



2018
**GLOBAL
TOURISM
SUMMIT**

HAWAII TOURISM
AUTHORITY

*Charting the
Course*

#GTSHAWAII

OCTOBER 1-3
HONOLULU, HAWAII

Critical Access: The State of Air Service

Brad DiFiore

Managing Director

Ailevon Pacific Aviation Consulting

brad.difiore@ailevonpacific.com



#GTSHAWAII



Estimated economic impact of new air service



An additional **785,000 seats** versus 2017



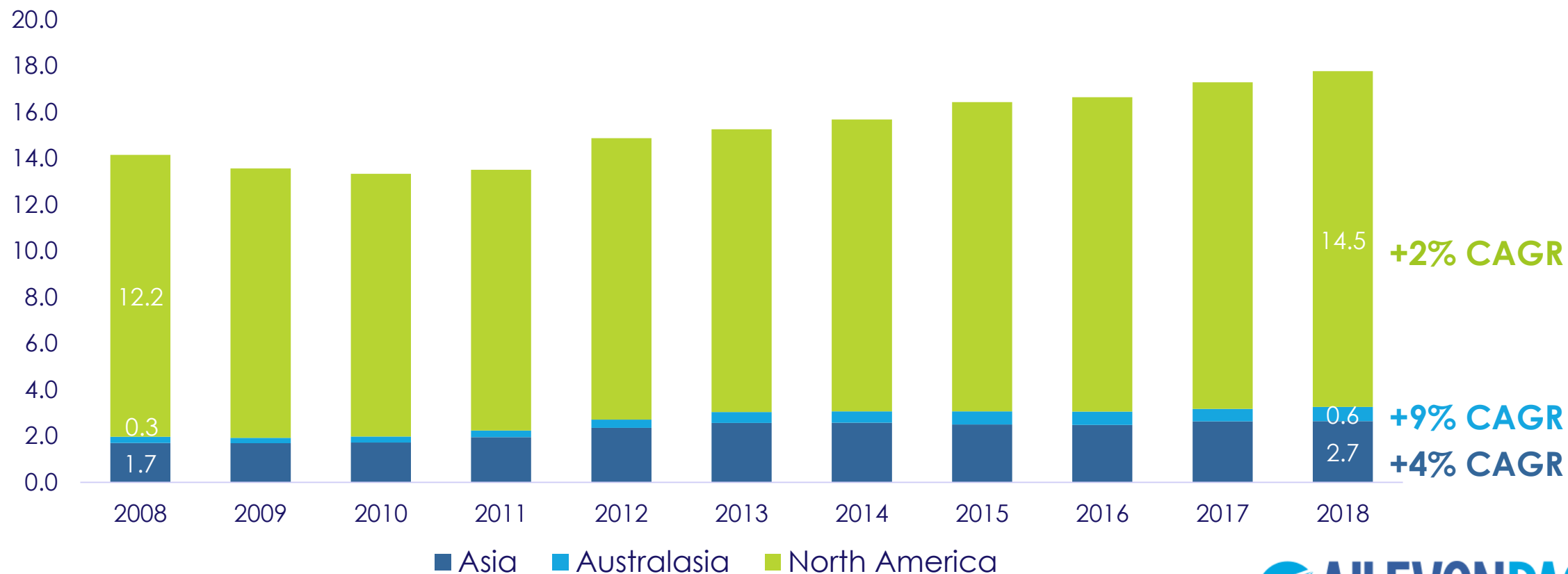
\$1.4 Billion in direct visitor spending

Sources: HVCB & HTA estimates for CY2018 versus CY2017 based on schedules loaded as of June 2018

10 years of growth across all regions

10 YEAR SEAT GROWTH BY REGION

Year ending 2008 to 2018 (millions)



New Service Highlight: Boston on Hawaiian in Spring 2019

Aloha Beantown! Hawaiian Airlines to fly nonstop to Boston Logan International Airport starting in April

September 13, 2018

Hawaiian Airlines – one of the nation's best carriers – is coming to Massachusetts in time for Patriots' Day



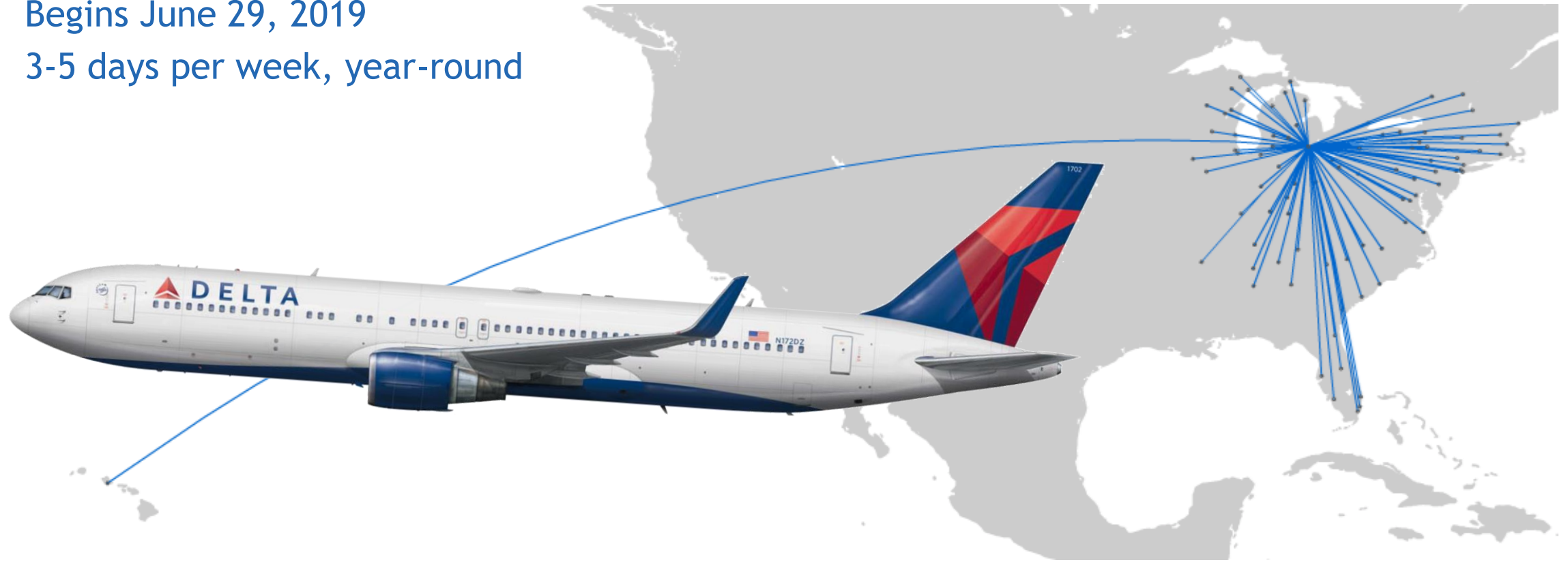
BOS-HNL = 5,095 miles

- The longest US domestic market
- The largest domestic unserved market



New Service Highlight: Delta to add Detroit-Honolulu

- Begins June 29, 2019
- 3-5 days per week, year-round



New Service Highlight: Southwest Soon

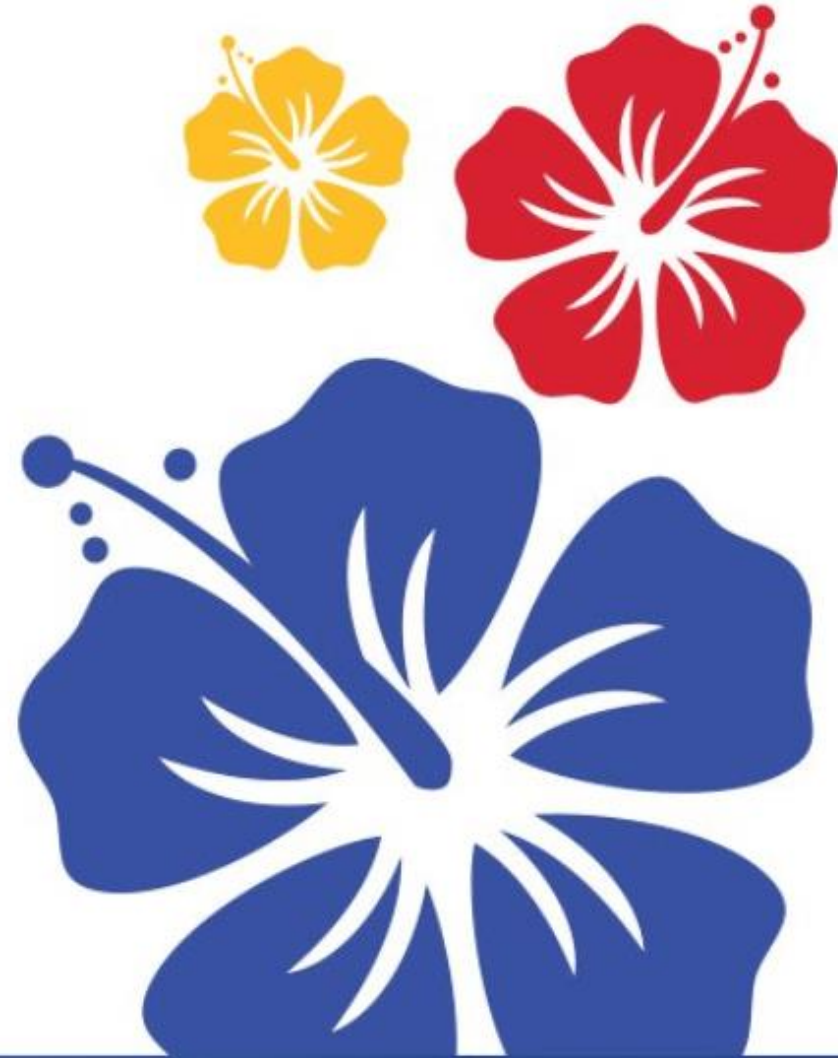
Aloha, Hawaii!

Kauai
Honolulu
Maui
Kona



Sacramento
Oakland
San Jose
San Diego

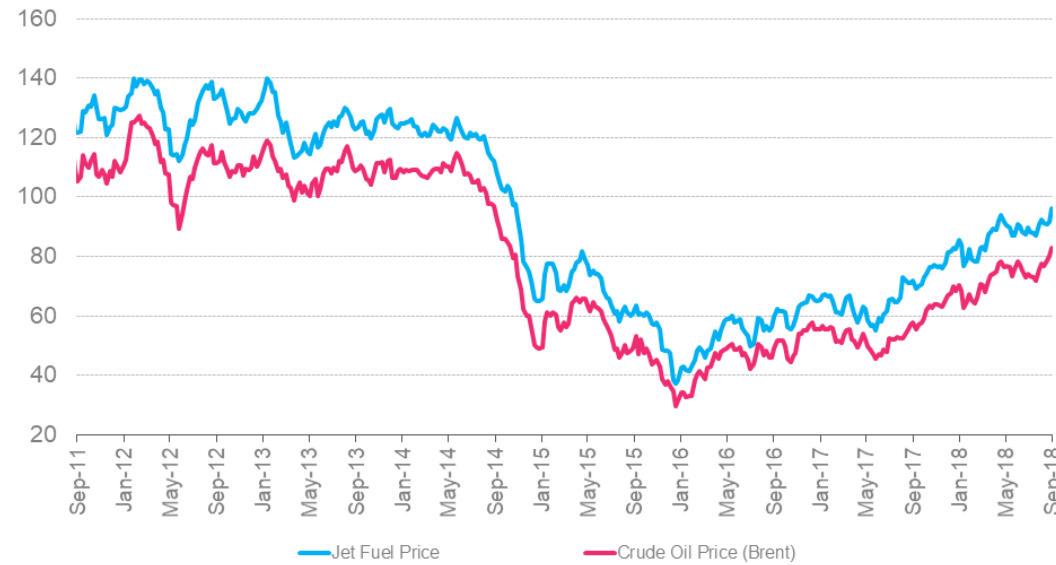
Southwest



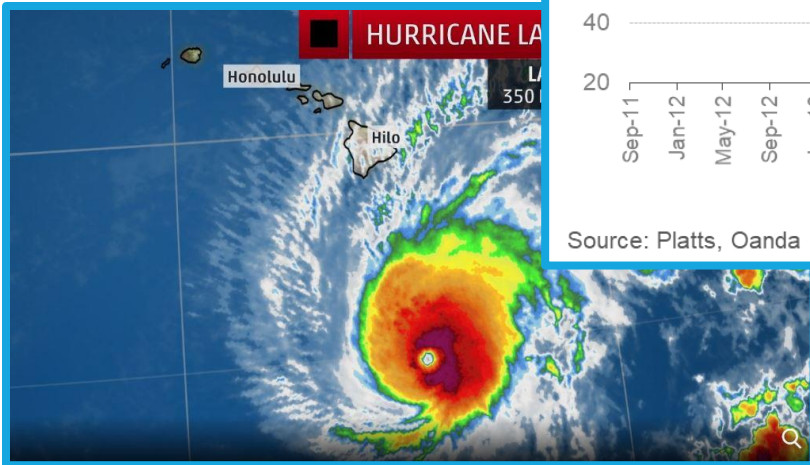
New and ongoing challenges to the aviation sector



Jet Fuel and Crude Oil Price (\$/barrel)



Source: Platts, Oanda



But where are we on the Hawai'i Air Service Cycle?



Geographic diversification continues to disrupt the Air Service Cycle.

A strong global economy may mask long-term challenges...but probably not.

North America

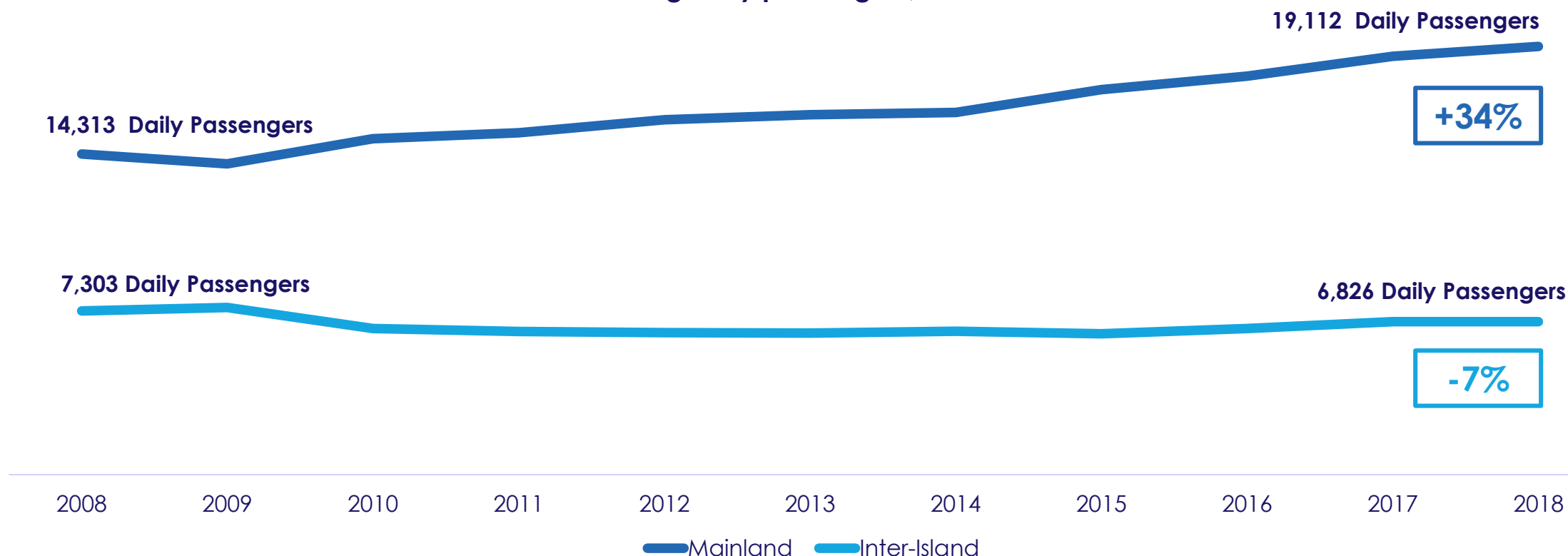
Since we met last year, Hawai'i has welcomed a new U.S. airline and multiple new routes



New airlines on existing routes			
Airline	Market	Start Date	Other carriers
Sun Country	HNL-LAX	May 2018	AA, AS, DL, HA, UA
American	HNL-ORD	Dec 2018	UA
Sun Country	HNL-PDX	Nov 2018	AS, DL, HA
Alaska	KOA-SFO	Dec 2017	UA
Delta	LIH-SEA	Dec 2017	AS
Air Canada	LIH-YVR	Dec 2018	WS
Hawaiian	OGG-PDX	Jan 2018	AS
Hawaiian	OGG-SAN	May 2018	AS
All-new routes			
Hawaiian	BOS-HNL	April 2019	-
Hawaiian	HNL-LGB	May 2018	-
Alaska	KOA-SMF	Dec 2018	-
Delta	OGG-SLC	Dec 2017	-

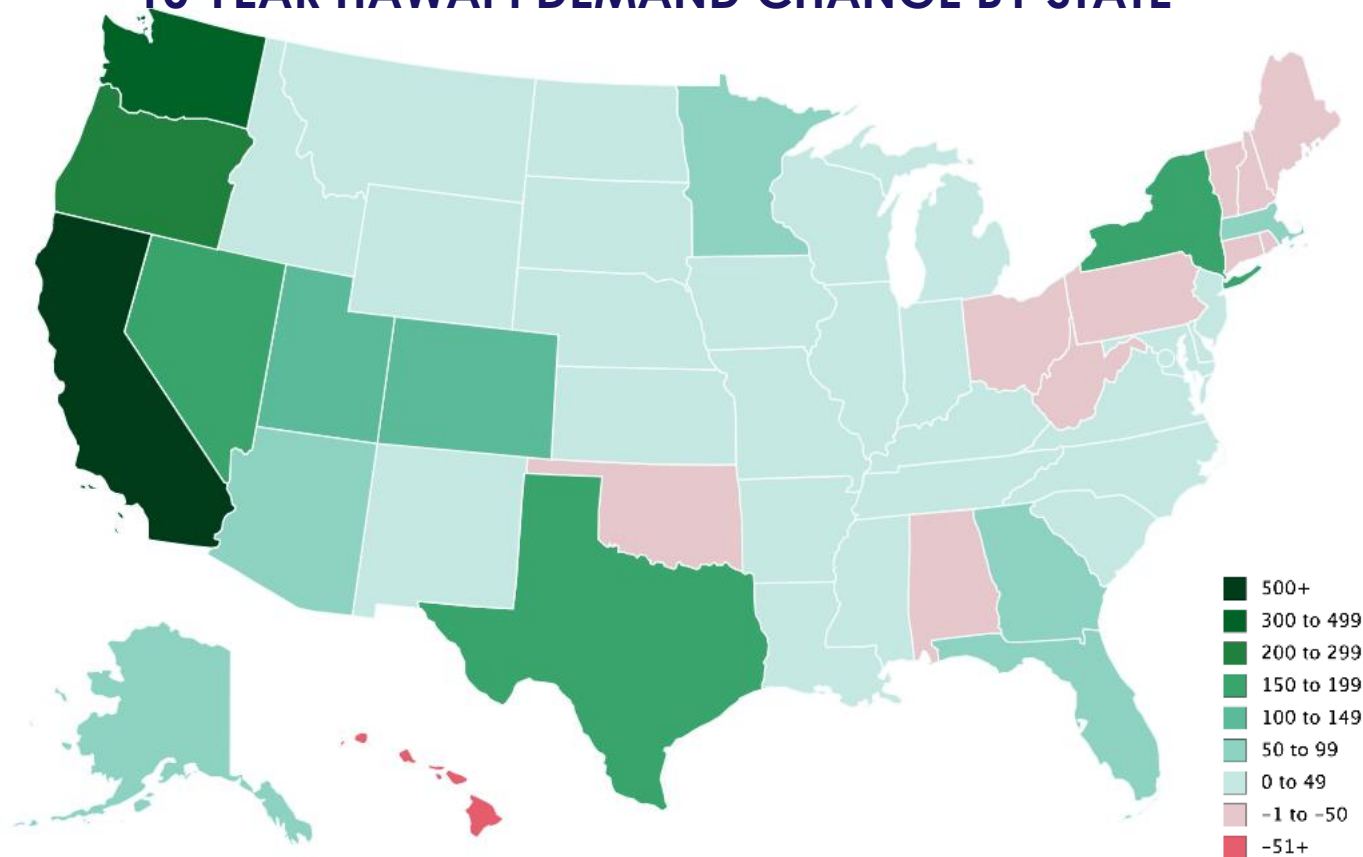
Traffic from mainland US continues to rise while inter-island traffic remains below the 2009 peak

MAINLAND AND INTER-ISLAND DEMAND - 10 YEAR TRENDS
Year-ending Daily passengers; 2008 to 2018



Strong West Coast economies have driven visitor growth

10 YEAR HAWAI'I DEMAND CHANGE BY STATE



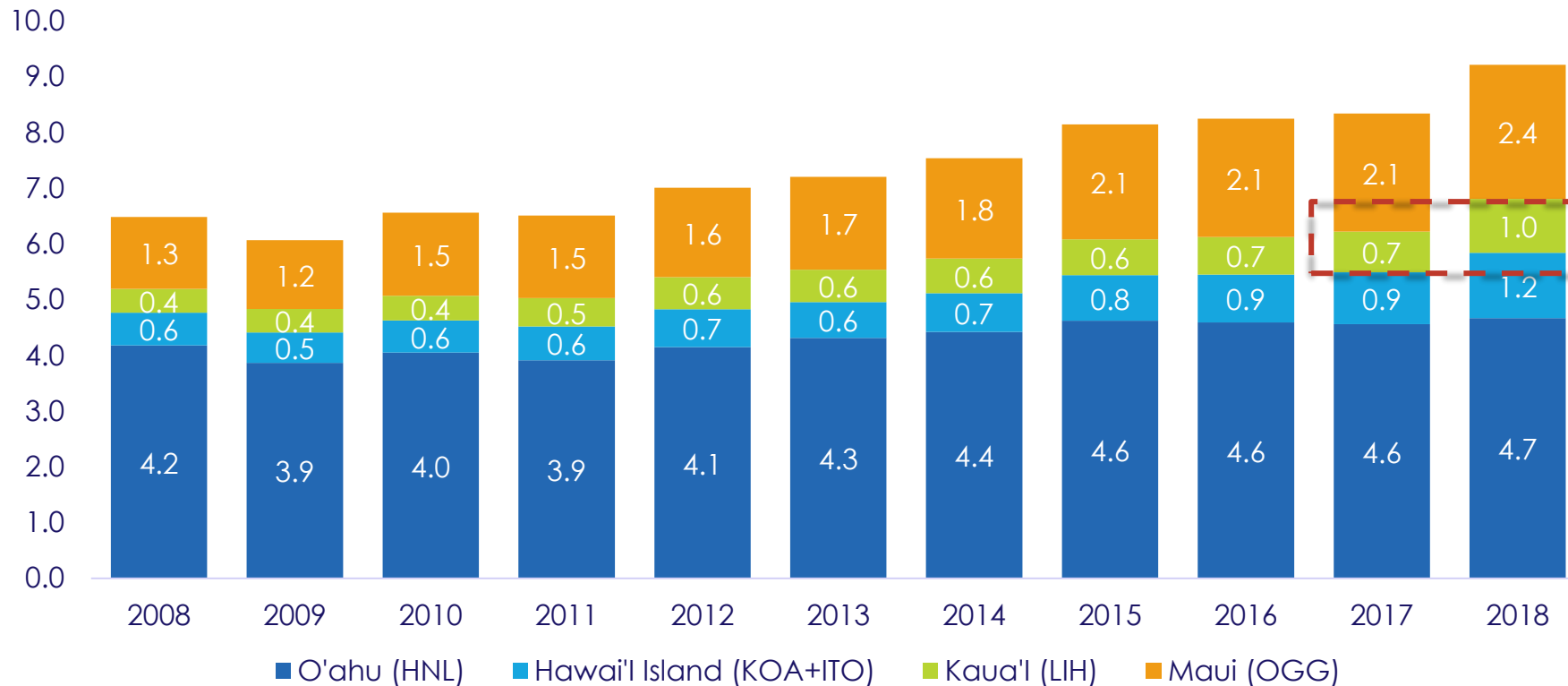
TOP 15 STATES WITH THE HIGHEST PASSENGER GROWTH TO HAWAI'I

Rank	State	Daily Passengers		
		2008	2018 ¹	# Change
1	California	5,608	7,988	2,380
2	Washington	1,223	1,721	499
3	Oregon	661	955	294
4	Nevada	733	929	196
5	New York	261	457	195
6	Texas	611	805	194
7	Utah	269	419	150
8	Colorado	383	509	127
9	Alaska	140	239	99
10	Arizona	496	584	88
11	Florida	302	368	67
12	Minnesota	216	280	63
13	Massachusetts	162	223	61
14	Georgia	200	253	53
15	Idaho	52	101	49

All airports have seen significant growth from mainland markets, with Kaua'i experiencing the most growth

10 YEAR US MAINLAND CAPACITY TRENDS BY AIRPORT

Year-ending 2008 to 2018; Annual seats (millions)

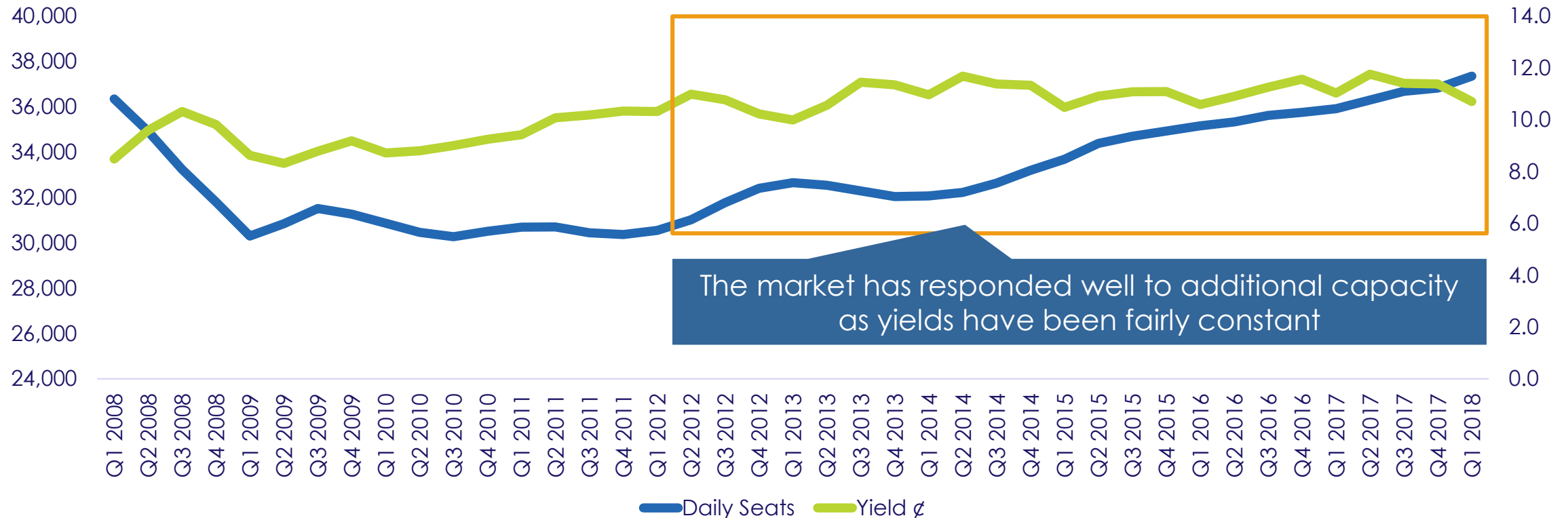


10 YEAR CHANGES		
Island	Annual Growth Rate	Total Growth
Kaua'i (LIH)	9%	127%
Hawai'i Island (KOA + ITO)	7%	100%
Maui (OGG)	6%	86%
O'ahu (HNL)	1%	12%

With all the recent growth, yields have been consistent...so far

HAWAI'I TO US - SEAT VS. YIELD GROWTH 10 YEAR TRENDS¹

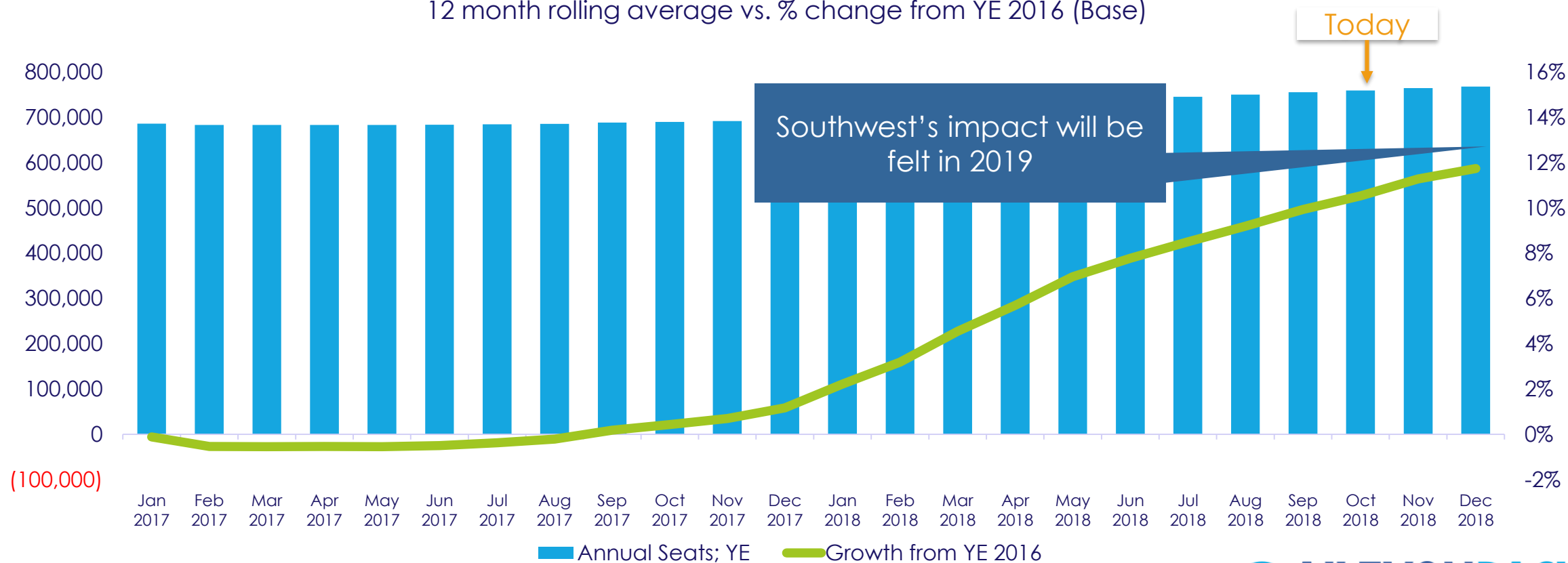
Rolling four quarter seat capacity vs. actual yield by quarter



Note 1: Data includes mainland and intra-island capacity
Source: DiiMi Airline Performance Summary

Capacity growth will eventually moderate, but not quite yet

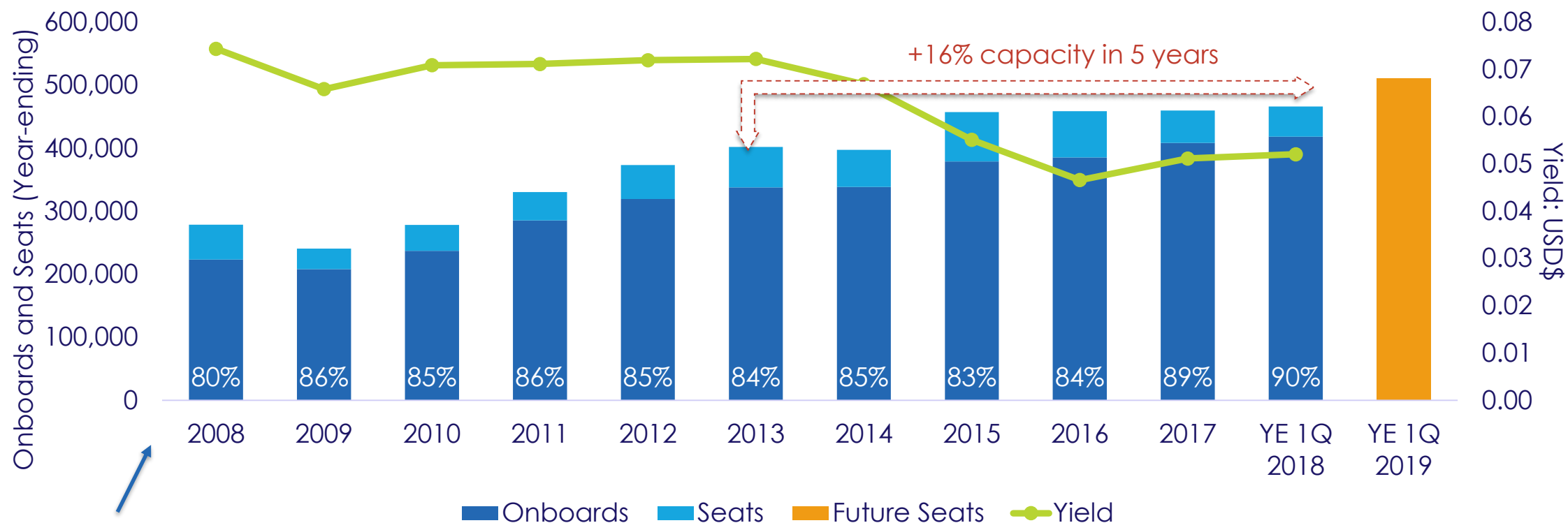
FUTURE SEAT GROWTH BETWEEN HAWAI'I AND MAINLAND
12 month rolling average vs. % change from YE 2016 (Base)



Continued Canadian growth has come with lower yields

HAWAI'I TO CANADA - 10 YEAR SEAT CAPACITY AND FINANCIAL TRENDS

Year-ending



Load Factor



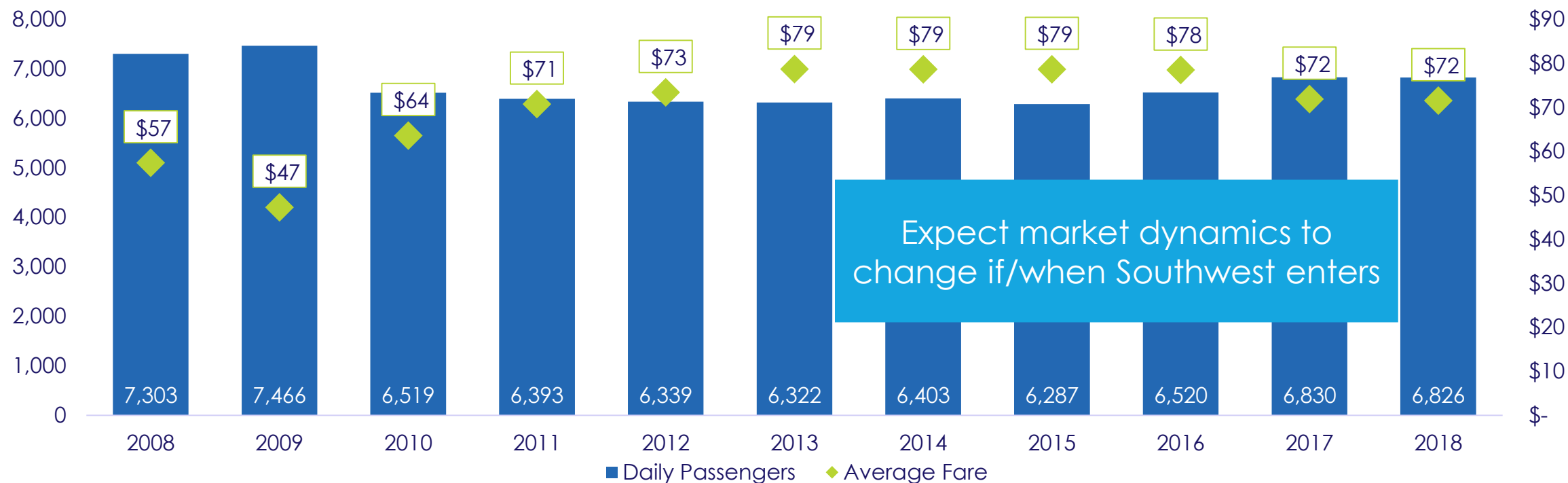
Note 1: Future seats are subject to change by each airline
Sources: Diio Mi T100, Airport IS - IATA

Inter-Island

Lower fares drove higher inter-island demand in 2017-18

INTER-ISLAND DAILY PASSENGERS AND AVERAGE FARE – 10 YEAR TREND

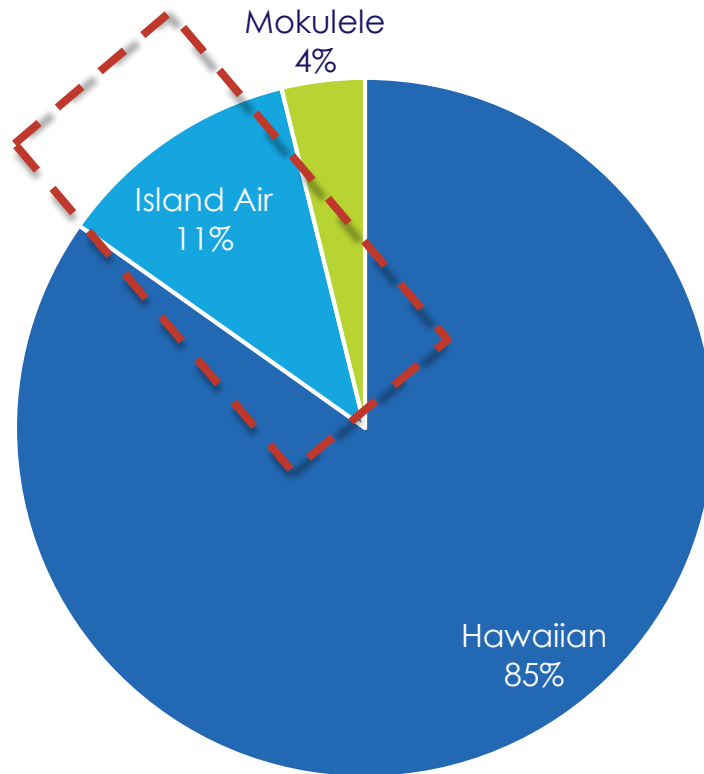
Year-ending 2008 to 2018¹



But, Hawaiian now controls 96% of the the inter-island market

INTER-ISLAND MARKET SHARE - PRE ISLAND AIR EXIT

By airline; YE 3Q 2017



Southwest[®]

Southwest Airlines next??

“We will start interisland service once we build up our network and have enough frequency to make it meaningful,”

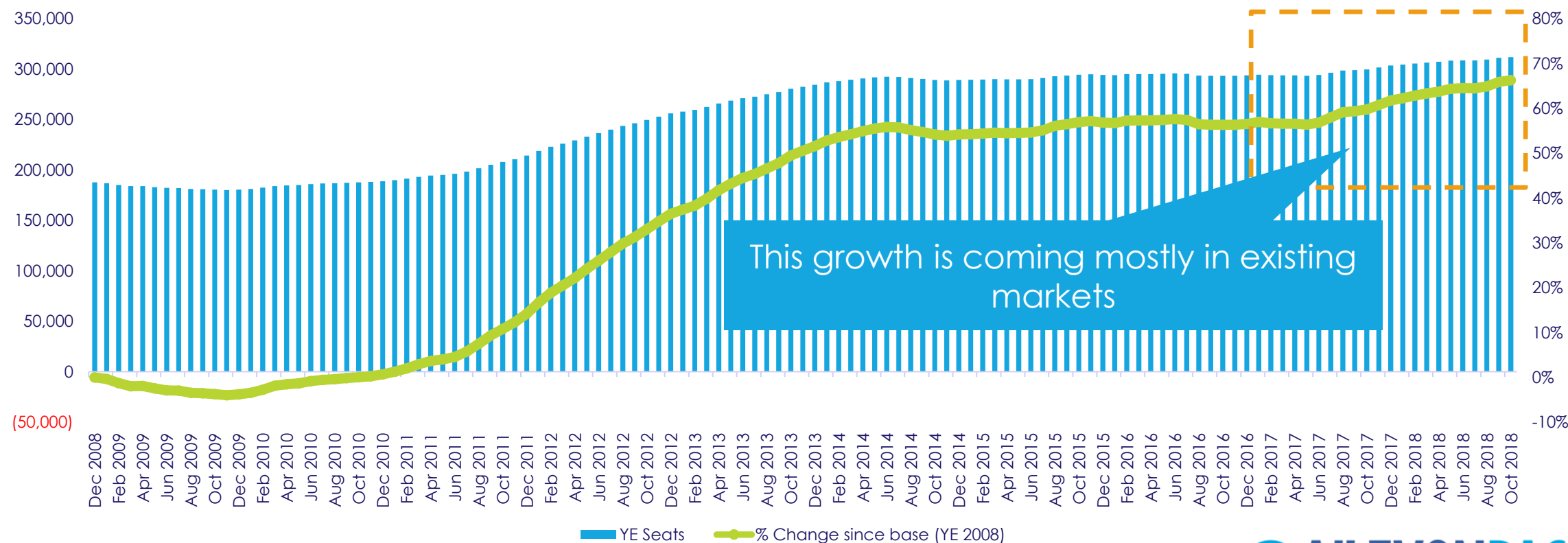
Tom Nealon, President of Southwest Airlines *(Pacific Business News)*

AILEVONPACIFIC
AVIATION CONSULTING

International Markets & Carriers

Stagnant international capacity is growing again

HAWAI'I - INTERNATIONAL CAPACITY CHANGE - 10 YEAR TREND
Rolling 12 month average vs. Seat % change from base (YE 2008)

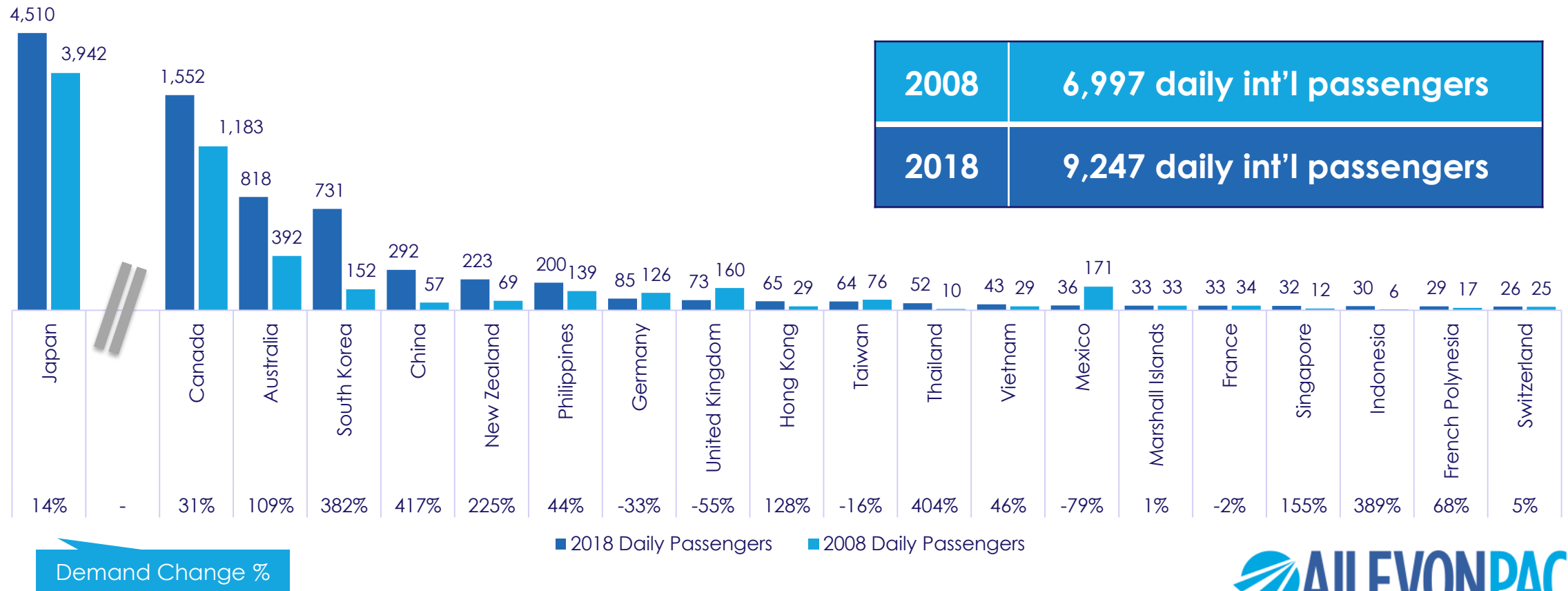


In a matter of a decade, international demand increased by 32%

TOP 20 - HAWAII INTERNATIONAL MARKETS

Year-ending 2008 vs. 2018¹

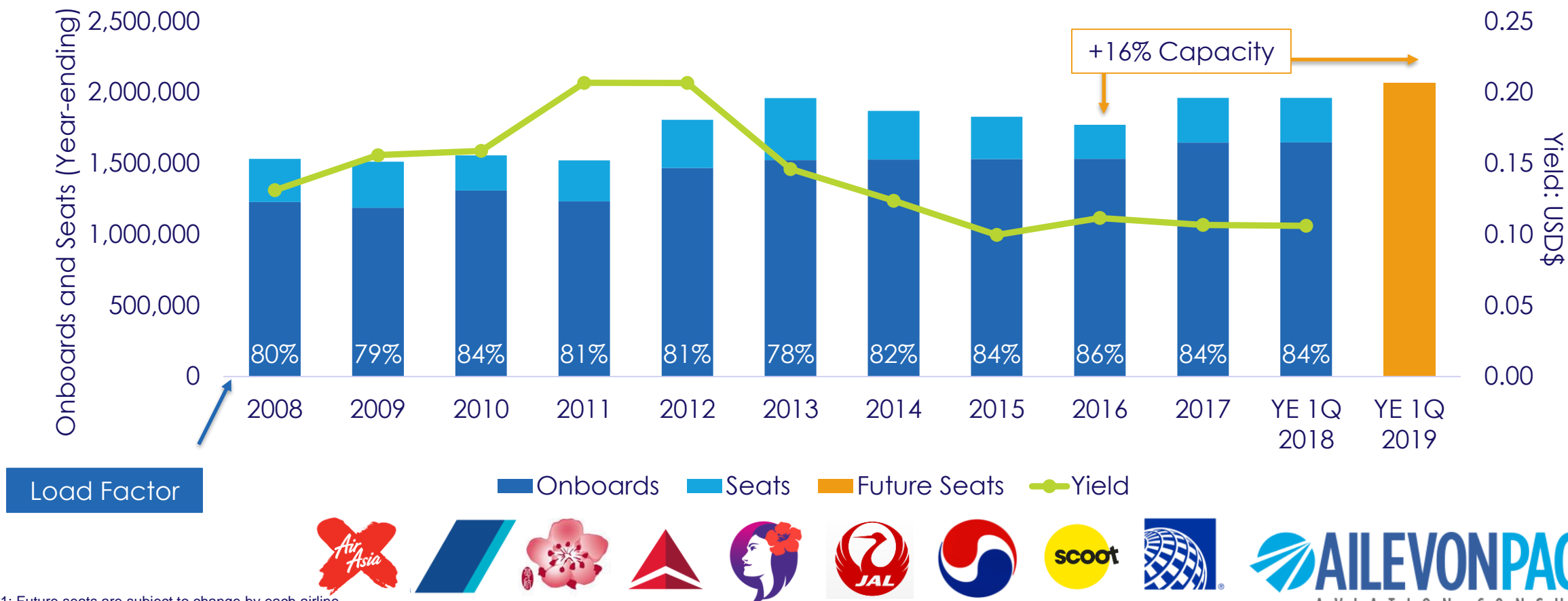
2008	6,997 daily int'l passengers
2018	9,247 daily int'l passengers



Japan continues to see moderate growth over the last few years, with strong load factors

HAWAI'I TO JAPAN - 10 YEAR SEAT CAPACITY AND FINANCIAL TRENDS

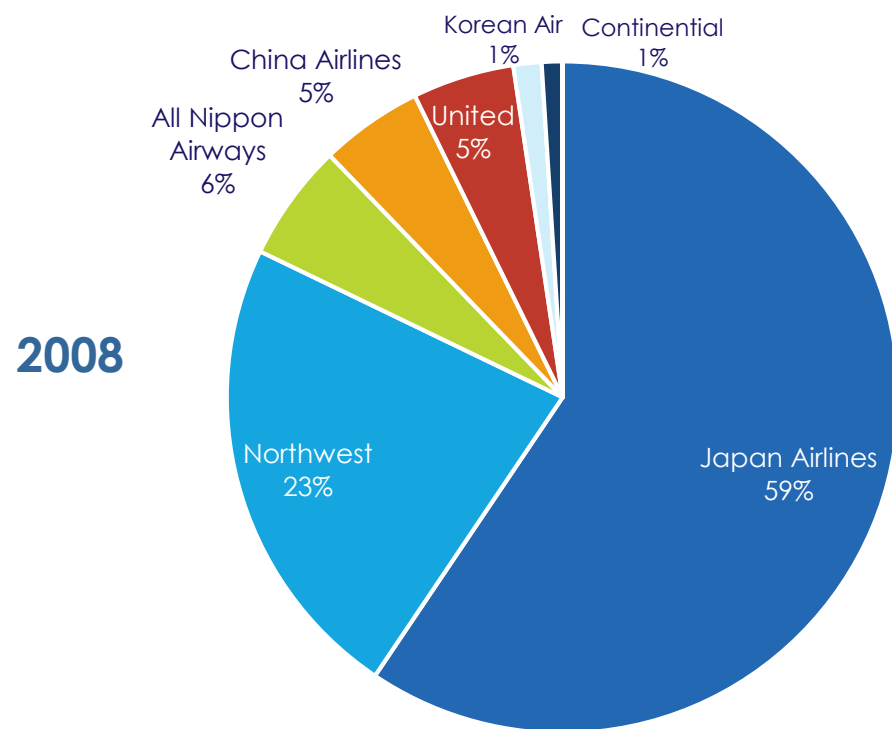
Year-ending



Note 1: Future seats are subject to change by each airline
 Sources: Diio Mi T100, Airport IS - IATA

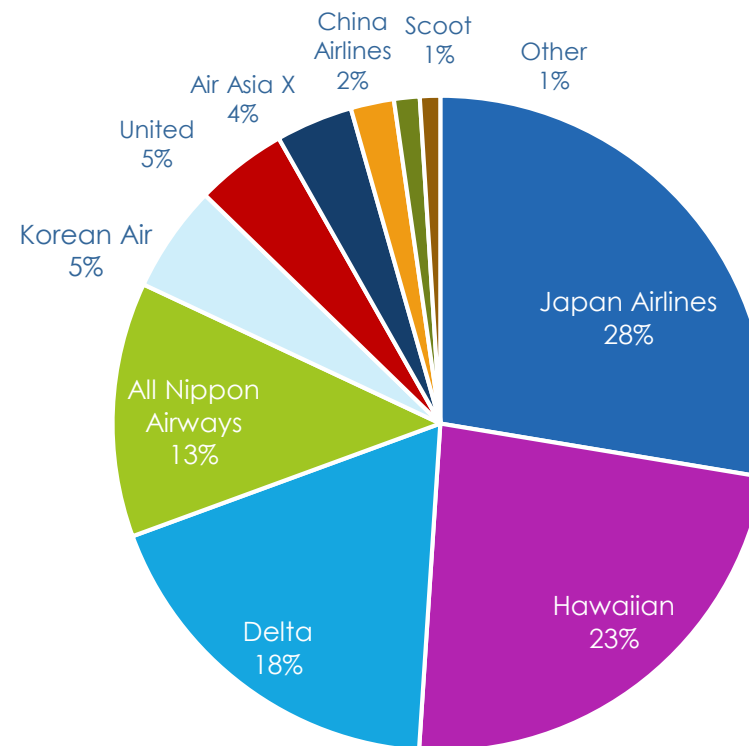
Change is the constant for the Japan market

HAWAI'I - JAPAN MARKET SHARE
By airline; Year ending December 2008



3,942 daily passengers

HAWAI'I - JAPAN MARKET SHARE
By airline; Year ending 2Q 2018



4,509 daily passengers

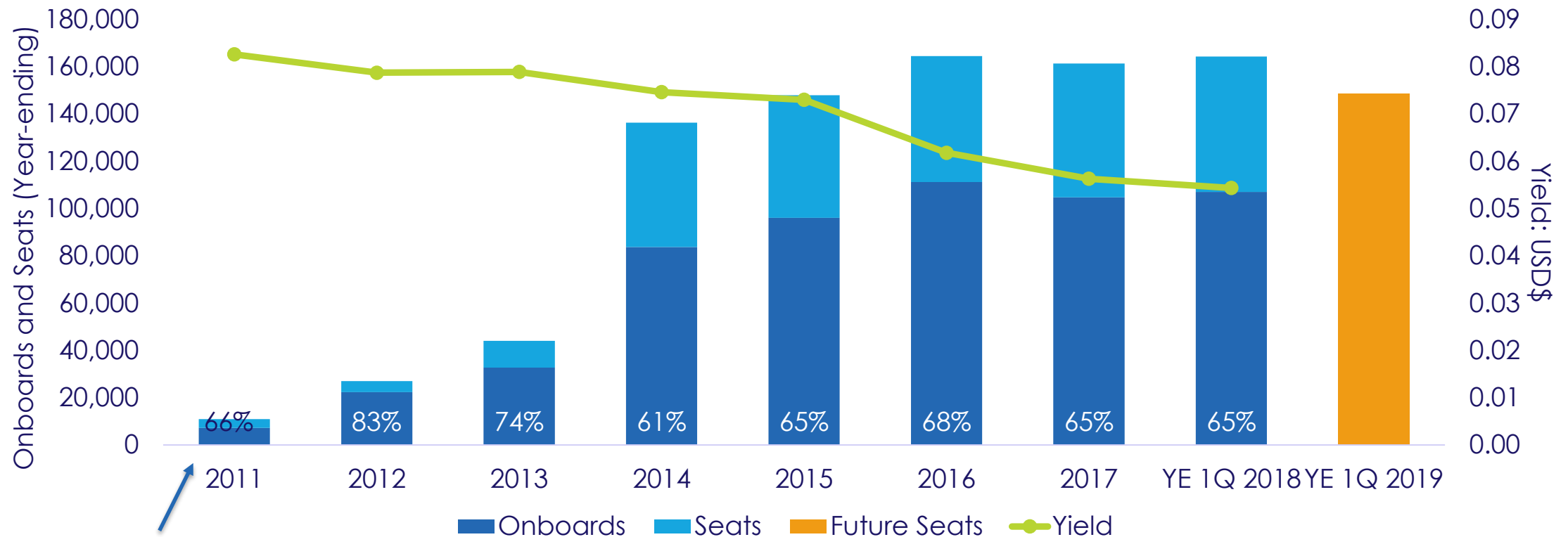
Note 1: Combined Delta and Northwest and United and Continental
Sources: Diio Mi T100, Airport IS - IATA

Two MAJOR developments for Japan 2019



Chinese demand has never caught up to capacity offered

HAWAI'I TO CHINA - SEVEN YEAR SEAT CAPACITY AND FINANCIAL TRENDS
Year-ending



Load Factor



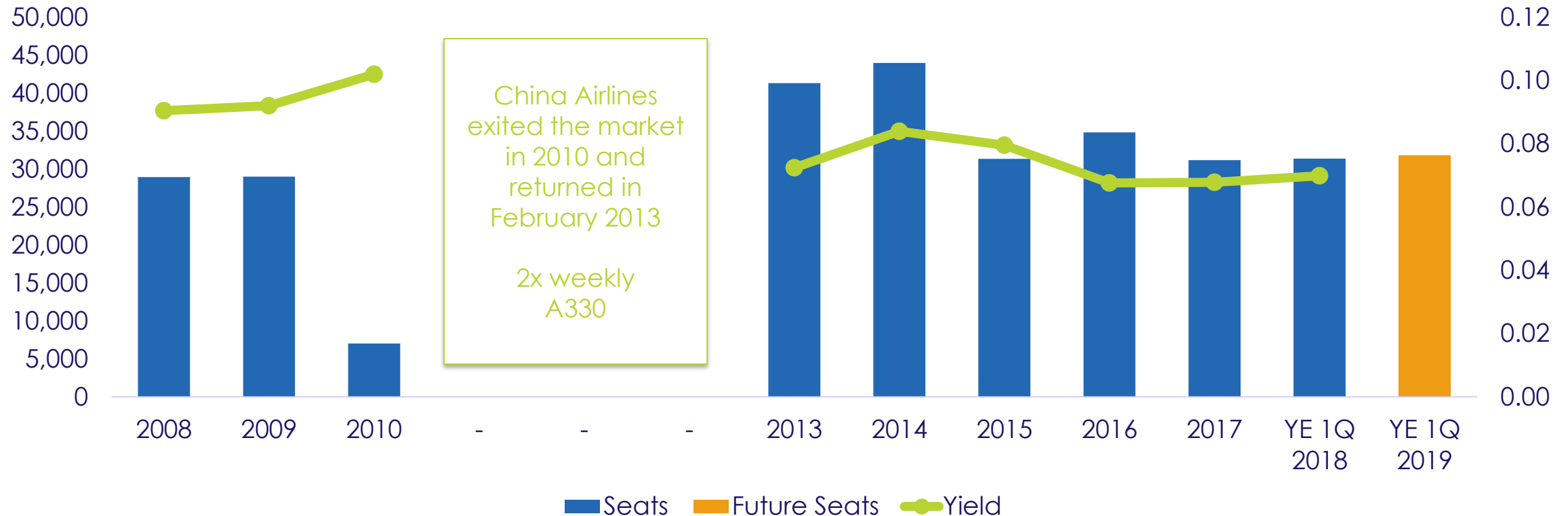
HA exits China on
October 8



Note 1: Future seats are subject to change by each airline
Sources: Diio Mi T100, Airport IS - IATA

Taiwan has been stable over the last few years

HAWAI'I TO TAIWAN - 10 YEAR CAPACITY AND FINANCIAL TRENDS
Year ending



Note 1: Did not include T-100 as there was a filling error with China Air in 2017

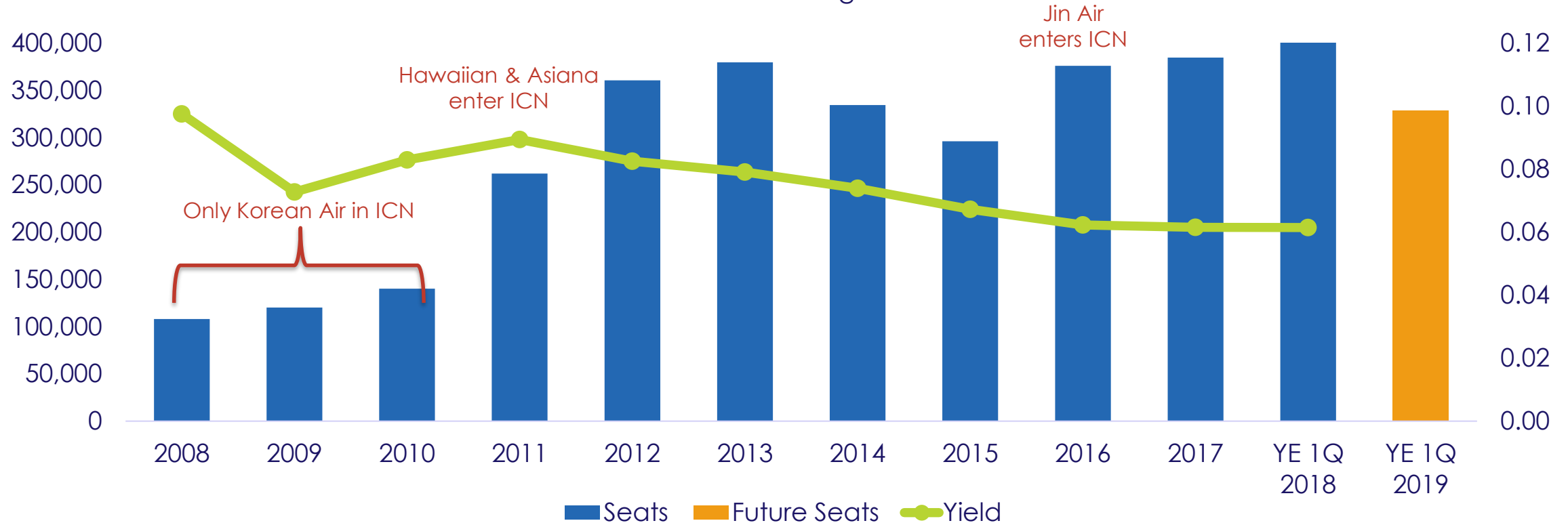
Note 2: Future seats are subject to change by each airline

Sources: Diio Schedules, Airport IS - IATA



Korean capacity has been somewhat erratic

HAWAI'I TO SOUTH KOREA - 10 YEAR CAPACITY AND FINANCIAL TRENDS
Year ending

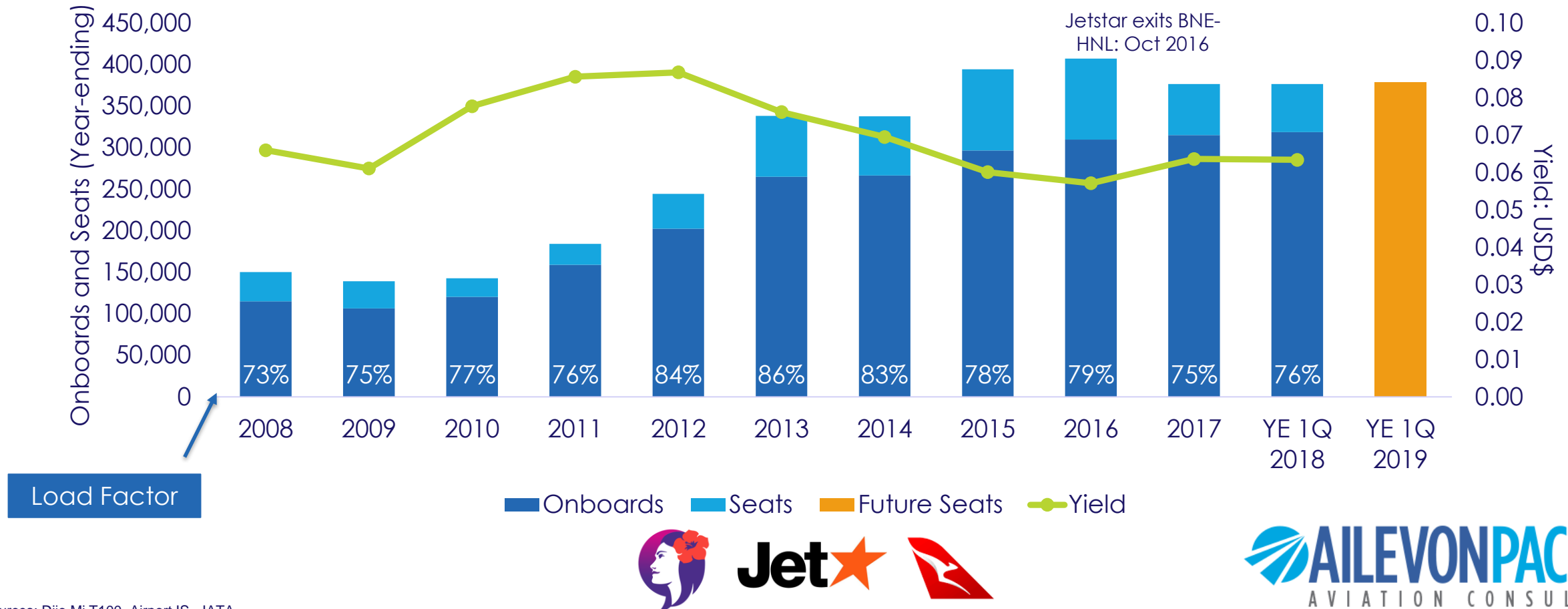


Note 1: Did not include T-100 as there was a filling error with Jin Air
Note 2: Future seats are subject to change by each airline
Sources: Diio Schedules, Airport IS - IATA



Australia has performed well on steady capacity

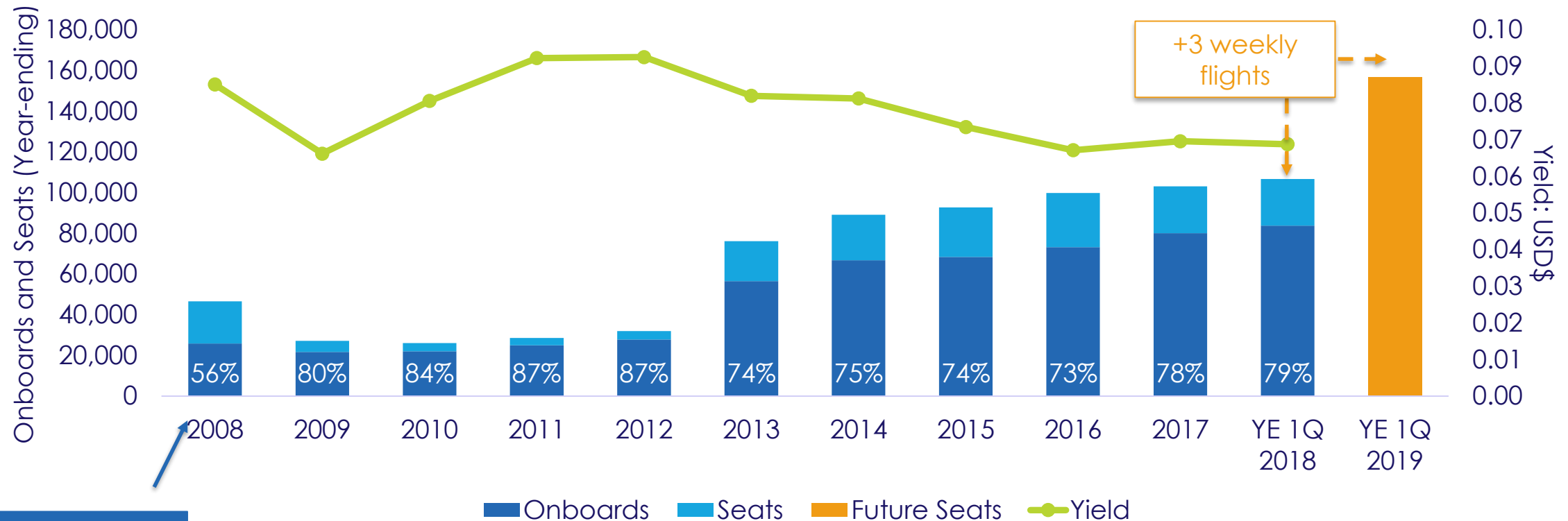
HAWAI'I TO AUSTRALIA - 10 YEAR SEAT CAPACITY AND FINANCIAL TRENDS
Year-ending



Sources: Diio Mi T100, Airport IS - IATA

Both Air New Zealand and Hawaiian have added 1-3 weekly flights to AKL starting from 2Q 2018

HAWAI'I TO NEW ZEALAND - 10 YEAR SEAT CAPACITY AND FINANCIAL TRENDS
Year-ending



Load Factor



Sources: Diio Mi T100, Airport IS - IATA

Changing Dynamics/ Changing Opportunities

Accommodation inventory drives airline capacity

- Airline capacity is very flexible and responds quickly to market conditions.

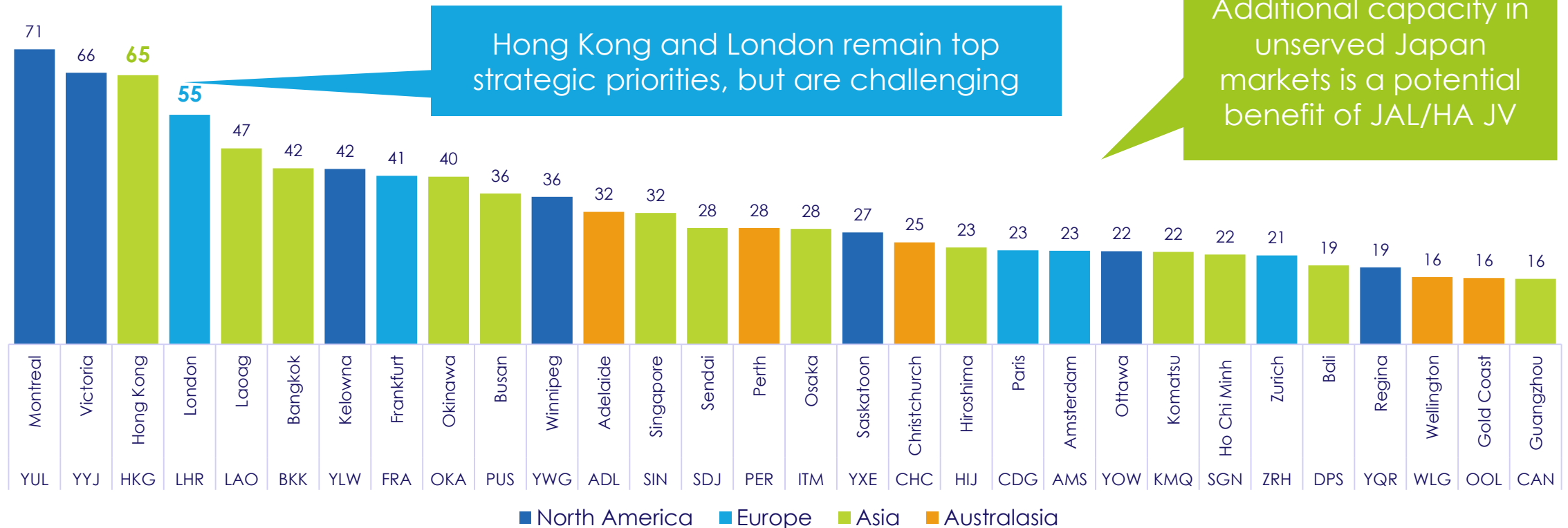


Airport capacity will also impact
airline growth

Fewer opportunities for new international routes in the near future

HAWAII'S TOP 30 UNSERVED INTERNATIONAL MARKETS

By region; Year ending 2Q 2018



Trends still holds true ... New technology means new opportunities

- Carriers with B787s and A350s on order offer Hawai'i with interesting international growth opportunities
- A320NEO and B737MAX offer shorter-haul options



B787, A330, A350, A380

Long-Haul Markets



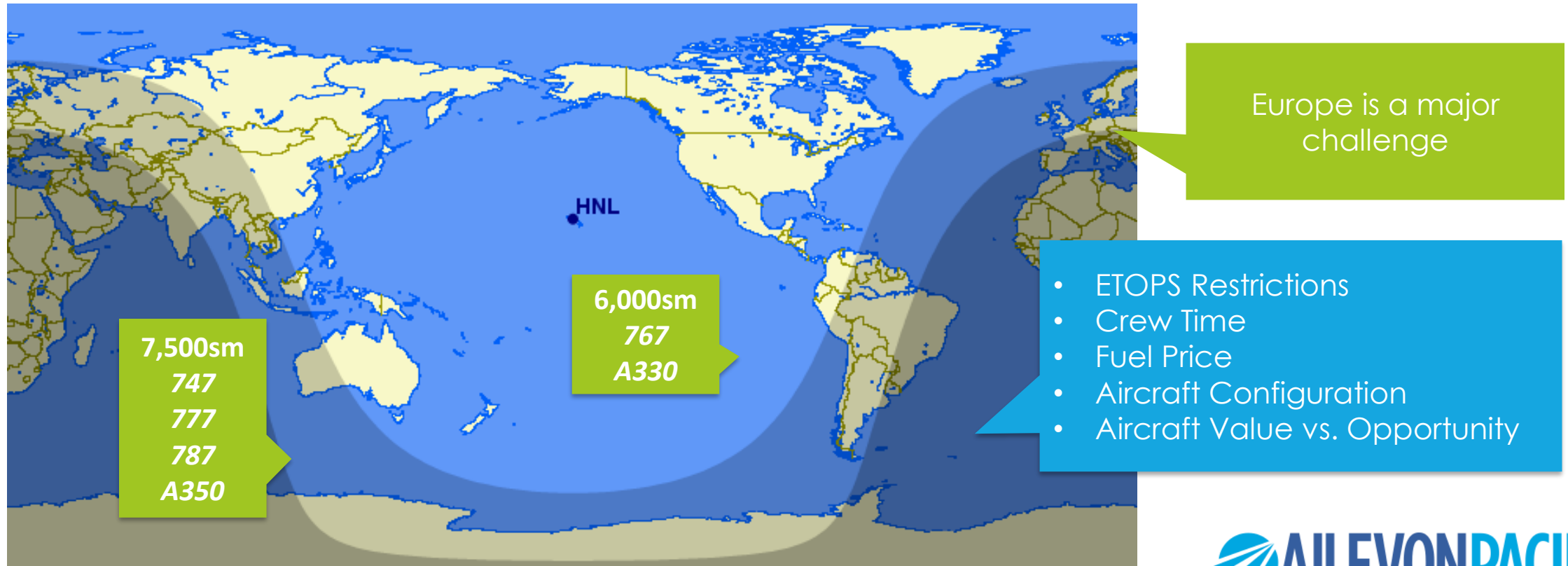
B737 MAX & A320 NEO

Mainland and South Pacific Markets



Ultimately, Aircraft Performance Still Drives Route Options

- Economic factors, along with aircraft capability, limit the markets airlines will choose to deploy aircraft in



2019 will be a “shake things up” kind of year

Southwest entry

ANA A380

JAL/HA Joint Venture

More A321neos for Hawaiian

Accommodation inventory drives airline capacity

Mahalo!

Brad DiFiore
Managing Director
brad.difiore@ailevonpacific.com

