

# PacificWings L.L.C

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May 15, 2009

Kevin Schlemmer  
EAS & Domestic Analysis Division  
U.S. Department of Transportation  
1200 New Jersey Ave, SE  
Washington, DC 20590

RE: **Proposal to Provide Essential Air Service at Owensboro, Kentucky (DOCKET DOT-OST-2000-7855); and, Jackson, Tennessee (DOCKET DOT-OST-2000-7857)**

Dear Sirs,

In response to the above-referenced orders, Pacific Wings, L.L.C. submits its bid for provision of Essential Air Service at Owensboro, Kentucky and Jackson, Tennessee. Proposed service profile and pricing details are:

SERVICE PROFILE	DETAILS / FREQUENCY	ANNUAL SUBSIDY
<b>Owensboro, KY to Nashville, TN</b> <i>(With continuing service to Atlanta)</i>	Three (3) Daily Non-Stop Round-Trips Monday thru Friday  One (1) Non-Stop Round-Trip on Saturday  Two (2) Non-Stop Round-Trips on Sunday	\$1,068,773
<b>Jackson, TN to Nashville, TN</b> <i>(With continuing service to Atlanta)</i>	Three (3) Daily Non-Stop Round-Trips Monday thru Friday  One (1) Non-Stop Round-Trip on Saturday  Two (2) Non-Stop Round-Trips on Sunday	\$1,225,628

These bids are not bundled. Pacific Wings, L.L.C. is prepared to serve either or both communities at specified subsidy rates.

## BACKGROUND

Jackson and Owensboro have been without scheduled air service since Big Sky Airlines abruptly ceased operations approximately sixteen months ago. Even with scheduled EAS flights, USDOT statistics indicate declining passenger traffic to both locations during the last two years Big Sky provided service.



Both communities enjoy diverse economic interests, prosperity and development, with thriving populations and major corporate presence. It appears from leading indicators that robust demand for air travel should exist.

#### **COMMUNITY REQUIREMENTS**

To better understand the requirements and needs of Owensboro and Jackson travelers, and determine how Pacific Wings can provide better air service solutions, the airline sought input from government officials, businesspeople and residents in each location, reviewed census and economic data and examined historical air travel trends in the region. These discussions highlighted certain values which appear common to both communities:

- **Limited Access = Limited Potential.** Business and government leaders in Owensboro and Jackson have expressed a common belief that air service is important to continued and competitive economic development throughout the region
- **Fares must be reasonable.** The ability to drive to neighboring Nashville, Memphis or other hub airport requires that airfares be competitive with the time and costs required to drive
- **Schedules must work for commuters.** Business travelers need early departures and late returns to maximize flexibility and make flying more attractive than driving
- **Ticketing and Interlining with other airlines.** Business travelers in particular emphasized the importance of being able to ticket all air, car and hotel accommodations through any travel agency or travel web site on a single itinerary, and of transferring baggage and tickets seamlessly among all airlines on their itinerary
- **Schedules must maximize connections.** Flights must be timed to provide maximum connection options for both east and west bound passengers, particularly for business travelers in the early morning hours.
- **Atlanta-Hartsfield International.** Business leaders and residents in both communities have expressed a strong desire for service to Atlanta, due the number and variety of domestic and international connections available
- **Southwest and Nashville.** Respondents in Owensboro and Jackson indicated they use (or would like to use) the Nashville Airport at least some of the time to fly discount carrier Southwest, which does not currently serve Atlanta. Respondents expressed considerable reluctance to drive to Nashville, however, due to ongoing, long-term Interstate construction frequently resulting in unpredictable and extended traffic delays
- **Economic Sustainability.** Businesspeople and government officials in both communities have expressed frustration that they have been without air service for more than one year; and, with the declining performance of the previous provider during its final 24 months of operations. There appears to be an understanding and acceptance that a new, more efficient and cost-effective model will be necessary to sustainably provide desired service levels at fares the public will embrace
- **Environmental Responsibility.** Respondents in both communities expressed a desire to minimize the environmental impact, waste and carbon footprint

associated with their EAS model; particularly if doing so would result in lower fares and enhance long-term viability of the service itself

#### **PROGRESSIVE SOLUTIONS**

Pacific Wings has a proven, scalable EAS service delivery model with the economies and efficiencies necessary to deliver superior reliability, cost containment and flexibility with significantly reduced carbon emissions.

Based upon known preferences and requirements, the airline believes Owensboro and Jackson can best be served by quick, inexpensive, frequently scheduled nonstop flights to Nashville, with continuing service to Atlanta. Based upon similarities to its GeorgiaSkies EAS operation in Atlanta, Pacific Wings anticipates fares between Owensboro, Jackson and Nashville under \$50, and fares between Jackson, Owensboro and Atlanta under \$100.

This EAS profile would provide inexpensive, 30 minute access to Nashville desired by travelers who prefer Southwest, as well as an extensive selection of international and domestic flight options at Atlanta-Hartsfield for customers who prefer legacy carriers.

Pacific Wings could extend the GeorgiaSkies service delivery network to Owensboro and Jackson, or develop a new brand for the local market and connect with the GeorgiaSkies network, depending on community preferences.

#### **ABOUT EAS**

The Essential Air Service Program (EAS) is a byproduct of airline deregulation, providing federal subsidies to airlines serving qualified rural communities. Its purpose is to link small airports with medium and large hubs, providing access to the national air transportation network. EAS subsidies are paid directly to provider airlines by USDOT for two year contract terms, and contract awards are based on a variety of factors including community input.

#### **STANDARDS vs. OBJECTIVES**

Reduction or elimination of dependence on subsidies is a stated objective of the EAS program. Taxpayer subsidies and service delivery costs are unnecessarily inflated, however, by archaic standards which provide every eligible community with default equipment, capacity and frequency standards which often far exceed historical utilization or any known, practical requirements.

USDOT statistics for Owensboro and Jackson indicate taxpayers were subsidizing at least 60% more capacity than these communities were utilizing when each last received regularly-scheduled air service.

#### **WASTE DRIVES HIGH COSTS, FARES**

The EAS program currently provides no incentives for provider airlines to wean off subsidies operate more efficiently or scale capacity to demand with newer, more efficient aircraft.

Utilization of large, aging aircraft - particularly in locations like Jackson and Owensboro -- has resulted in gross overcapacity in many EAS communities. In 2006 alone, more than 2.4 million seats purchased by taxpayers for the EAS program went empty and unused. During the same year, a typical EAS flight in the 48 contiguous states was just 37% full.

Despite subsidies, EAS fares are often cost prohibitive for all but a handful of

affluent pleasure and business travelers.

The unprofitable effects of spiraling operating costs, excess capacity and prohibitively high fares are evident from abrupt decisions by incumbent airlines in both Owensboro and Jackson terminate service. The devastating combination of soaring costs and inefficient operations resulted in the collapse of seven major US air carriers in 2007-2008, as well as cessation of operations and liquidation of established EAS providers like Big Sky Airlines, Skyways and Air Midwest.

#### **EAS COMMUNITIES HAVE A CHOICE**

The default EAS service standard entitles eligible locations to scheduled service with pressurized, twin-engine aircraft with 19 or more seats; however, EAS communities are free to choose whatever standards or modes of transportation they feel best serve their particular needs.

EAS communities have the absolute right to deviate from any standard they believe may unnecessarily hinder, limit or inflate the scope or cost of scheduled air service. This right to choose includes the size and type of aircraft used in service delivery.

Communities are not required to observe any formal process, apply for or receive approval to exercise their right to choose something other than the default service standard. Community leaders need only express their preferences to USDOT via letter, fax or email.

USDOT encourages eligible communities to consider more efficient service delivery alternatives which may deviate significantly from the EAS service default. Buses, vans, ferries and other surface transportation options are notable examples.

Moreover, the program urges EAS communities to give *particular consideration* to alternatives with the potential to *reduce or eliminate dependence on EAS subsidies* altogether. In Alaska, Hawaii, New Mexico and Georgia, an increasing number of EAS communities are embracing the advantages and economies of newer, more efficient and economical aircraft. These communities enjoy lower fares and higher frequencies than required by EAS contracts.

#### **A LEGACY OF INNOVATION**

Thirty-four year old Pacific Wings Airlines has proven success in delivering safe, convenient and cost-effective air transportation solutions to remote and rural locations. For more than a decade, the airline has provided EAS to some of the country's most isolated communities.

During this time, Pacific Wings has aggressively implemented aircraft and technology upgrades that subsequently reduced, and ultimately eliminated dependence on EAS subsidies in Hawaii altogether.

Building on its success in the Pacific, the airline was awarded EAS contracts for Carlsbad, Hobbs and Alamogordo, New Mexico in 2007, and in Athens and Macon Georgia in 2008. Despite economic challenges facing the industry, Pacific Wings continues to successfully serve Hawaii EAS communities without subsidy, and removed Hobbs, NM from EAS subsidy rolls in January 2009.

#### **BUILDING ON SUCCESS**

Pacific Wings consistently offers Hawaii's lowest unrestricted fares on more than 60 daily departures to seven cities on five islands throughout the state. In March 2007, Pacific Wings was named Hawaii's best airline by Airways Magazine.

The attached media reports document Pacific Wings' successful transition of small Hawaii communities once dependent on federal subsidies, into self-sustaining, commercially viable air service markets.

In New Mexico, the airline provides EAS communities with more service to more places than required under EAS contracts, in order to build a more robust, profitable and sustainable service delivery network. In Georgia, the airline is changing the way adjacent cities connect to Atlanta's Hartsfield Airport, with \$49 one-way flights that make it inexpensive and easy to avoid the traffic snarls and parking headaches associated with commuting by car.

#### **PROVEN EXPERIENCE**

In evaluating new EAS opportunities, Pacific Wings considers primarily communities with disproportionately high capacity coupled with very low utilization.

In these target markets - such as Jackson and Owensboro - it is possible to scale capacity to demand and costs to revenue with newer, more efficient aircraft, while leveraging the significant economies of Part 135 operations.

The nine-passenger Cessna 208-B Grand Caravan is ideally scaled to the operational, capacity and performance requirements common to underutilized EAS markets. It is newer, and has a safety record far superior to any other aircraft currently used in EAS service. The Caravan has proven itself in more than 19 years of operations to be one of the most reliable and versatile airplanes ever built, with a safety record unparalleled by other aircraft.

#### **STATE-OF-THE-ART AIRCRAFT**

All aircraft operated by Pacific Wings are equipped with state-of-the-art safety technology, including traffic collision and avoidance systems (TCAS), ground proximity warning systems (GPWS), dual global positioning satellite receivers (GPS) with moving maps, autopilots with flight directors, dual instruments (pilot and co-pilot side), weather radar and radar altimeters.

Safety is further enhanced by conducting all EAS operations with a two-pilot IFR/VFR qualified crew.

The passenger seats and cabin are roomy and comfortable. The Caravan is also renowned for its load hauling capability, providing more useful baggage capacity per passenger than a fully loaded 19 seat commuter aircraft. The operating economies of the Caravan make it possible to easily upscale capacity to demand at any time by utilizing two aircraft whenever 10 to 18 seats are required.

#### **GOING GREEN**

In addition to saving taxpayer dollars, Pacific Wings' EAS delivery model also conserves natural resources and reduces carbon emissions by replacing aging, inefficient aircraft with newer more efficient planes, and eliminating waste. During its first six months of operations in New Mexico alone, Pacific Wings realized a 1,316 metric ton reduction in greenhouse gas emissions; equivalent to:

- 3000 barrels of oil
- 400 tons of solid waste
- 17 tanker trucks of gasoline

The airline has experienced similar results in Hawaii, eliminating more than

2,905,812 tons of Co2 emissions, and conserving more than 137,749 gallons of jet fuel during 2007 alone. In Georgia, the airline is driving substantial passenger gains, while offsetting carbon emissions by partnering with a reforestation corporation to plant one seedling tree for every passenger flown.

#### **WORLDWIDE DISTRIBUTION**

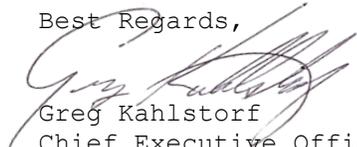
Pacific Wings ensures maximum visibility and commercial sales exposure for its airline brands using Global Distribution Systems such as SABRE, WorldSpan and Amadeus. These systems provide Pacific Wings EAS flight schedules and availability to travel agencies and internet users worldwide.

Pacific Wings is an IATA member and participant in the ARC and BSP agency settlement plans, and maintains a worldwide network of international sales offices. In addition, Pacific Wings holds Interline Ticketing and Baggage agreements with American, Northwest, Continental, Delta, and dozens of other major airlines to provide worldwide exposure and seamless travel among partner carriers. Pacific Wings also holds E-ticketing agreements with a growing collection of major domestic airlines, including Delta, Continental and Northwest, among others.

We believe the attached proposal better serves Owensboro and Jackson because it has been proven successful in other EAS communities, saving taxpayer dollars while laying the groundwork for increased passenger traffic and eventual independence from federal subsidies.

If you have questions concerning this proposal please feel free to contact me.

Best Regards,



Greg Kahlstorf  
Chief Executive Officer  
Pacific Wings, L.L.C.

**Pacific Wings, L.L.C.**  
**Provision for Essential Air Service at Owensboro, KY**  
**Nashville, TN**  
**Calculation of Annual Subsidy Needed**

3 roundtrips M-F, 1 roundtrip Saturday, 2 roundtrip Sunday

Aircraft type	Cessna 208B
Seats per departure	9
Average completion factor:	95%
Departures	1,778
Block hours:	1,245

	<u>Passengers</u>	<u>Average fare</u>	<u>Total</u>
OWB/BNA	6,600	\$75.00	\$495,000
			<u>495,000</u>
<u>Other revenue</u>			4,950
Total operating revenue			<u>\$499,950</u>
<u>Operating expense:</u>			
Flying Operations			\$136,937
Fuel and Oil			\$280,100
Aircraft and Hull Insurance			\$61,600
Maintenance			\$149,386
<u>Into aircraft and lease expense</u>			<u>\$228,000</u>
Direct Expense			\$856,022
Indirects			\$638,000
Total Operating Expense			\$1,494,022
<u>Return at 5% of operating expense</u>			74,701
Total Economic Cost			<u>\$1,568,723</u>
Annual Subsidy Need @ 95%			<u><u>\$1,068,773</u></u>

**Pacific Wings, L.L.C.**  
**Provision for Essential Air Service at Jackson, TN**  
**Nashville, TN**  
**Calculation of Annual Subsidy Needed**

3 roundtrips M-F, 1 roundtrip Saturday, 2 roundtrip Sunday

Aircraft type	Cessna 208B
Seats per departure	9
Average completion factor:	95%
Departures	1,778
Block hours:	1,363

	<u>Passengers</u>	<u>Average fare</u>	<u>Total</u>
MKL/BNA	5,400	\$75.00	\$405,000
			<u>405,000</u>
<u>Other revenue</u>			4,050
Total operating revenue			<u>\$409,050</u>
<u>Operating expense:</u>			
Flying Operations			\$149,985
Fuel and Oil			\$306,789
Aircraft and Hull Insurance			\$61,600
Maintenance			\$163,620
<u>Into aircraft and lease expense</u>			<u>\$228,000</u>
Direct Expense			\$909,994
Indirects			\$646,843
Total Operating Expense			\$1,556,837
<u>Return at 5% of operating expense</u>			77,842
Total Economic Cost			<u>\$1,634,678</u>
Annual Subsidy Need @ 95%			<u><u>\$1,225,628</u></u>



*Pacific Air Holdings*

# Brands

## *PACIFICWINGS*

Passenger and cargo service to Hawaii's most remote and insular tourism destinations. Visit us on the web at [pacificwings.com](http://pacificwings.com)

## *PWExpress*

High-volume, discount passenger service among Hawaiian commuter markets. Visit us on the web at [flypwx.com](http://flypwx.com)

## *flynma.com* NEW MEXICO AIRLINES

Commuter passenger service linking rural New Mexico and Texas communities with surrounding regional hubs. Visit us on the web at [flynma.com](http://flynma.com)

## GeorgiaSkies

Commuter passenger and cargo service linking adjacent Georgia cities with Atlanta's Hartsfield international. Visit us on the web at [flygeorgiaskies.com](http://flygeorgiaskies.com)

## *EASolutions*

Cost-effective, environmentally responsible rural air service solutions

# Profile

## ***Delivering reliable, economically sustainable air transportation for more than thirty years***

- Continuous scheduled operations since 1974
- More than 100 scheduled daily flights among 21 cities throughout Hawaii, Texas, New Mexico and Georgia
- Two-pilot IFR/VFR operations with state of the art avionics and safety technology
- Serving more cities and EAS locations in Hawaii, New Mexico and Georgia than any other airline
- Excellent operating and safety history; named Hawaii's best airline in 2007 by Airways Magazine
- Serving sterile and non-sterile airport environments under TSA approved security plans; exempt from Part 139 requirements
- May be ticketed by travel agencies and internet travel portals worldwide
- Scalable, cost-effective model adapts easily to unique rural service delivery requirements



# Challenges

***Rural air service is jeopardized by spiraling costs, industry consolidation and wasteful subsidy programs***

- **Most Essential Air Service operations are not sustainable with 19 seat or larger equipment**
  - Air Midwest liquidation and termination of service by Big Sky demonstrate existing EAS models no longer work, even with adequate Congressional funding
- **Program guidelines promote waste, reward inefficiency**
  - Average aircraft used for EAS has 19 seats, while the average number of passengers per flight is three; approximately 80% of all EAS capacity purchased by taxpayers is wasted
- **Subsidies benefit few**
  - Low utilization and rapidly escalating costs drive per passenger subsidy levels and fares to prohibitively high levels



# The Green Solution

***Saving taxpayer dollars, conserving natural resources and reducing carbon emissions through elimination of waste***

- Efficient, factory new commuter aircraft, scaled to rural utilization trends
- Dramatically reduced carbon emissions
- Significant operational savings
- Increased passenger traffic
- Reduction and elimination of taxpayer subsidies
- Unparalleled safety, performance and reliability
- Multiple aircraft easily scale capacity whenever 18, 27 or more seats are required
- Economical, sustainable and *proven* service delivery model
- Interline and electronic ticketing agreements with major airlines worldwide, including DL, AA, CO, NW, UA and others





# New Mexico Goes Green

**1,316 metric ton reduction in greenhouse gas emissions; equivalent to:**

- 3000 barrels of oil
- 400 tons of solid waste
- 17 tanker trucks of gasoline

**30% passenger traffic increase in two out of three EAS communities**

**50% reduction in EAS taxpayer subsidies**

**100% fresh cabin air; not filtered**



***New Mexico leads the way in progressive, environmentally responsible EAS reform***

# Distribution Networks

Current / Awarded Routes ———  
Proposed Routes - - - - -



**PACIFICWINGS**  
**PW Express**

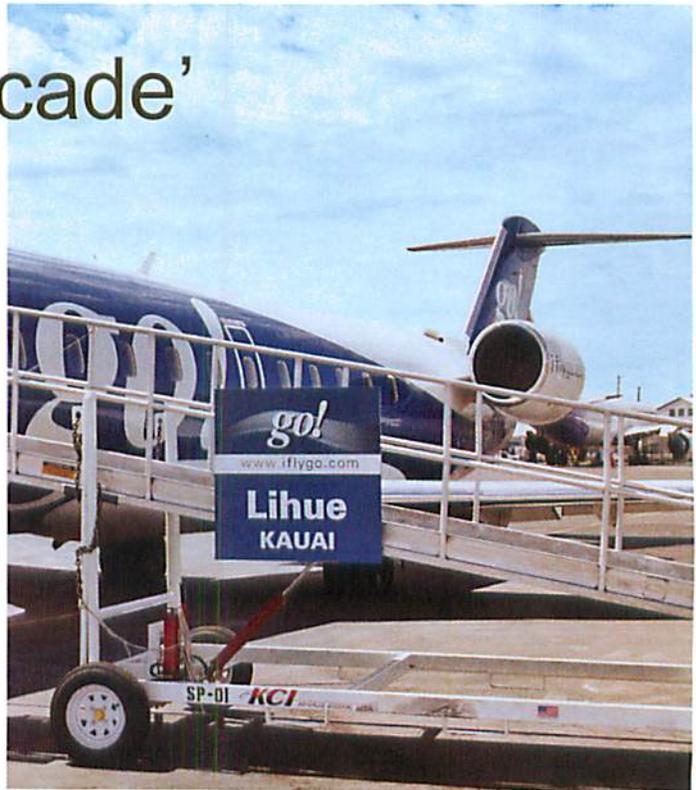
*flynma.com*  
NEW MEXICO AIRLINES

**GeorgiaSkies**

## Hawaiian 'Travelcade'

Until recently, Hawaiian Airlines and Aloha Airlines dominated inter-island services in Hawai'i. Despite the efforts of competitors, many of which were short-lived, those two carriers have enjoyed relatively stable market conditions with comparably high ticket prices. More recently, that situation has changed significantly with the appearance of Mesa Air Group's *go!* and Island Air (*News from the Airways*, July & June 2006, respectively). Accordingly, inter-island fares have dropped dramatically, and all four airlines are now engaged in a price war, with one-way tickets routinely available for as little as \$39, plus taxes.

To evaluate the principal 'combatants',  *Airways* travelled on all four airlines over comparable sectors. In addition, a fifth flight was undertaken with a smaller competitor, Pacific Wings.



One of five Bombardier CRJ200s currently operated by *go!*. The well-crafted wave design depicts one of the state's attractions—and perhaps symbolizes the airline's ambition to roll over the local market like a wave.

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### *go!*

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**Flight:** YV1024  
**Route:** Honolulu, Oahu (IATA: HNL/ICAO: PHNL)–Lihue, Kauai (LIH/PLIH)  
**Aircraft:** Bombardier CRJ200

Trendily titled *go!* is the newest entrant in the Hawaiian inter-island market, and is operated by Mesa Airlines. It started scheduled services in June 2006 using a fleet of five Bombardier CRJ200s. Initially, only primary routes with high traffic volumes were served. From December 2006, Kona-based Mokulele Airlines began service under the name *go!Express*, using Cessna 208B Grand Caravans between Honolulu and Kapalua, Lanai, and Molokai, as well as supplemental flights to Lihue, Kahului, Kona, and Hilo, and on direct inter-island routes.

Reservations were made through *go!*'s website, but the system stalled during the payment process. However, a phone call to Mesa's reservations center soon rectified



PHOTOS: ANDREAS ROHDE

the situation, with the Internet booking being cancelled and replaced by another, still at the same 'web special' fare of \$34.80 (including all taxes).

Check-in at Honolulu's commuter terminal took only a few minutes, as did security. But the small terminal offers few amenities to waiting passengers. With two flights being boarded simultaneously, there were large destination signs attached to the boarding ramps to ensure that passengers took the right airplane. Inside, the CRJ200 had the appearance of a brand-new aircraft, furnished with bright-blue, leather-covered seats, and the

cabin was spotlessly clean.

The sole flight attendant tried to create a relaxed and fun atmosphere by welcoming passengers on behalf of the airline's "fabulous cabin crew and terrific pilots." During the 21-minute flight, refreshments were available for sale only. But they were reasonably priced, ranging from \$1.50 for soft drinks to \$3.50 for 'spirituous liquors'.

After an uneventful touchdown at Lihue and short taxi to the terminal, we had to use a stairway to reach the main passenger level and baggage claim area, where our luggage was delivered ten minutes after arrival.

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## Island Air

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**Flight:** WP106

**Route:** LIH-HNL

**Aircraft:** Bombardier Dash 8-100

Island Air has been serving the Hawaiian Islands since 1980, when it was founded as Princeville Airways with a pair of DHC-6 Twin Otters. In 1987, the airline was absorbed into the Aloha Air Group, later operating as Aloha IslandAir to airports too small for pure-jet equipment. With an upgrade to Dash 8s the name was changed to, simply, IslandAir. Financial difficulties forced the company's sale, and now Island Air is a competitor of its former parent.

The Internet reservation for Island Air was the easiest to make of all the airlines sampled. At \$35.51, the fare was marginally more expensive than that of *go!* Check-in at Lihue took less than five minutes, but waiting time at the security check was in excess of 30 minutes. By boarding time, the airplane had still not appeared at the gate, yet no explanatory announcement was made to

waiting passengers. The aircraft arrived 20 minutes after scheduled departure time. A quick turnaround ensued.

Although not exactly dirty, the interior of the Dash 8 looked old and worn-out. In addition to color-coded headrests, there were plastic-bags with handwritten signs placed over several seats, to either block off seats or indicate emergency exits. This heightened the rather cheap appearance.

Once airborne, the flight attendant announced a choice of fruit punch, water, or coffee; but when she passed through the cabin, only the punch was offered. Thereafter, she withdrew to the forward cabin crew seat and read a magazine for the remainder of the flight.

Arrival at the Honolulu commuter terminal was 24 minutes behind schedule. As compensation, our bags were delivered within four minutes.

*Although Island Air unveiled a new image with the introduction of a Bombardier Q400 (News from the Airways, June 2006)—which has since been returned to the manufacturer—most Dash 8-100s remain in the former color scheme.*

*Since our evaluation, Island Air has reduced its active fleet by two airplanes, dropped five routes (including between Honolulu and Lihue), and dismissed or furloughed 65 employees. In response to *go!* advertising \$29 one-way fares, Island Air offered \$12 roundtrips on a restricted basis.*



ANDREAS ROHDE



IVAN NISHIMURA

*Hawaiian's Boeing 717s are the most comfortable aircraft of the four contenders.*

## Hawaiian Airlines

**Flight:** HA156  
**Route:** HNL–Kahului, Maui (OGG/  
 PHOG)  
**Aircraft:** Boeing 717-200

On its website, as well as through its call center, Hawaiian Airlines accepts only credit cards issued in the USA, Canada, and Australia. An alternative is to secure a ticket through a travel agency, but a \$37 service charge levied by our (German) retailer was unacceptable because it would have almost doubled the \$39 fare. However, at the airline's Honolulu ticket counter it was a pleasant surprise to be offered a ticket for \$44.80, which equated to the original web fare plus taxes.

Check-in at Honolulu's Inter-Island Terminal was fast and friendly, and the only time when boarding passes were issued with assigned seating. This ensured a more hassle-free boarding experience than with Aloha Airlines, Island Air, and *go!*.

Seated in Row 20, immediately aft of the over-wing exits, the Boeing 717 seemed remarkably quiet, despite the proximity of the engines. The 717 has one of the better-designed cabins, with generous-size windows and full-length handrails beneath the large overhead luggage bins.



ANDREAS ROHDE

*A rare treat: descending through a canyon in the mountains of West Maui.*

Before takeoff, the cabin crew distributed complimentary destination maps. In-flight beverage service began with a choice of fruit drink or water. Coffee was offered separately, even to those who had already enjoyed a cold drink.

An unexpected highlight occurred when the captain took advantage of the unusually calm weather conditions and—much to his passengers' delight—followed an unusual flight path through a stunning pass of the West Maui Mountains, shortly before touchdown at Kahului.

Baggage delivery at OGG took 12 minutes.

## Aloha Airlines

**Flight:** AQ245  
**Route:** OGG–HNL  
**Aircraft:** Boeing 737-200

Like Hawaiian Airlines, Aloha accepts only US-issued credit cards for Internet bookings. The alternative is to book through Aloha's reservations center, where the same fare as on the Internet was offered: \$39; or a total of \$44.80 including taxes.

Although *go!*, Island Air, and Hawaiian had accepted one of our suitcases which was 5lb (2.3kg) overweight (because the second one was 5lb below the limit), the Aloha check-in agent insisted that we repack our cases at the counter so that both bags weighed the same and thus came within limits. With several other customers waiting in line, this was not a pleasant experience.

The flight was operated by a 737-200, an increasingly rare type with mainline passenger carriers. Despite the airplane's age, the cabin appeared well-maintained and clean.



*Aloha is one of the last US airlines to fly the Boeing 737-200 in scheduled service.*

During the safety briefing, the crew suggested the use of seat cushions for floatation in case of an emergency ditching. The use of lifejackets was not explained, even though the aircraft was equipped with them. Onboard

'catering' consisted of the usual juice and coffee.

A landing on Runway 8L was followed by a ten-minute taxi to the Inter-Island Terminal. Our bags arrived at the belt sooner than we did.

## Pacific Wings

**Flight:** LW236  
**Route:** OGG-HNL  
**Aircraft:** Cessna 208B  
 Grand Caravan

With a fleet of five Grand Caravans, Pacific Wings serves all commercial airports in the Hawaiian Islands—excepting Lihue on the northernmost island of Kauai—offering around 50 daily departures.

As a small and independent operator, Pacific Wings does not match the other four carriers' deeply discounted fares. Therefore, it is unlikely to become a choice of budget-conscious travellers. Nevertheless, Pacific Wings offers good value for money and is popular primarily with locals, who prefer good service and hassle-free travel. Fares are dependent on times of reservation and travel. In this instance the ticket price was \$89.16.

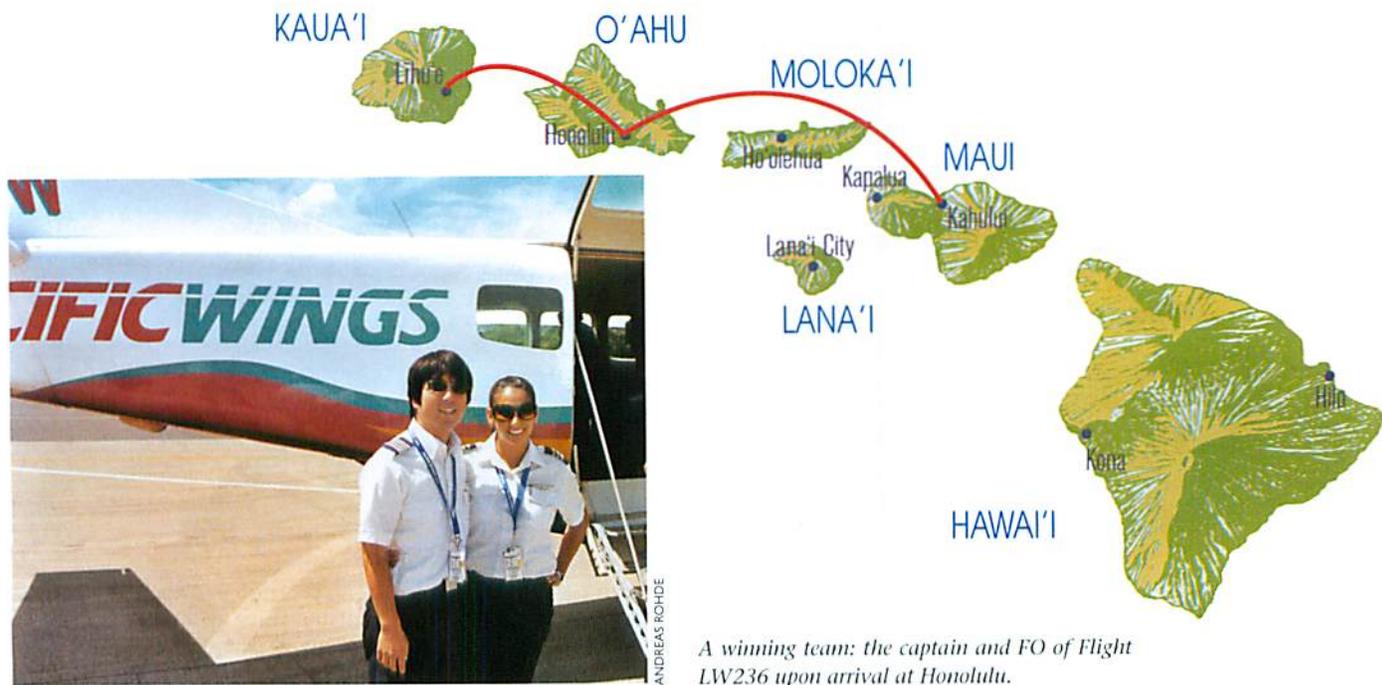
We checked in at Kahului's commuter terminal 15 minutes before departure. Because Pacific Wings does not provide cabin service on its Caravans, it offers a complimentary self-service refreshment 'bar' at check-



*Pacific Wings check-in at Kahului includes pre-flight refreshments.*

in, with unrestricted quantities of tea, coffee, orange juice, and fresh fruit. This was better than anything—especially in terms of quantity—we had received with the other four carriers. Without the need for a security check, boarding started five minutes before departure and seats were assigned according to trim requirements. At the airplane, the crew assisted passengers and took care of carry-on baggage.

Despite the Caravan being certified for single-pilot operation under IFR (Instrument Flight Rules), Pacific Wings employs two pilots on all passenger services: a clear indication of the airline's commitment to safety.



*A winning team: the captain and FO of Flight LW236 upon arrival at Honolulu.*

From a customer's viewpoint, the Caravan's principal advantage is the large windows that allow unobstructed sightseeing. Pacific Wings operates the Caravan with nine passenger seats; eight are window seats—the one center seat in the first row also provides good visibility.

After departure from OGG, the airplane turned northwest-bound along the shore of the West Maui Mountains, climbing to only 3,000ft because of the low cloud ceiling. Progressing farther over the channel between Maui and Molokai, we turned westward along the famous Molokai sea cliffs—a spectacular sight, for which local 'flightseeing' operators usually charge several hundred dollars. Now climbing to 5,000ft, we continued via the Kalaupapa Peninsula and the relatively flat part of western Molokai to a downwind leg, abeam Waikiki Beach, for a visual approach to HNL's Runway 8L.

Once the aircraft was securely parked on the commuter ramp, the crew escorted passengers to a side door of the terminal before personally handing over their baggage.

This flight with Pacific Wings was much more than a scheduled service, offering superb sights combined with a service standard that clearly stands out against the competition.

## Overall impressions

On-time performance was perfect with all airlines except Island Air. The emergence of *go!* has placed considerable excess capacity into the market. Even though lower prices could well stimulate demand, it is debatable whether all

four major operators will be able to achieve and sustain the load factors necessary for survival. None of the flights taken had a passenger load factor greater than 50%, despite operating during peak times.

Except for Pacific Wings, all the Hawaiian airlines offered attractively low fares, but considerable differences in service standards were apparent. Among the larger four, Hawaiian Airlines delivered the best service and, by far, flies the best equipment.

Hawaiian's restrictive pre-payment rules make the airline unattractive to residents outside the USA, Canada, and Australia who wish to have a confirmed ticket before arrival in Hawai'i.

Mesa's *go!* was an all-round positive experience. If this carrier can maintain the high levels of enthusiasm and customer service it has demonstrated during its start-up phase, it is almost certain to become popular with both local and overseas visitors. From a safety viewpoint, *go!* was the only airline that not only explained but also demonstrated the use of lifejackets.

The flight with Aloha Airlines was of average standard, and the requirement to repack our bags at check-in was an irritant.

After a good start during the reservations process, Island Air proved disappointing. The appearance of the aircraft cabin, and customer care and communication during the delayed departure, left a lot to be desired.

The clear 'winner' of this evaluation was Pacific Wings. Although more expensive than the competition, Pacific Wings offers the friendliest and most personal service, the best catering, shortest check-in, no security hassles, the quickest baggage delivery, and the most scenic flights. →

# **PACIFICWINGS**

November 30, 2006

**VIA ELECTRONIC MAIL and FACSIMILE**

Mr. Dennis DeVany  
Essential Air Service Chief  
US Department of Transportation  
EAS and Domestic Analysis Division  
Office of Aviation Analysis, Room 6401  
400 7th Street, S.W.  
Washington, D.C. 20590

RE: Hana, Kamuela and Kalaupapa, Hawaii

Dear Dennis,

Pacific Wings has provided the only scheduled air service to Hana, Kamuela and Kalaupapa, Hawaii for nearly a decade. During much of this time the airline has provided Essential Air Service delivery to these locations under contract with the United States Department of Transportation. We are proud of our affiliation with the program, and believe it provides a valuable service to remote communities.

Historically, EAS has been a frequent target of congressional budget cuts and administrative efforts to narrow eligibility criteria. Relatively short term contracts and susceptibility to local politics pose further challenges to long-term investment.

In 2001 Pacific Wings began developing a long-term strategy to enhance sustainable, commercially-viable delivery of scheduled air service to rural Hawaii communities. The plan was to use advanced global distribution technologies to optimize the potential of these unique destinations while simultaneously reducing dependence on government subsidies. By 2002 the airline had publicly acknowledged this effort and begun providing more daily service than required under its EAS contracts. By 2003, Pacific Wings had reduced Hawaii EAS subsidies by 30% and in 2004 the airline told The Maui News it hoped to eliminate dependence on EAS subsidies entirely by 2006.

Today, I am pleased to report that we have achieved our goal. Upon conclusion of the current contract, Pacific Wings will continue to serve Hana, Kamuela and Kalaupapa, Hawaii at or above levels stipulated by the program for these communities, without further EAS subsidies.

Strategic investment in global distribution technologies and enhancement of interline agreements with major airline partners have improved product access and availability during the past two years enabling new, higher-volume revenue channels. As planned, Pacific Wings has migrated to the WorldSpan reservations system; upgraded participation levels in SABRE and other leading travel distribution networks; opened more than 17 international sales offices in major world cities; increased travel agency presence through enrollment in major settlement plans (ARC and BSP); and, signed and/or implemented bilateral electronic ticketing

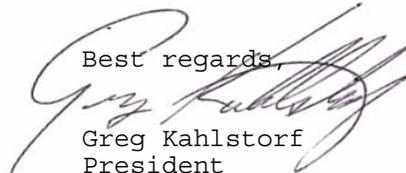
agreements with major US air carriers, including Continental, Delta and Northwest, among others.

The USDOT Codeshare Assistance Program has provided an invaluable opportunity to work directly with key decision makers at major air carriers, and to identify their expectations, priorities and concerns. These discussions ultimately led us to identify enhanced electronic interlining (as opposed to a traditional codeshare) as the most diversified and flexible solution for our markets, however, the program's importance as a catalyst for dialogue between large and small carriers should not be overlooked.

We are excited about continuing to grow these markets, developing and evolving our product portfolio. In fact, Pacific Wings will offer eight nonstops and two connecting flights a day between Honolulu and Hana, (including new early morning and late afternoon service) beginning 01 DEC 06. At the same time, we are increasing the number of daily nonstops between Hana and Kahului to 12.

Dennis, we appreciate the support, guidance and assistance you have provided Pacific Wings during our time as an EAS provider, and the role this has played in our success.

Best regards,



Greg Kahlstorf  
President  
Pacific Wings Airlines