



State of Hawaii Department of Transportation Airports Division

September 2014



Information On

State of Hawaii Department of Transportation – Airports Division

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For more information, see Airports Division's website at:

<http://hidot.hawaii.gov/airports/doing-business/airlines/>

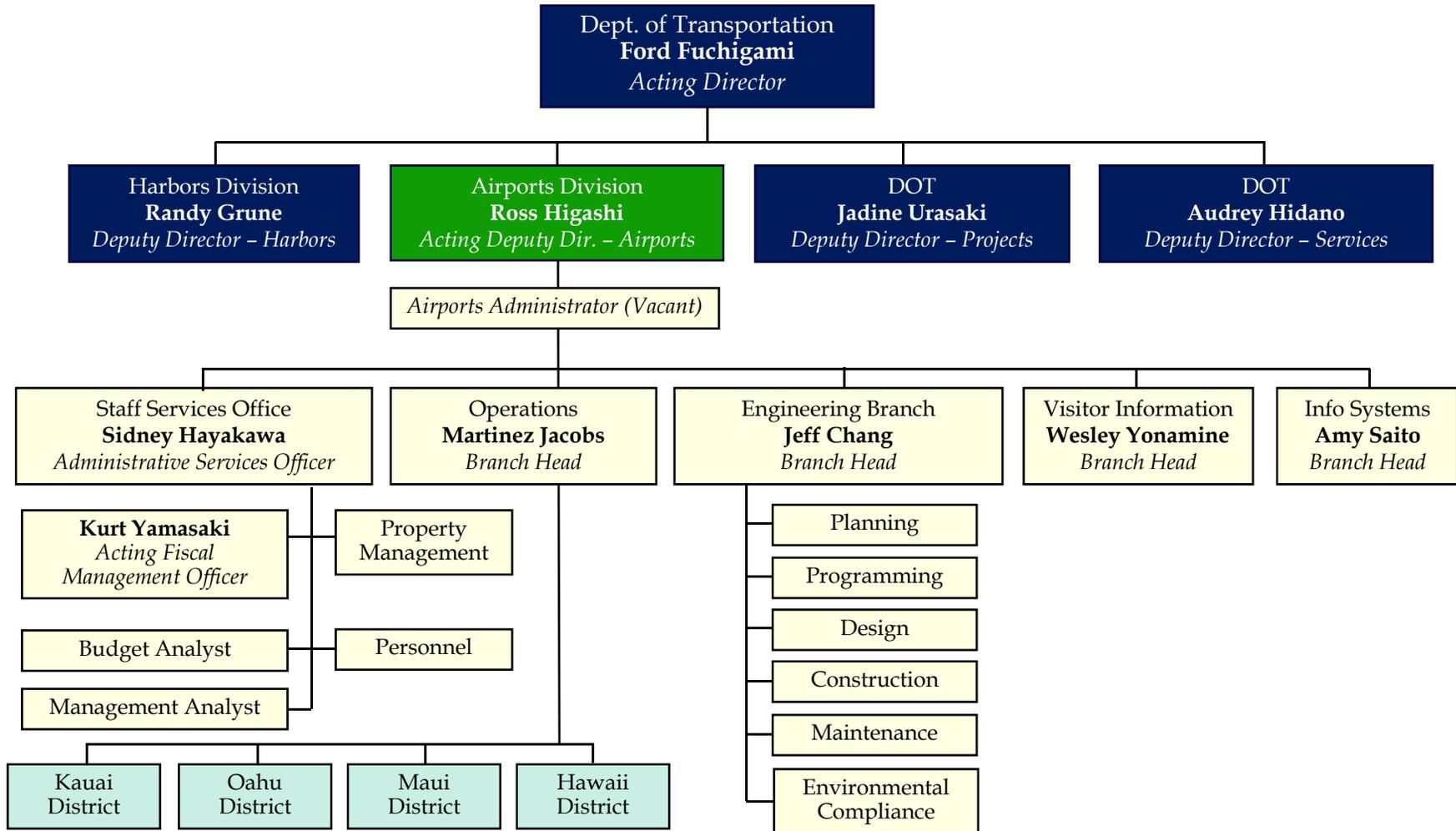


1. Introduction



Introduction

Management Structure





Introduction

State Map and Airports System



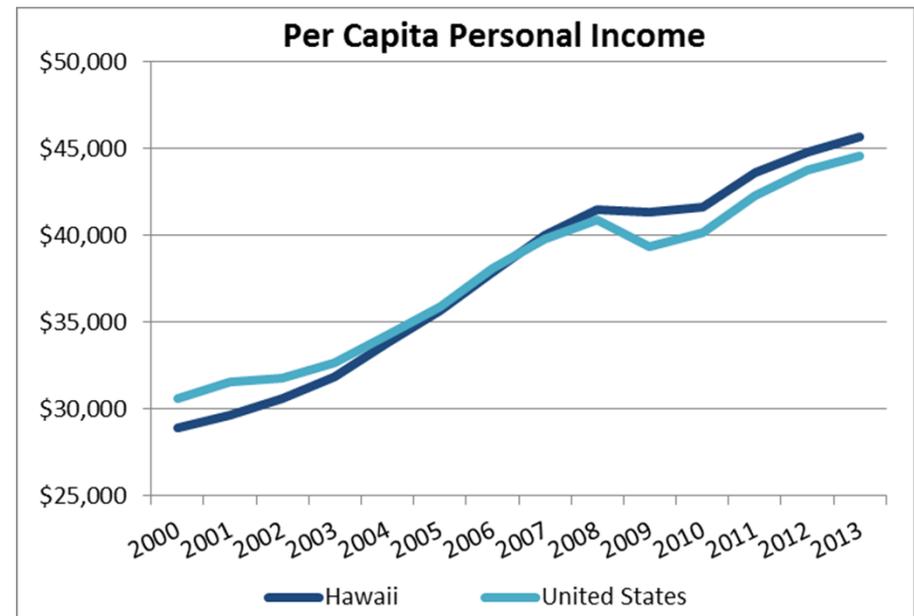
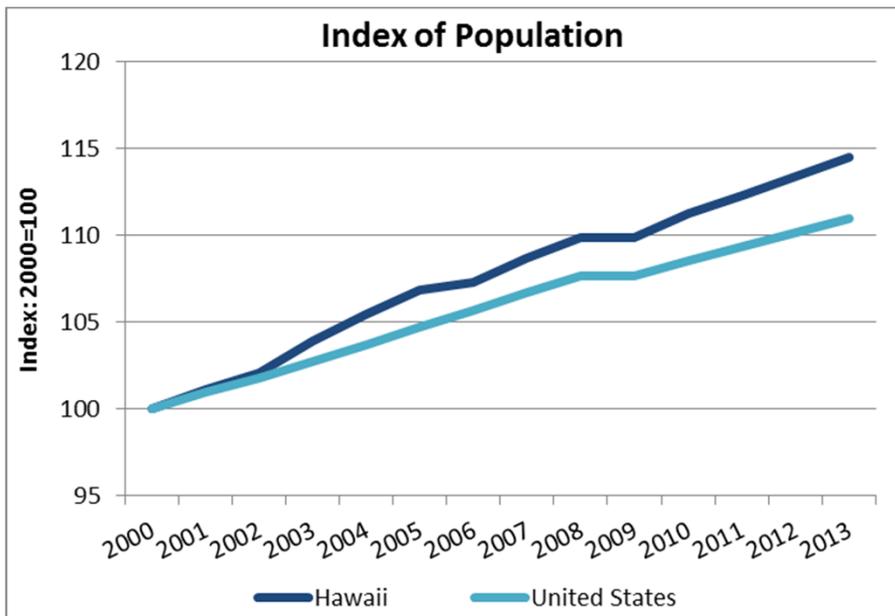


2. Hawaii Economic Update



Hawaii Economic Update Income and Population

- Hawaii's population and income have both grown faster than the U.S. overall
- Average per capita income in Hawaii is 2.5% higher than the U.S. average



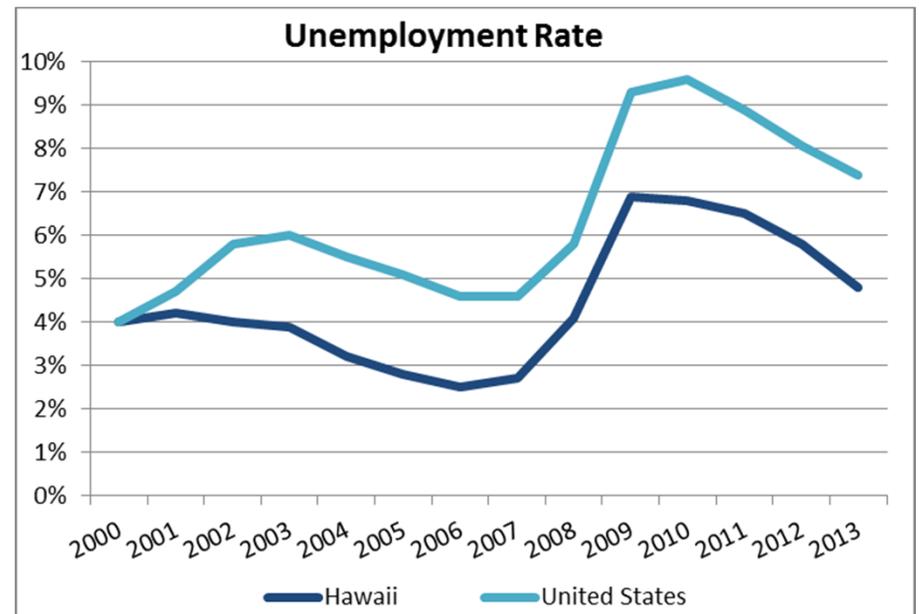
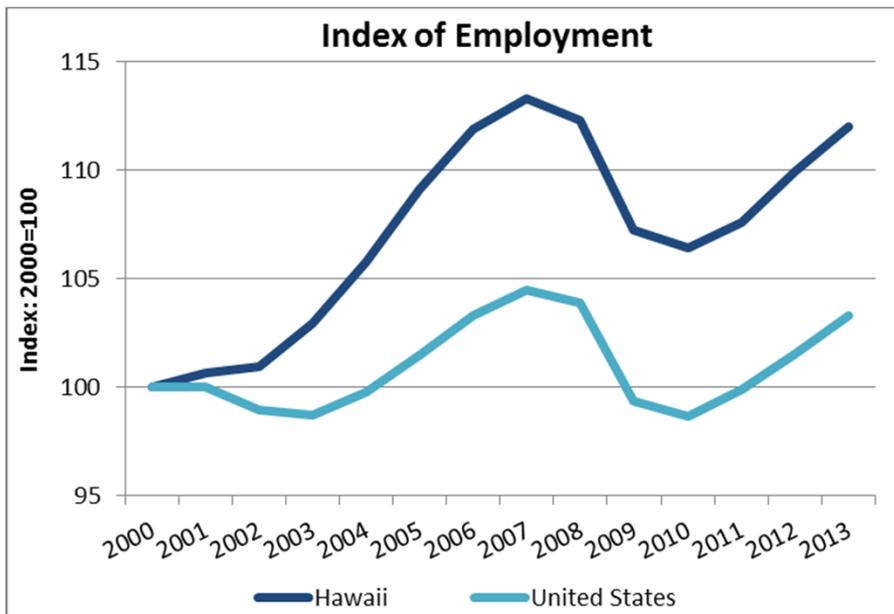
Source: U.S. DOT Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.



Hawaii Economic Update

Employment

- Employment has grown 12% since 2000 in Hawaii, but only 3% in the U.S. overall
- At 4.4% (in June 2014), Hawaii's unemployment rate is one of the lowest in the country
- Government is Hawaii's largest employer followed by trade, transportation and utilities and leisure and hospitality
- The largest private-sector employers in Hawaii include several health care providers, Hilton and Starwood Hotels, and Hawaiian Airlines



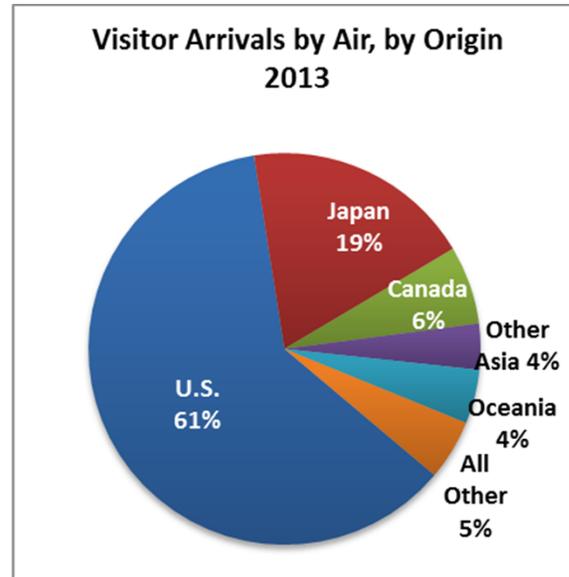
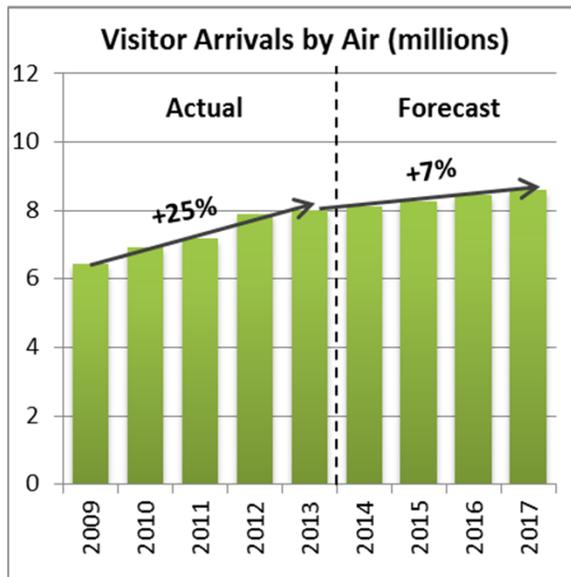
Source: U.S. DOT Department of Labor, Bureau of Labor Statistics.



Hawaii Economic Update

Visitor Count

- Visitors to Hawaii have increased 25% since 2009 and are forecast to increase another 7% through 2017
- The U.S. (61%) and Japan (19%) account for more than 80% of visitors to Hawaii
- Honolulu is the 4th largest U.S. destination for international visitors (after New York, Miami, and Los Angeles)
- 91% of visitors to Hawaii are traveling for personal or leisure purposes



Source: State of Hawaii, Department of Business, Economic Development & Tourism.



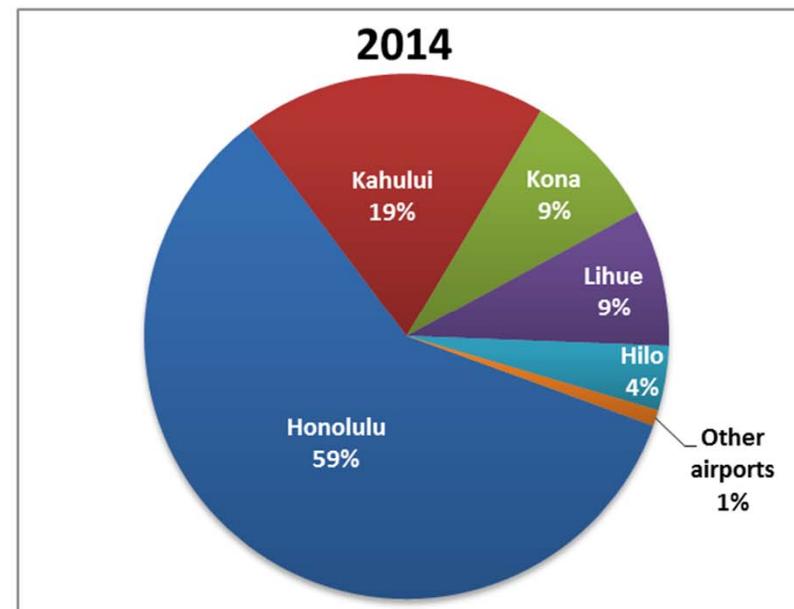
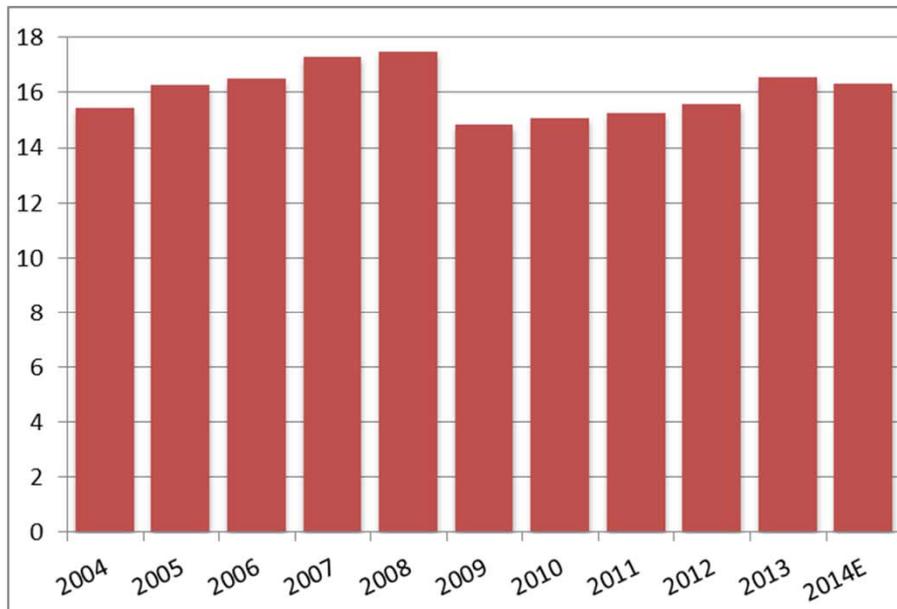
3. Airports System Traffic



Airports System Traffic Trends in Enplaned Passengers

- Enplaned passengers declined by more than 15% in FY 2009, due to economic downturn and bankruptcy of Aloha Airlines
- Number of enplaned passengers has since recovered gradually, including an increase of 6.3% in FY 2013, but is still 5.5% below FY 2008 level
- HNL is estimated to account for 59% of Airports System traffic in FY 2014, with OGG accounting for 19%. KOA, LIH and ITO accounted for 21% of total traffic, with other airports accounted for 1%

Enplaned Passengers (millions)-Hawaii Airports System (Fiscal Years)



Source: Hawaii Airports System. FY 2014 numbers are estimated.

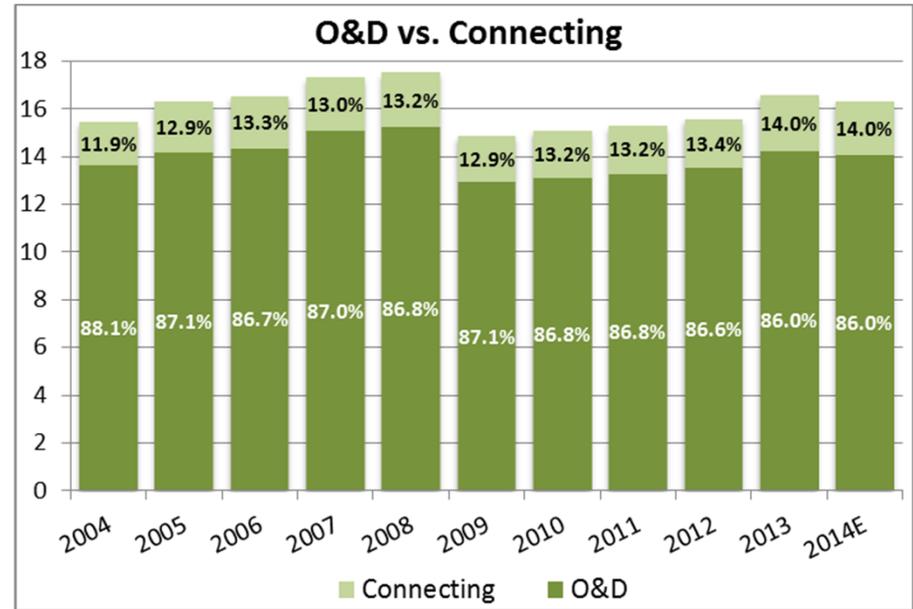
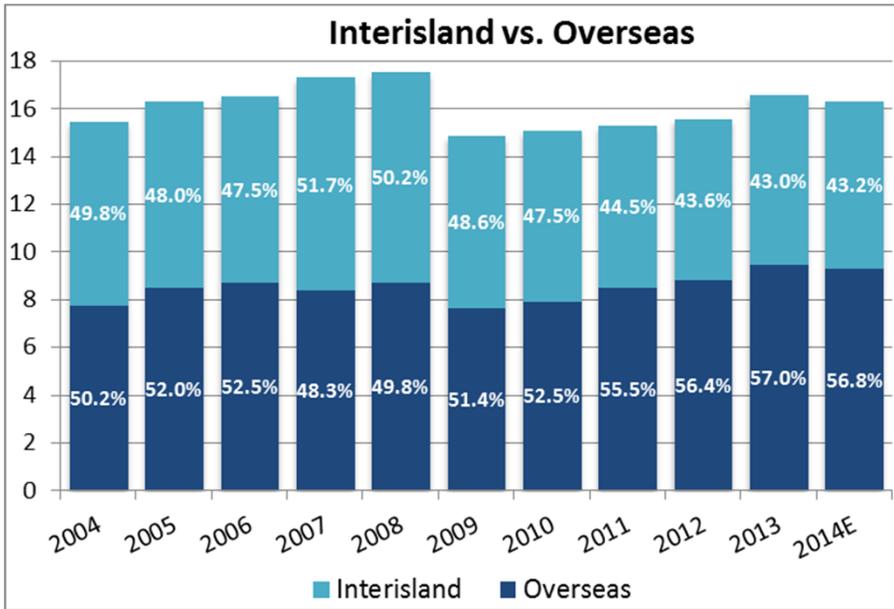


Airports System Traffic

Trends in Enplaned Passengers

- Since Aloha Airlines only operate interisland flights, its bankruptcy led to significant decline in interisland enplaned passengers
- Over the last five years, overseas enplaned passengers outgrew increase in interisland traffic
- O&D passengers accounted for more than 86% of overall passenger traffic, with another 12% connecting to other airports in the Airports System. Connection passengers to overseas destinations accounted for only 2% of overall traffic.
- Majority of the connecting passengers connect through HNL

Enplaned Passengers (millions)-Hawaii Airports System
(Fiscal Years)



Note: O&D and connecting split estimated in 2014.

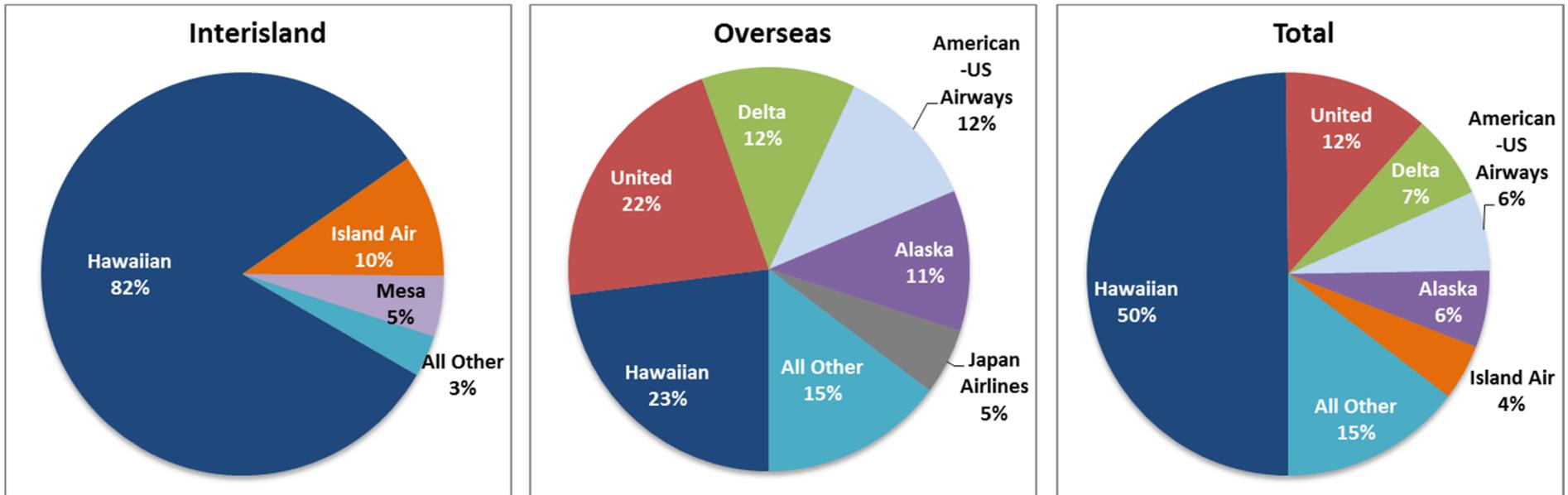
Sources: Hawaii Airports System; U.S. DOT, Air Passenger Origin-Destination Survey, reconciled to Scheduled T100 and 298C T1.



Airports System Traffic Airline Market Share

- Hawaiian Airlines dominates interisland market after the bankruptcy of Aloha Airlines
- Overseas market has a much diverse carrier mix. Alaska Airlines have been developing air service in Hawaii Airports System, to compensate for loss of winter traffic to Alaska.

Airline Market Shares of Scheduled Departing Seats-Hawaii Airports System (Fiscal Year 2014)



Source: OAG Aviation Worldwide Ltd., online database, accessed September 2014. Mesa ceased service April 1, 2014.

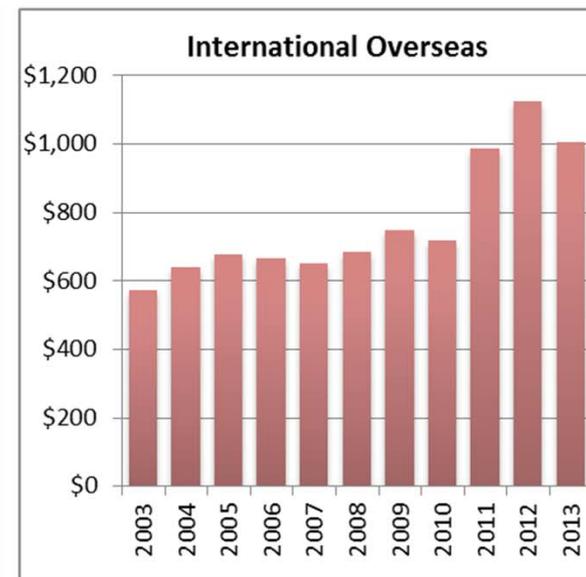
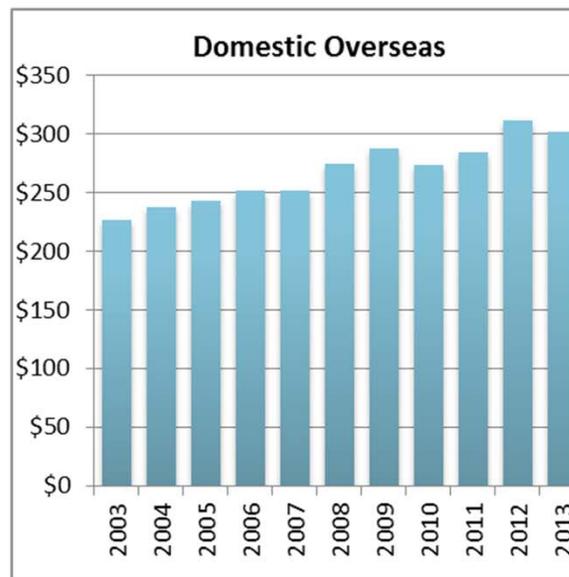
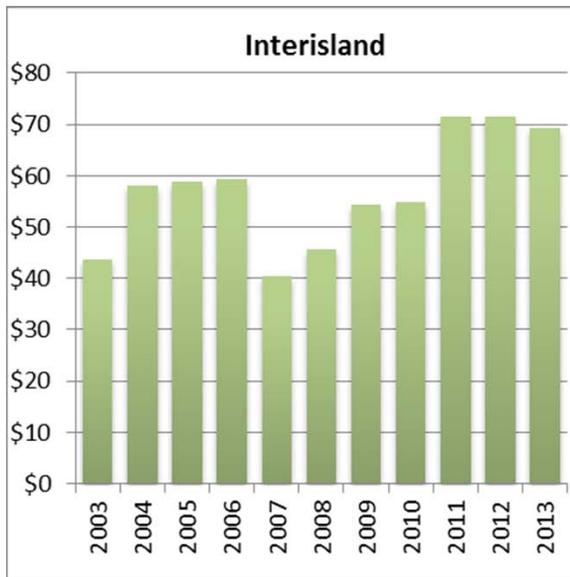


Airports System Traffic

Average One-way Fare for U.S. Airlines

- Average fare for interisland flights dropped significantly in FY 2007 due to low fare brought by new entrant, but recovered after bankruptcy of Aloha Airlines
- Average fare for domestic overseas flights increased gradually over the years
- Average fare for international flights jumped in FY 2011 and 2012, partly due to appreciation of Japan currency, and declined in FY 2013 due to Yen depreciation.

Average One-way Fare for U.S. Airlines (Fiscal Years)



Note: Average fares are net of taxes, fees, and PFCs and exclude ancillary fees charged by the airlines.

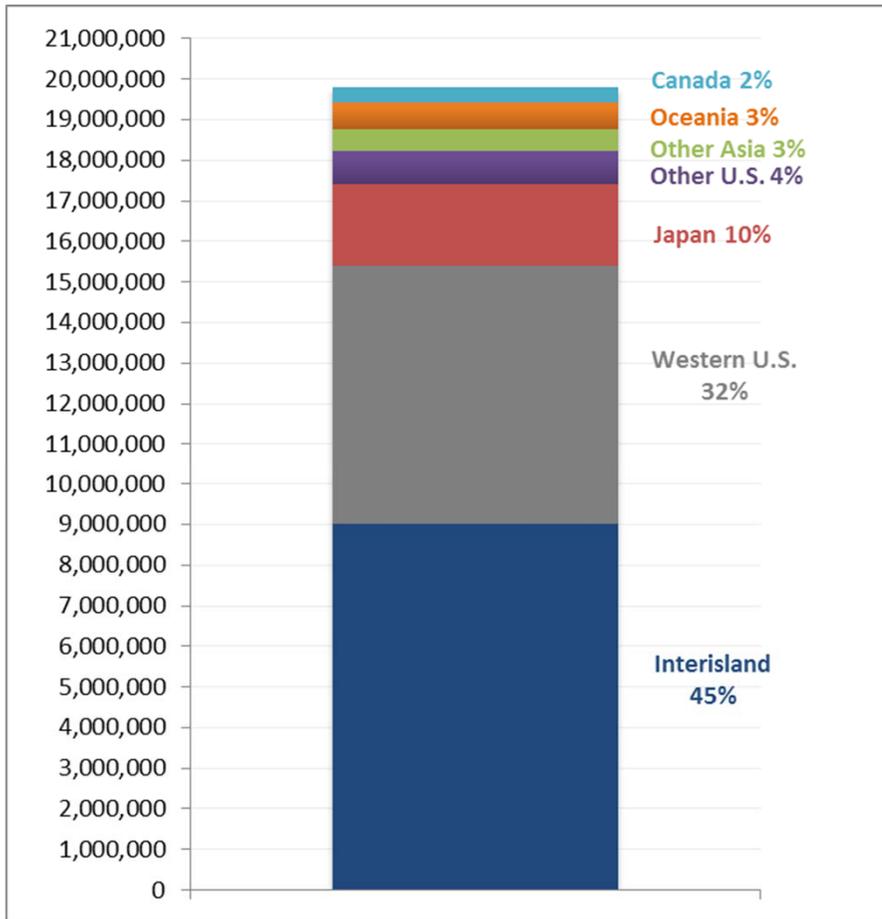
Source: U.S. DOT, Air Passenger Origin-Destination Survey, reconciled to Schedules T100 and 298C T1.



Hawaii Airports System Top Markets

Scheduled Departing Seats, by Region

(July 2013 – June 2014)



- Majority of overseas passengers are from western U.S.
- Japan is the primary overseas market over the last many decades. In FY 2013, Japan visitors increased by 7.9% , compared to FY 2012.

FY 2014 Service Changes

- New destinations for FY 2014 included Beijing and Victorville.
- In FY 2014, Hawaiian Airlines and Mokulele Airlines added interisland services, offsetting certain routes cancelled by Mesa Airlines, Island Air, and Pacific Wings.
- Allegiant announced it would no longer provide flights between Hawaii and Bellingham, while Hawaiian announced it would stop services to Fukuoka and Taipei.

Source: OAG Aviation Worldwide Ltd., online database, accessed September 2013.



4. Airports System Rates and Charges



Airports System Rates and Charges

Airline Status

- There are three types of air operators: Signatory, Nonsignatory Commercial Airline Carrier, and Nonsignatory Airline Operator
- To become a signatory airline, a new entrant must submit application for financial review. Upon a favorable result, the new entrant will be asked to submit a performance bond before becoming signatory

Signatory

- ✓ Month to month lease, cancellable within 60 days
- ✓ Paying signatory rates and charges
- ✓ Enjoys year-end settlement
- ✓ Eligible for preferential gate

Nonsig Commercial

- ✓ No agreement
- ✓ Paying approx. 125% of signatory rates and charges
- ✓ No year-end settlement
- ✓ Ineligible for preferential gate

Nonsig Air Operator

- ✓ Mostly general aviation, defined by Procedure 4.13
- ✓ Paying lower rates



Airports System Rates and Charges

FY 2014 Signatory Rates

	Activity	HNL	OGG	KOA	ITO	LIH	Other	
Landing Fee Rate	1,000 lbs LW	Same rates for overseas landing; discounted rate for interisland						
Terminal Rate	Per sqft	X	X	X	X	X	Set by procedure	
Joint use Holdroom	Per enpax	X	X	X	X	X	n.a.	
Joint Use Bag Claim	Per bag	X	X	X	X	X	n.a.	
Joint Use Bag Makeup	Per bag	X	n.a.	n.a.	n.a.	n.a.	n.a.	
Int'l Arrival	Per depax	X	n.a.	n.a.	n.a.	n.a.	n.a.	

X indicates rates that are recalculated each year based on airline agreement.

Joint Use Baggage Claim Fee is only applied to passengers not using international arrival building.



Airports System Rates and Charges

Sample Calculation for Boeing 767-300 Int'l Operation

Estimated HNL Signatory Airline Rates and Charges

International Operation - Boeing 767-300

	Rate	Unit	Amount
Airport Rates and Charges			
Landing Fees	\$ 3.03	320 per 1,000 lbs	\$ 970
Joint Use Holdroom Fees	\$ 1.16	238 per enplaned pax	276
Joint Use Baggage Makeup Fees	\$ 1.39	185 per bag	257
International Arrival (IAB) Charges	\$ 5.65	238 per deplaned pax	1,342
Subtotal per Flight			\$ 2,845
Flights in a Month			30
Monthly Charges			\$ 85,343
HNL Terminal Monthly Rental Rate			\$ 4.54
Assumed Space (Ticket Counter and ATO)			750
Monthly Rentals			\$ 3,406
Total Monthly Payments (1)			\$ 88,749
Enplaned Passengers (90% Load Factor)			7,128
Payment per Enplaned Passenger			\$ 12.45

Note: (1) Does not include ground handling, fueling or maintenance paid to a 3rd party.



Airports System Rates and Charges

Sample Calculation for Boeing 767-300 Domestic Overseas Operation

Estimated HNL Signatory Airline Rates and Charges

Domestic Overseas Operation - Boeing 767-300

	Rate	Unit	Amount
Airport Rates and Charges			
Landing Fees	\$ 3.03	320 per 1,000 lbs	\$ 970
Joint Use Holdroom Fees	\$ 1.16	238 per enplaned pax	276
Joint Use Baggage Makeup Fees	\$ 1.39	185 per bag	257
Joint Use Baggage Claim Fees	\$ 3.54	185 per bag	655
Subtotal per Flight			\$ 2,157
Flights in a Month			30
Monthly Charges			\$ 64,714
HNL Terminal Monthly Rental Rate			
Assumed Space (Ticket Counter and ATO)			\$ 4.54
			750
Monthly Rentals			\$ 3,406
Total Monthly Payments (1)			
Enplaned Passengers (90% Load Factor)			\$ 68,119
Payment per Enplaned Passenger			7,128
			\$ 9.56

Note: (1) Does not include ground handling, fueling or maintenance paid to a 3rd party.



Airports System Rates and Charges

Sample Calculation for Boeing 717-200 Interisland Operation

Estimated HNL Signatory Airline Rates and Charges Interisland Operation - Boeing 717

	Rate	Unit	Amount
Airport Rates and Charges			
Landing Fee	\$ 1.30	110 per 1,000 lbs	\$ 143
Joint Use Holdroom	\$ 1.16	106 per enplaned pax	123
Joint Use Baggage Makeup Fees	\$ 1.39	54 per bag	75
Joint Use Baggage Claim Fees	\$ 3.54	54 per bag	191
Subtotal per Flight			\$ 532
Flights in a Month			30
Monthly Charges			\$ 15,957
HNL Terminal Monthly Rental Rate			
Assumed Space (Ticket Counter and ATO)			\$ 4.21
Monthly Rentals			750
			\$ 3,154
Total Monthly Payments (1)			
Enplaned Passengers (90% Load Factor)			\$ 19,111
Payment per Enplaned Passenger (2)			3,186
			\$ 6.00

Notes: (1) Does not include ground handling, fueling or maintenance paid to a 3rd party.
 (2) Operating from Commuter Terminal would lead to even lower rates.