

TESTIMONY BEFORE THE U.S. SENATE COMMITTEE ON
COMMERCE, SCIENCE & TRANSPORTATION
April 10, 2008

Re: Challenges Facing Hawaii's Air Service Market

Dear Senator Inouye and Honorable Committee Members:

My name is Charles Willis IV, and I am the Owner of Hawaii Island Air, Inc. dba Island Air. We are a regional airline that operates within the State of Hawaii.

In today's market of rising prices all airlines are faced with the challenge of covering costs and meeting customers expectations. The recent inter-island fare wars, the conduct of which is currently subject to litigation has resulted in a dramatic and severe loss of revenues to inter-island carriers. This is coupled with increasing fuel costs has resulted in significant losses by all the inter-island carriers.

The results of the fare wars and increase in costs have caused great hardship to Island Air and to those employees who were the casualty of workforce reduction, and a terrible disservice to all of Hawaii's residents and visitors. Since the fare wars began in 2006, Island Air has:

- Ceased non-stop services in eight Neighbor Island markets and have been unable to reinstate service to those markets.
- Reduced total scheduled flights by 38%.
- Closed freight service to and from Lihue, Kona, Maui and Hilo.
- Reduced its workforce by over 150 employees statewide (40%).
- Realized a 30% reduction of revenues.
- Experienced an 80% increase in fuel cost per gallon

These factors have caused financial instabilities in the marketplace resulting in the reduction of services that Island Air can offer.

The unfortunate closure of Aloha Airlines provides Island Air with the opportunity to position itself in the marketplace to expand routes and service where demand exists.

Thank you for allowing Island Air to present this testimony.