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Mark B. Dunkerley
President and CEO

November 2, 2015

OFFICE OF
THE COUNTY CLERK
COUNTY OF KAUAI

Kaua'i County Council
4396 Rice Street, Suite 209
Lihu'e, Hawai'i 96766

Aloha Chairman Rapozo, Vice Chair Kagawa and members of the Kaua'i County Council.

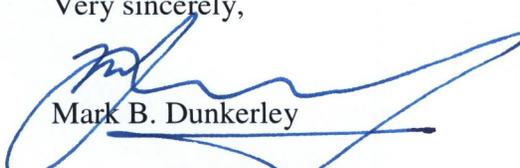
I am writing to address some concerns voiced by members of the Kaua'i County Council on October 21, 2015 during the Council's deliberation on Resolution 2015-61, a copy of which we received in the mail on October 29, 2015. We have also reviewed the videotaped October 21, 2015 council meeting during which this resolution was introduced.

Let me begin by stating that Hawaiian is very proud to be Hawai'i's oldest and largest airline. We provide 160-180 flights daily between the islands of our state (34 – 42 non-stop segments each day between Lihu'e and Honolulu, and another 8 non-stop flights between Lihu'e and Kahului) in addition to 22 North America and International gateways. We have 5,500 employees – an increase of 60 percent since 2008 – 92 percent of whom live here in Hawai'i.

We are acutely aware that our kama'aina largely rely on our airplanes to travel for business and pleasure between the islands of our state. We are proud to be Hawai'i's hometown airline, proud to be a significant contributor to the economic well-being of our state, and eager to continue to provide both kama'aina and visitors with the best possible service to and between our Islands.

I do feel compelled to correct or respond to some of the statements made during the Council hearing call. I have responded to each of them in the attached document. I hope this helps clarify some of the misstatements that form the premise of the Council's resolution and becomes a good starting point for discussion.

Very sincerely,


Mark B. Dunkerley

cc: Dru Mamo Kanuha, Chair, Hawai'i County Council
Greggor Ilagan, Hawai'i County Council
Mike White, Chair, Maui County Council
Ernie Martin, Chair, Honolulu City Council
Sen. Ronald Kouchi, Present, Hawai'i State Senate
Rep. Joseph Souki, Speaker, Hawai'i State House of Representatives
Sen. Lorraine Inouye, Chairwoman, Senate Committee on Transportation
Rep. Henry Aquino, Chairman, House Committee on Transportation

P.O. Box 30008 → HONOLULU → HAWAII → 96820-0008

See 10/27/2015 request.

CI F/Up Ltrs

Statement: Fares have ‘skyrocketed’

Hawaiian Airlines has implemented a revenue management system that offers a range of prices at different times of the day, and which are adjusted by availability of seats. By managing fares according to demand, we are able to offer the very low fares available for those who have more flexible travel schedules.

If you are trying to reserve a seat at the busy travel time, and are doing so the day before, you may very well see some of the higher fares. But often the lower fares are plentiful even a few days prior to your intended flight.

On November 1, for example, I visited www.hawaiianairlines.com to book a non-stop flight from Lihu’e to Honolulu on Wednesday, November 4 – three days out. Of the 17 one-way flights available, 15 offered tickets for \$79, which includes about \$14 in taxes and fees that we collect for the Federal government. The same fares were available for a return on the following Monday, November 9 – for a total round-trip price of \$158, taxes included. I am underscoring the fees and taxes because, unlike hotels, retailers and any other businesses, the airline industry is obligated by the Federal government to post the total price to our customers.

The average fare we collect

Perhaps the best measure of our fares across our Interisland network is the average fare we collect, as reported by the U.S. Department of Transportation. According to the U.S. DOT, Hawaiian’s average Interisland fare between Lihu’e and Honolulu for the 12 months that ended March 30, 2015 was \$68. That, by the way, was the same average fare collected for the same period in 2012. For all of our neighbor island flights, our average fare for the 12 months ending March 30, 2015 was \$74.

Again, these average fares are *what we collect, exclusive of federal fees and taxes*. Adding the 7.5% excise tax fee, a \$4.00 per person U.S. segment tax and a \$5.60 per ticket TSA segment fee takes our average LIH-HNL fare to \$82.70 -- the price that people see on our website.

Over the course of the last decade (2004-2014), the average Neighbor Island base fare increased 30 percent – lower than the Hawai’i inflation rate and far lower than the taxes and fees on each ticket. Here are some interesting numbers.

2004-2014											
US Auto Purchase	Honolulu Bus Fare	NI Avg. Base Fare	US Movie Ticket	US Postage	Hawai’i Inflation	Hawai’i Restaurant Meal	Hawai’i Rent	NI Airline Ticket Taxes and Fees	Hawai’i Gas	Hawai’i housing purchase	Hawai’I College Education
+15%	+25%	+30%	+32%	+32	+35%	+45%	+46%	+53%	+85%	+87%	+217%

Statement: There are not enough seats to Kaua'i

Hawaiian Airlines operates 34-42 segments (17-21 round-trip flights) between Lihue and Honolulu every day, starting at 6:20 a.m. and ending at 10:48 p.m. We also fly 8 non-stop segments (4 round-trip flights) between Lihue and Maui each day. We fly B717 aircraft with 128 seats each. We try to provide maximum travel choice by clustering flights closer together during the peak periods every day.

Statement: The Interisland business is subsidizing International expansion

Our route network consists of three “geographies:” Interisland, North America and International. These geographies are expected to, and do, support themselves. We would no sooner charge more for Neighbor Island fares to subsidize International routes than we would increase fares to International destinations to subsidize Interisland flying. In fact, it’s not economically possible to do so. Fares are set by the market, and we have competition in every single one of our geographies.

As the attached chart demonstrates, the average fares we collect, as measured by the U.S. DOT, are lower than similar-length routes across the U.S. – even on routes where there are alternative methods of transportation, such as ferries, trains or superhighways.

Average fare comparison – 2014		
Source: U.S. DOT		
190+ miles		
Route	Distance	Average Fare (one way)
San Diego – Santa Barbara, CA	192 miles	\$201
Boston, MA – Newark, NJ	200 miles	\$147
New York – Nantucket, MA	202 Miles	\$126
Washington, D.C. – New York	214 miles	\$176
Lansing, MI – Green Bay, WI	213 miles	\$244
Birmingham, AL – Knoxville, TN	221 miles	\$282
Honolulu, HI – Hilo, HI	216 miles	\$81

160-185 miles		
Route	Distance	Average Fare (one way)
Hartford, CT – Allentown, PA	169 miles	\$290
Lansing, MI – Milwaukee, WI	168 miles	\$221
Boston, MA – New York, NY	185 miles	\$168
Washington, D.C. – Scranton, PA	185 miles	\$174
Ketchikan, AK – Sitka, AK	185 miles	\$141
Honolulu, HI – Kona, HI	169 miles	\$83

89-112 miles		
Route	Distance	Average Fare (one way)
Los Angeles– Santa Barbara, CA	89 miles	\$104
Boston – Nantucket, MA	91 miles	\$94
Saginaw – Detroit, MI	98 miles	\$143
Ketchikan, AK – Petersburg, AK	112 miles	\$116
Seattle, WA – Portland, OR	129 miles	\$105
Honolulu, HI – Lihue, HI	102 miles	\$69
Honolulu, HI – Kahului, HI	101 miles	\$70

Additionally, our International expansion has provided significant benefit to the state of Hawai'i and to the economies of every Island we serve. Each new long-haul route we serve brings in 90,000 visitors annually and, by the Hawaii Tourism Authority's estimate, creates up to \$160 million per route in visitor spending. The passenger traffic generated by International guests traveling on to Kaua'i has allowed us to provide our robust schedule of 17 - 21 roundtrip flights.

In addition, each new long-haul flight adds 150 full-time employees to our payroll. As we noted above, since 2008 our workforce has increased by 60 percent. These are employees who are domiciled in Hawai'i, who shop at our markets, volunteer in our communities and pay state taxes.

Statement: The state is financing the modernization of Honolulu International Airport

This is not correct. The \$1.7 billion state-wide airport modernization program is paid for by the airlines and other users of the airport via airport user fees. Hawaiian Airlines, as the largest user of the airport, is paying for more than half of the cost of airport modernization.

Statement: Hawaiian Airlines now charges \$4.99 to hold reservations for 24 hours

That is not correct. There is no charge to hold reservations for 24 hours. We do charge a fee of \$4.99 to hold reservations for three days. When we hold a reservation, we are effectively taking it off the market for sale. This three-day hold option is available to customers throughout our system.