82% of those jobs were supported by manufactured goods exports.

HA's high flight frequency is what gives them the edge over inter-island cargo competitors. This is evidenced by the fact that 65% of all inter-island flights are flown by Hawaiian Airlines. Of the top seven most popular routes shown in Figure 4, HA offers 70% of all flights. While alternatives exist, such as Aloha Air Cargo, Transair, and barge shipping, their lack of service frequency can lead to critical cargo delays. Each week Hawaiian Airlines transports over 230 tons of cargo between the islands of Hawai'i, with a total annual value of \$62.5 million for the state.

Figure 4: HA Share of Inter-Island Cargo Frequency



Source: HA

Table 12: U.S. Mainland Cargo Imports and Exports (\$ Million, 2019 USD)

Island	Import Value	Export Value
O'ahu	\$170.70	\$122.70
Maui	\$43.20	\$4.20
Hawai'i	\$2.40	\$2.80
Kaua'i	\$0.80	\$0.10
State Total	\$217.0	\$129.70

Source: HA, ICF analysis

Table 13: Inter-Island Cargo Activity (\$ Million, 2019 USD)

Island	Value
O'ahu	\$44.50
Maui	\$5.90
Hawai'i	\$9.80
Kaua'i	\$2.70
State Total	\$63.00

Source: HA, ICF analysis

Table 14: International Cargo Imports and Exports (\$ Million, 2019 USD)

Island	Imports	Exports
O'ahu	\$115.40	\$22.40
Maui	\$0.00	\$0.00
Hawai'i	\$3.20	\$0.20
Kaua'i	\$0.00	\$0.00
State Total	\$118.70	\$22.60

Source: HA, ICF analysis



<sup>20</sup>International Trade Administration. 2017. Hawaii Exports, Jobs, & Foreign Investment. <https://www.trade.gov/mas/ian/statereports/states/hi.pdf>

# Capital Expenditures

HA consistently makes investments in buildings, land, and improvements to leased facilities at each of the airports in which the airline operates. On average, from 2015 to 2018, HA spent \$106 million on capital infrastructure, the majority on leasehold improvements. Utilizing the activity per county used in visitor and passenger spending, ICF determined that \$62.8 million of capital spending occurred on O'ahu, \$21.8 million in Maui, \$7.9 million in Kaua'i, and \$13.5 million in Hawai'i county.

In 2016, HA purchased the Airport Center office building near Honolulu International Airport, the so-called Whale Building, for \$10.8 million and continues to manage the property as a multi-tenant building.<sup>21</sup> In late 2017, it opened a long-delayed cargo and maintenance facility in Honolulu in which the airline fronted tens of millions of dollars to get the project completed.

In 2018 Hawaiian Airlines upgraded lobbies dedicated for international, North America, and Neighbor Island flights at the Daniel K. Inouye International Airport in Honolulu, Hawai'i. These new lobbies are expected to improve international passenger flow during busy holiday seasons.<sup>22</sup>



**Table 15: Direct Capital Expenditures, Average 2015-2018 (\$ Millions, 2019 USD)**

	O'ahu	Maui County	Kaua'i County	Hawai'i County	State Total
Leasehold Improvements	\$56.80	\$19.70	\$7.20	\$12.20	\$95.90
Building	\$4.30	\$1.50	\$0.50	\$0.90	\$7.20
Land	\$1.70	\$0.60	\$0.20	\$0.40	\$2.90
<b>Total</b>	<b>\$62.80</b>	<b>\$21.80</b>	<b>\$7.90</b>	<b>\$13.50</b>	<b>\$106.00</b>

Source: HA, Numbers may not sum due to rounding.

<sup>21</sup>Hawaiian Airlines Newsroom, 2016. Hawaiian Airlines Acquires Airport Center Building. <https://newsroom.hawaiianairlines.com/releases/hawaiian-airlines-acquires-airport-center-building>

<sup>22</sup>Travel Weekly, 2018. Hawaiian Airlines upgrading Honolulu Airport check-in. <https://www.travelweekly.com/Hawaii-Travel/Hawaiian-Airlines-upgrading-Honolulu-Airport-check-in>



**Capital infrastructure spending by HA creates secondary impacts throughout Hawai'i. \$106 million of capital infrastructure spending supports approximately:**

**660**  
JOBS

**\$156M**  
IN INDUSTRY  
OUTPUT

**\$8.5M**  
IN TAX REVENUE  
IN THE STATE

**Table 16: Impact of Capital Expenditures (2019 USD)**

Capital Infrastructure Expenditures	O'ahu	Maui County	Kaua'i County	Hawai'i County	State Total
Jobs	410	130	50	80	<b>660</b>
Industry Output (\$ Million)	\$102.00	\$26.70	\$10.50	\$17.10	<b>\$156.30</b>
Tax Impact (\$ Million)	\$6.50	\$0.90	\$0.30	\$0.70	<b>\$8.50</b>

Source: ICF Analysis, Numbers may not sum due to rounding.

Direct capital spending by the airline spurs secondary impacts throughout the state. One dollar of direct spending on capital expenditures supports \$1.47 in the state, and one direct job related to capital supports 1.71 jobs. This indicates that a \$1,000 increase in capital spending would increase industry output by \$1,470 in the state. For example, a capital infrastructure project requiring 100 workers would support a total of 171 workers across the state economy due to secondary impacts. Industry output multipliers show that if that infrastructure project had a direct cost of \$10,000, it would support \$14,700 of activity in the state.

**Table 17: Multiplier Effect of Capital Expenditures (2019 USD)**

Multiplier	O'ahu	Maui County	Kaua'i County	Hawai'i County	State Total
Jobs Multiplier	1.85	1.45	1.77	1.48	<b>1.71</b>
Industry Output Multiplier	\$1.62	\$1.23	\$1.31	\$1.27	<b>\$1.47</b>

Source: ICF Analysis, Numbers may not sum due to rounding.



# Impact Profiles

## Teaming Up to Provide Student Athletes with Competitive Opportunities

### HAWAI'I HIGH SCHOOL ATHLETIC ASSOCIATION

For those growing up in Hawai'i, it is common to be asked about which high school one attended. Few activities aside from high school athletics generate as much enthusiasm and engagement in local communities. In Hawai'i, from football to judo to soccer, more than 35,000 individuals, including students and their families, participate in practices, games and tournaments throughout the year.

The Hawai'i High School Athletic Association (HHSAA) operates 44 state championships in 18 different sports across the state of Hawai'i. While most major tournaments are hosted on the island of O'ahu, many other school-sponsored competitions are hosted on Neighbor Islands. In the 2018-19 academic year, HHSAA's state championship tournaments alone spanned across more than 25 different sites.

Chris Chun, Executive Director of HHSAA, underscores the importance of Hawaiian Airlines' role in providing the student-athletes with opportunities to compete. "Hawaiian is very important because we

have 54 schools on O'ahu and 43 schools on Neighbor Islands and they have to be connected in some way to compete." In the post-season alone, Hawaiian Airlines is responsible for transporting thousands of students, their gear and their family to playoff and championship sites.

The HHSAA has nothing but praise for the airline and the relationship that has been cultivated. "That's their culture and that's why people like flying with them, they have a kind of ownership in our state organization as well," Chun says. "They see so many teams traveling and the flight attendants, the pilots, they all know the teams and the schools, they all came from those same teams and schools and they always encourage them."

Hawaiian Airlines is also a proud sponsor of the HHSAA Canoe Paddling State Championships and was title sponsor of the state's men's and women's basketball tournaments. This partnership is just another way that the airline has shown a firm commitment to the families of Hawai'i.

In addition to the HHSAA, HA offers special fares and waivers to public and private high schools in the state and to athletic leagues on Maui, Kaua'i and the Big Island.

***“They see so many teams traveling and the flight attendants, the pilots, they all know the teams and the schools, they all came from those same teams and schools and they always encourage them.”***

— Chris Chun, Executive Director of HHSAA





# Operational Expenditures

The two largest operating costs for any airline are fuel and labor. Being based in Hawai'i, HA's operational expenses are an extraordinary catalyst for the economy of the state. Each one of HA's 250 daily flights starts or ends its journey in Hawai'i – or does both.

Fuel is purchased in the state and airplanes are usually provisioned in the state as well, so everything from beer to shortbread cookies may be purchased locally. This makes HA different from other carriers based on the U.S. Mainland or overseas and who have relationships with businesses in their hometowns. From small local vendors, such as plumbers and embroiderers who are paid hundreds of dollars for their services, to local insurance firms and advertising agencies who are on retainer and paid on a scale of millions (\$), HA's operational expenses are woven throughout daily life in the state.

Operational expenditures also prompt secondary impacts in the Hawaiian economy. Operational spending includes expenditures on supplies, equipment, labor, and other such expenditures necessary to operate an airline. On average between 2015 and 2018 HA spent \$1.2 billion on operations annually. Applying the same activity per county used in passenger and visitor spending, ICF determined that \$720.5 million of operational spending occurred on O'ahu, \$249.5 million in Maui, \$91.7 million in Kaua'i and \$154.3 million in Hawai'i County.



**Table 18: Direct Operational Expenditures, Average 2015-2018 (\$ Millions, 2019 USD)**

	O'ahu	Maui County	Kaua'i County	Hawai'i County	State Total
Direct Operational Expenditures	\$725.60	\$251.30	\$92.40	\$155.40	\$1,224.70

Source: HA, Numbers may not sum due to rounding.

Due to the higher initial spending in Honolulu, the majority of impact is also seen in that county.

## Investing in Customer Experience

HA's commitment to providing a high level of customer experience is evident in the airline's decisions to invest in aircraft and people.

Recently, HA worked with JPA, an aircraft designer, to improve cabin design in its A321neo aircraft to give passengers more cabin seating options, and to extend the feeling of "island time" to the aircraft. Passengers can choose the more affordable Main Cabin seats, Extra Comfort Seating with an extra five inches of leg room, or premium seating with lie flat beds. Crew service in flight is also aimed to reflect the Islands' culture, people, and the "Aloha spirit." This includes offering complimentary meals and locally sourced, made-in-Hawai'i snacks.

The airline has also focused on improving the customer experience on the ground, making improvements to airport lobbies and lounges across Hawai'i, with particular focus on the airline's core facility, Honolulu Airport.<sup>23</sup>

HA is also working on expanding route operations. By upgrading its fleet with newer more capable aircraft and retiring older aircraft, HA was able to make the whole operation more efficient and add more routes. Destinations from Maui have also been expanded to Portland and San Diego that were previously only served from Honolulu.<sup>24</sup>

<sup>23</sup>Future Travel Experience, 2017. Hawaiian Airlines investing in people and product to craft a unique customer experience. <https://www.futuretravelexperience.com/2017/05/hawaiian-airlines-investing-people-product-craft-unique-end-end-customer-experience/>

<sup>24</sup>Simple Flying, 2019. Hawaiian Airlines To Go Ultra Premium to Battle Southwest Airlines. <https://simpleflying.com/hawaiian-airlines-southwest-battle/>.



**Table 19: Impact of Operational Expenditures (2019 USD)**

Operational Expenditures	O'ahu	Maui County	Kaua'i County	Hawai'i County	State Total
Jobs	4,400	3,100	1,100	1,800	10,400
Industry Output (\$ Billion)	\$1.45	\$0.41	\$0.16	\$0.26	\$2.27
Tax Impact (\$ Million)	\$49.50	\$17.30	\$6.10	\$11.90	\$84.80

Source: ICF Analysis, Numbers may not sum due to rounding.

**Table 20: Multiplier Effect of Operational Expenditures (2019 USD)**

Multiplier	O'ahu	Maui County	Kaua'i County	Hawai'i County	State Total
Jobs Multiplier	3.01	1.90	1.97	2.03	2.29
Industry Output Multiplier	\$1.99	\$1.62	\$1.69	\$1.66	\$1.85

Source: ICF Analysis, Numbers may not sum due to rounding.

HA is a significant regional employer, providing high-quality jobs to residents. As a company based in Hawai'i, a vast majority of jobs at HA exist on the Hawaiian Islands. Of HA's 7,300 total employees, 6,600 live in Hawai'i. There are 106 non-military ZIP Codes in Hawai'i, and Hawaiian Airlines employees live in 100 of them. Unlike other airlines, most of HA's pilots and flight attendants are also based in Hawai'i. And all of the company's administrative and operational functions, from investor relations to flight dispatch where employees work 24/7/365, are located in Honolulu. HA works with local institutions to support the community by providing an employment pipeline for the airline and its well-paying jobs for everything from aircraft mechanics to IT professionals.

Hawaiian Airlines employment has also been rapidly increasing over the past decade. According to the Bureau of Transportation Statistics, since 2010 HA total employment has increased by 48%. One measure of these jobs is their multiplier. As seen in table 20, every direct airline job supports on average 2.29 jobs across the economy. These

multipliers are higher than those for other spending categories, again demonstrating the economy-wide impacts of high-quality jobs. To illustrate, if the airline were to hire 100 more operational employees, such as maintenance and engineering personnel, the total number of jobs supported due to secondary activity would increase by 229 jobs. Additionally, \$1 of direct spending on HA operations generates \$1.85 in industry output in the state. If HA were to increase operational spending by \$100,000, the total industry impact would be \$185,000.

Hawaiian Airlines is one of the three largest companies in Hawai'i,<sup>25</sup> and employs nearly 7,300 people, 88% of which are based in Hawai'i.<sup>26</sup> For comparison to the broader economy, employment supported by HA accounts for 9% of total employment in the state (2018 employment),<sup>27</sup> and tax revenue accounts for 8% of total state tax income (FY18).<sup>28</sup> The employment impact is particularly noteworthy on the smaller Hawaiian Islands, such as Kaua'i and Maui, where jobs supported by HA account for 21% and 19% of total employment, respectively.

**Table 21: Total Employment by County**

County*	Total Employment	% of Total Employment Supported by HA
Hawai'i – State	658,356	9%
Hawai'i	71,247	13%
O'ahu	474,796	6%
Kaua'i	32,477	21%
Maui + Kalawao	78,134	19%

\*Note that these areas are not a perfect match to the counties. Source: BLS, County Employment and Wages in Hawai'i – First Quarter 2018, [https://www.bls.gov/regions/west/news-release/countyemploymentandwages\\_hawaii.htm](https://www.bls.gov/regions/west/news-release/countyemploymentandwages_hawaii.htm)

<sup>25</sup>Zipia. There are the 100 Largest Companies in Hawaii. <https://www.zipia.com/advice/largest-companies-in-hawaii/>

<sup>26</sup>Data provided by HA

<sup>27</sup>BLS, County Employment and Wages in Hawai'i – First Quarter 2018, [https://www.bls.gov/regions/west/news-release/countyemploymentandwages\\_hawaii.htm](https://www.bls.gov/regions/west/news-release/countyemploymentandwages_hawaii.htm)

<sup>28</sup>Department of Taxation, State of Hawai'i, Annual Report 2017-2018. <http://files.hawaii.gov/tax/stats/stats/annual/18annrpt.pdf>

# Annual Wages by Occupation

Hawaiian Airlines employs over 6,000 residents across the Hawaiian Islands in high-quality, high-wage jobs. On average the annual salary for the aviation-related jobs in Hawai'i is \$79,000, compared to the average annual salary for service sector jobs, which is around \$44,000. Moreover, many of those workers are employed at HA's maintenance hub in Honolulu, which provides one of the few opportunities for high-wage industrial employment in the state.

**Table 22: Annual Wages by Occupation**

Occupation	Hawai'i Annual Wage
<b>Aviation-related Jobs</b>	
Aerospace Engineers	\$121,100
Air Traffic Controllers	\$110,050
Mechanical Engineers	\$81,730
Aircraft Mechanics and Service Technicians	\$65,260
First-Line Supervisors of Transportation and Material Moving Workers, Except Aircraft Cargo Handling Supervisors	\$55,710
Aircraft Cargo Handling Supervisors	\$51,550
Airfield Operations Specialists	\$50,490
<b>Service Sector</b>	
Food Service Managers	\$66,130
Waiters and Waitresses	\$52,110
Hotel, Motel, and Resort Desk Clerks	\$44,250
Maids and Housekeeping Cleaners	\$38,100
Tour and Travel Guides	\$31,630
Retail Salespersons	\$30,530

Source: Bureau of Labor Statistics, May 2018 State Occupational Employment and Wage Estimates Hawai'i. [https://www.bls.gov/oes/current/oes\\_hi.htm](https://www.bls.gov/oes/current/oes_hi.htm)

# Impact Profiles

## Delivering Critical Blood Supply Between Islands

### BLOOD BANK OF HAWAII

Healthcare is an industry that never sleeps and the infrastructure that supports it requires seamless partnerships that facilitate the transportation of people, supplies, and equipment to the places where care is needed most. Blood Bank of Hawai'i is one major component of this network, providing the critical service of collecting, storing, and distributing blood throughout the state.

The system of collecting and distributing blood in Hawai'i is unique. In Hawai'i, this process can prove difficult without a highway system to connect the neighboring islands. Because of this, air travel is vitally important to the reliable and effective transport required for Blood Bank of Hawai'i (BBH) to meet its daily mission.

Every other week, on a daily basis, 18% of the state's blood supply is collected on O'ahu from Neighbor Islands. CEO of BBH Kim-Anh Nguyen underscores how important the role of Hawaiian Airlines is to these activities, "When you think about the critical processes that underlie life in Hawai'i, healthcare is at the top, the blood supply is one layer below that, and Hawaiian Airlines is a layer below that."

Without an adequate blood supply, Neighbor Island hospitals would have to scale back the services they supply, from surgeries to cancer treatments. "A reliable health care infrastructure needs a reliable blood supply. And a health care infrastructure enables the economic engine of a community to go," said Kim-Anh. "I could not imagine operating without Hawaiian Airlines."

Over the last decade, the BBH developed a novel system to share a precious, highly-perishable resource as widely as possible and with a just-in-time immediacy. That system requires a robust network of flights between the Islands; it relies on Hawaiian Airlines to carry it out.

BBH knows that Hawaiian Airlines understands how essential its services are to the organization and are thankful for the partnership they provide. "We have such a strong tenured partnership with the cargo folks at Hawaiian, that they give us flexibility when we might be running late with a shipment and they know that the blood products are coming and it's time sensitive," says Todd Lewis COO of BBH. "They support us daily from a logistical perspective:

collections, returns, distribution, equipment transport."

As Hawaiian Airlines celebrates its 90th anniversary, Nguyen and Lewis are eager for what the future of this partnership might look like. Half of the state's blood supply comes from what BBH calls "Lifesaver Clubs," which are organizations that partner with BBH to host blood drives and collect donations from their communities. Hawaiian Airlines regularly volunteers to participate and source blood donations from its base of over 7,000 employees.

**“When you think about the critical processes that underlie life in Hawai'i, healthcare is at the top, the blood supply is one layer below that, and Hawaiian Airlines is a layer below that.”**

— Kim-Anh Nguyen, CEO of BBH





# Charitable Giving

Hawaiian Airlines' charitable giving has an impact on non-profit agencies across the state. In 2018, HA supported 284 non-profit organizations, an increase of approximately 150 from 2017. Donations from the airline come in the form of cash donations, in-kind donations to 501(c)3s, and the Hawaiian Airlines Foundation. Over the last five years, HA has provided over \$2 million in cash donations, including \$187,000 in 2018, stemming from the company's 90th anniversary company-matched employee giving campaign. HA employees are also active volunteers in their communities. Since 2015 the airline's employees and their families have volunteered over 30,500 hours to charities and local organizations. The following section illustrates just a few of the dozens of community organizations that HA contributes to on a regular basis through its Team Kōkua Giving Program.

## Team Kōkua

HA supports its local communities through its Team Kōkua Giving Program which donates to organizations in a variety of ways, including volunteer hours, HawaiianMiles, or cash donations. All volunteer requests must be sponsored by an airline employee and must fall into at least one of the program's four key areas of focus: culture, education, environment and health & human services.

In 2018, the company – through its employees and established charities – donated more than 20 million HawaiianMiles. These donations are used by organizations for everything from doctor visits to fundraisers. For example, in 2018, HA was able to offer complimentary travel to dozens of first responders who were called to assist with emergency services related to flooding and volcanic eruptions on Neighbor Islands.

In celebration of the airline's 90th anniversary, employees pledged \$97,000 in 2019 payroll deductions which was bolstered by a \$90,000 match from the company. The first installment was recently delivered to four local organizations: Polynesian Voyaging Society, Aloha United Way, Hawaiian Islands Land Trust, and Bishop Museum.

## Polynesian Voyaging Society

Over the years, in addition to the airline's Team Kōkua contributions, HA has supported the Polynesian Voyaging Society (PVS) through in-kind, cash and volunteer support. PVS focuses on environmental sustainability for the oceans and island earth. In the past, HA has conducted fundraisers to benefit PVS such as its recent 90 Years of Giving Campaign, which raised approximately \$52,000 in cash. "The Polynesian Voyaging Society would not be able to fulfill its mission on the scale it has without the support of Hawaiian Airlines and its employees," says Sonja Swenson Rogers of the PVS. Hawaiian Airlines was also the presenting sponsor of PVS' four-year Malama Honua Worldwide Voyage.

## Hawai'i Food Bank

The Hawai'i Food Bank (HFB) collects, warehouses, and distributes both perishable and nonperishable food to charitable agencies on the islands of O'ahu and Kaua'i. Last year, HFB distributed over 12.5 million pounds of food from its warehouse locations. Since 1998, HA has committed resources to help HFB through its Team Kōkua

Program. In just the past two years, the airline has been able to donate a total of 1,430 pounds of food.

In addition to these donations, HA supports the food bank through its employees' volunteer time. In 2018, HA employees worked alongside HFB employees and other volunteers to assist with the food bank's annual Great Chefs Fight Hunger Event and in the organization's warehouses with food sorting and inspection. HFB Director of Community Engagement & Advocacy Marielle Terbio states, "The team always brings their professionalism, willingness to assist, efficiency and flexibility every time they work with us." The airline's volunteers make a meaningful impact on HFB's mission. "Hawai'i Food Bank has 45 staff on O'ahu and five on Kaua'i who carry out our mission to feed Hawai'i's hungry," says Terbio. "Volunteers like Hawaiian's Team Kōkua help us expand our reach to serve our mission. We would not be able to accomplish as much as we have without the support of Hawaiian Air and its community."

## American Cancer Society

Since 1913, American Cancer Society (ACS) has been focused on freeing the world from cancer by "attacking it from every angle," specifically through research, patient support, prevention awareness, and much more.

HA has been a committed partner to ACS and its mission by participating in and donating to ACS's Relay for Life fundraising events, as well as donating HawaiianMiles to the organization. These miles are used to provide access to cancer care for patients who are unable to receive treatment on their home island.

"Hawaiian Airlines has been a supportive partner with ACS for more than 20 years," says Lani Almanza, a Hospital Systems and Mission Delivery Manager at ACS. "They have supported us by keeping us on the Charity Miles list of organizations to receive donated miles. Without that resource we would not be able to meet the needs of many patients. Without our partnership with Hawaiian many patients would face even more financial burden in receiving their life-saving cancer treatment."

HA's contributions to the community impact the state far beyond what can be quantified. Its partnerships with PVS, HFB and ACS are just a few examples of HA's kuleana to fulfill its Team Kōkua Program Mission to "improve the lives of its neighbors and care for the land that sustains us all."

# Looking Forward: Expansion and Improvements

## Expansion in New Markets

Hawaiian Airlines has been working to extend the Aloha spirit to new destinations. In 2012, HA began nonstop service between New York's JFK airport and Honolulu, and in April of 2019 began non-stop service between Boston and Honolulu. Prior to the addition of this non-stop flight from Boston, Boston was the largest U.S. market without nonstop service to Hawai'i, with an average of nearly 500 passengers flying between eastern New England and Hawai'i any given day. Additionally, the Boston area is home to many world-class educational and medical facilities,<sup>29</sup> to which Hawai'i's residents now have more convenient access.

HA is one of only two airlines providing nonstop service from the Northeast U.S. region to Honolulu.<sup>30</sup> This market, along with the South Atlantic and Mid-Atlantic regions of the U.S., has experienced steady growth in the number of visitors to Hawai'i.<sup>31,32</sup> On average the number of visitors to Hawai'i from New England has increased 3.1% each year between 2012 and 2017. The South Atlantic and Mid-Atlantic regions experienced similar growth, increasing 4.2% and 3.1% per year, respectively.<sup>33</sup> As the visitor counts to the Eastern U.S. continue to grow, the average personal daily visitor spend has also been rising at a pace of, on average, 1.7% per year over the past five years.

HA's nonstop service extends to Asia-Pacific countries as well. Since 2010 Hawaiian Airlines commenced nonstop international service to different markets across Japan, including Tokyo-Haneda in 2010, Osaka in 2011, Sapporo in 2012, and Tokyo-Narita in 2016. Advanced flight schedules for 2019 show that HA is competing for market share in Japan with seven other U.S. and foreign carriers, and is the second largest provider of departing seats behind Japan Airlines. Overall air seat

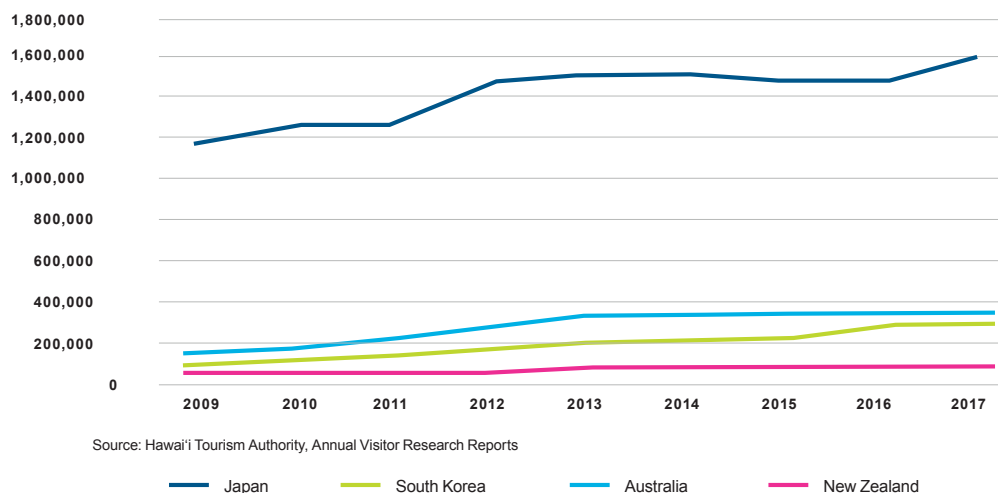
capacity to Japan increased by 8.3% from 2016 to 2017 to nearly two million seats. This represented 16.2% of all air seats to Hawai'i in 2017.

Despite recent declines in visitor spending, in tandem with a decline in Japan's overall economy, Japanese visitors to Hawai'i have historically been significant contributors to the Hawaiian economy relative to other visitors from Asian countries. In 2017 Japan ranked third behind U.S. East and West coast visitors in terms of total visitor spending, total visitor days, and total arrivals.<sup>34</sup>

Hawaiian Airlines also provides nonstop service to South Korea, New Zealand, and Australia. The airline began nonstop flights to Seoul Incheon International Airport in 2011. In 2013, Hawaiian Airlines commenced nonstop service to New Zealand. Hawaiian Airlines and Air New Zealand are the only two air carriers providing nonstop service between Hawai'i and New Zealand, and HA's seat share has ranged between 40 and 51% since 2013. In 2004, HA began nonstop service between Australia and Hawai'i with routes to Sydney. Since 2005, seat capacity to and from Australia has been growing by 4.7% annually. HA currently offers nonstop service on routes to Brisbane and Sydney.

Visitors from Japan, China, South Korea, and Australia have been important stimuli of Hawai'i's tourism economy. Figure 5 shows annual growth in the number of annual visitors from each country, by air, since 2012. Japan has consistently had the most residents take trips by air to Hawai'i. Visitation rates from New Zealand and South Korea show particularly rapid annual growth, 22.3% and 11.2% respectively.<sup>35</sup>

Figure 5: Visitors (by Air) to Hawai'i by Country (CY 2009 – CY 2017)



<sup>29</sup>Hawaiian Airlines. Aloha Beantown! Hawaiian Airlines to fly nonstop to Boston Logan International Airport starting in April. <https://newsroom.hawaiianairlines.com/releases/aloha-beantown>

<sup>30</sup>Does not include the District of Columbia

<sup>31</sup>South Atlantic includes DE, DC, FL, GA, MD, NC, SC, VA, and WV.

<sup>32</sup>Mid-Atlantic includes NJ, NY, and PA.

<sup>33</sup>Hawai'i Tourism Authority. Annual Visitor Research Reports.

<sup>34</sup>Hawai'i Tourism Authority. 2017 Annual Visitor Research Report.

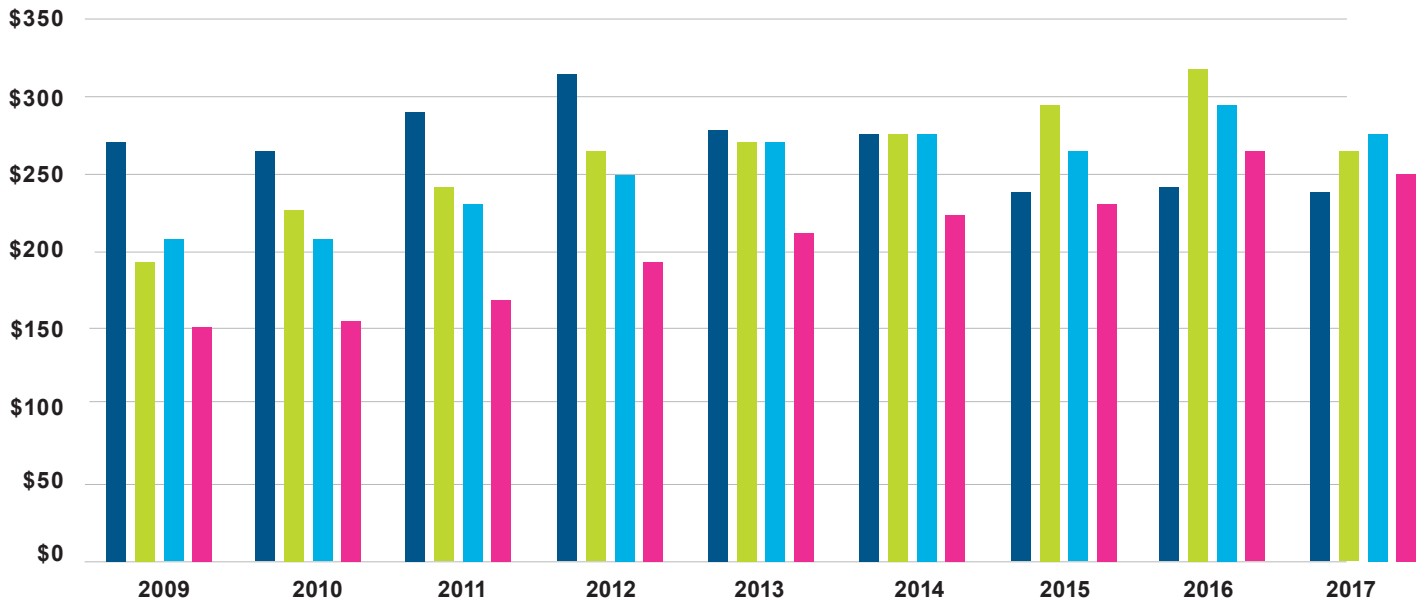
<http://files.hawaii.gov/dbedt/visitor/visitor-research/2017-annual-visitor.pdf>

<sup>35</sup>Five-year CAGR 2012-2017. Hawai'i Tourism Authority. Annual Visitor Research Reports

Average daily spending patterns also vary depending on the country of origin. Australian residents were the highest daily spenders in 2017, followed by South Koreans and New Zealanders. From 2009 to 2017 the average daily spending for visitors from New Zealand has increased by 66%, while spending by South Korean and Australian

visitors has increased by over 30% in the same time period. Spending by Japanese visitors has decreased by 11% over the 9-year period. Over the same time period Japan's GDP decreased by nearly 5% per year on average, so decreases in visitor spending may be related to overall declines in the Japanese economy.

Figure 6: Average Daily Visitor Spend by Country



Source: Hawai'i Tourism Authority, Annual Visitor Research Reports

■ Japan ■ South Korea ■ Australia ■ New Zealand

## Continued Improvements

To continue improving service and to meet the high level of customer service that Hawaiian Airlines customers have come to expect, the airline has made investments in new aircraft.

HA ordered ten long-range, fuel efficient, passenger-friendly aircraft to support international and transcontinental operations. The Boeing 787-9 Dreamliner has a wide-body cabin, dimmable LED window shades, and larger than average overhead bins for a more enjoyable in-cabin experience. Hawaiian Airlines President and CEO Peter Ingram said, "The Dreamliner combines excellent comfort for our guests with fantastic operational performance and will allow us to continue

modernizing our fleet into the next decade," and will be instrumental to the airline's continued growth in Asia.<sup>36</sup>

The Dreamliner is just one key ingredient for the future of Hawaiian Airlines. In the next few years, the airline has plans to decide on a replacement for its venerable B 717 inter-island fleet, invest in airport improvements to make travel more effortless and maintain its cost structure so it can continue to be an economic engine for the state as it has for the past 90 years of service.

<sup>36</sup>Hawaiian Airlines Newsroom. Boeing 787-9 "Dreamliner" to Join Hawaiian Airlines Fleet. <https://newsroom.hawaiianairlines.com/releases/boeing-787-9-dreamliner-to-join-hawaiian-airlines-fleet>