

## SENATOR J. KALANI ENGLISH ▲ 6TH DISTRICT ▲

HĀNA ▲ EAST & UPCOUNTRY MAUI ▲ MOLOKA'I ▲ LĀNA'I ▲ KAHO'OLAWÉ

### THE SENATE IN ACTION: HELPING ALOHA HELPS OUR STATE

On March 20, Aloha Airlines, Hawai'i's second-largest airline, filed for Chapter 11 bankruptcy protection in U.S. Bankruptcy Court. The airline subsequently announced that all or portions of its operations, including inter-island and trans-Pacific passenger service, air cargo services, and contract ground handling services, are for sale. The Hawai'i State legislature responded quickly to the Aloha bankruptcy. Senate President Colleen Hanabusa and Speaker of the House Calvin Say announced that the legislature is prepared to pass legislation designed to help the airline emerge from bankruptcy protection in a condition to continue offering vital services to Hawai'i residents and visitors. "Aloha Airlines is an important business for our state, our economy, and our people," said Speaker of the House Calvin Say. "Moreover, Aloha Airlines has been a good corporate citizen and generous contributor of long-standing in our community. The legislature will do its best to explore avenues to support Aloha Airlines and its employees."

Five State Senators, including Senator J. Kalani English, also stated a commitment to work together to help the Senate pass legislation designed to assist Aloha Airlines as it seeks reorganization in Bankruptcy Court.

"All five of us represent Neighbor Island districts," said Senator English, who chairs the Senate Committee on Transportation and International Affairs, "so we are keenly aware of the impact the loss of a major air carrier could have on our state. Three of us chair committees that could play key roles in moving this legislation through the process in the short time remaining this session, so our combined efforts could play a significant part in serving our state and the people we represent."

As Transportation chair, Sen. English views the loss of Aloha Airlines as potentially devastating to a wider system. "We have to look at our state's transportation providers as part of an integrated system of moving not only passengers, but cargo as well. So while we consider the obvious impact of losing all of those seats and our capacity to move residents and visitors, we also need to look at the tremendous amount of cargo that Aloha transports." Sen. English explained that, "for example, Aloha Airlines is the only authorized carrier of mail between Honolulu, Maui, and the Big Island. They also carry eighty-five percent of the state's non-mail air cargo, including shipments for FEDEX, UPS, and DHL. We need to help preserve that system."

#### ECONOMIC IMPACTS

Originally named "Trans-Pacific Airways," Aloha was founded in 1946 by publisher Ruddy Tongg as a competitor to Hawaiian Airlines. Since then it has established a large ground handling service for other airlines and transports the majority of the state's non-mail air cargo, including time-sensitive consumer goods and parcels, fresh produce, baked goods, medicines, blood, newspapers, auto parts, construction materials, and perishables including papayas and other agricultural exports.

### A MESSAGE FROM KALANI

Aloha Airlines provides over 3,500 jobs in our islands, and is a vital part of our transportation infrastructure. They not only move thousands of people a day around Hawai'i and beyond, they move cargo - lots of it. The bankruptcy of Aloha Airlines for the second time in three years is of special concern for our district because we depend so heavily on them for such basics as mail delivery.

In this special issue, we will provide background information on Aloha Airlines and some of the options available to the legislature to help them out of bankruptcy. Our Maui delegation, along with other neighbor island senators will work diligently to ensure that services are not interrupted during Aloha Airlines' reorganization. I will keep you posted as major developments occur.

Aloha,



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In 2007, Aloha paid \$10.2 million in state taxes and \$9.5 million in State of Hawai'i Airport Use Charges and Fees. This year, State Airport Use Charges and Fees are projected to be \$14 million. The airline's passenger, cargo, and ground service operations also provide over 3500 full- and part-time jobs, making Aloha the 10th largest employer statewide. "The loss of Aloha Airlines could have devastating effects on our Hawai'i economy. We are already seeing the effects of an apparent economic slowdown. Putting thousands of people out of work and putting further stress on our visitor industry would clearly make the situation far worse," said Senate President Colleen Hanabusa. "This isn't about saving one business. This is about protecting our state from the economic ripple effect that could come from Aloha Airline's current financial situation," noted Sen. English.

#### **BANKRUPTCY PROTECTION**

Aloha Airlines' petition in the Bankruptcy Court seeks protection and reorganization under Chapter 11 of the U.S. Bankruptcy Code. Chapter 11 is intended to allow a company to restructure its debts and operations, pay creditors, and emerge from bankruptcy in a condition to continue to operate. The code also provides the company with protection from creditors during the bankruptcy proceedings, and allows for the creation of a payment plan for debts that existed at the time the petition was filed.

In written documents and in court, Aloha's representatives have said that the company's goals in bankruptcy are to preserve the value of its assets, and to sell all or part of its four current operations.

In other words, if Aloha Airlines successfully completes the bankruptcy process, its services—whether offered by Aloha or a company that purchases the operations—will remain available in our state.

According to Aloha Airlines representatives, its current financial challenges result from two factors: unfair price competition from go! Airlines, and rapid increases in fuel costs. Aloha maintains that go! entered the Hawai'i market and immediately initiated a "fare war" that prevents long-time local carriers Aloha and Hawaiian Air from charging fares high enough to offset actual operating costs.

At the same time, fuel costs have gone from \$1.85 per gallon in 2006 to \$3.25 today. Since Aloha consumes roughly fifty-two million gallons of fuel per year, a one-cent increase in the cost of a gallon of fuel increases the company's annual costs by \$520,000. The rise in fuel costs means that Aloha's annual fuel costs have risen by over \$72.8 million per year.

In the hearing on Friday, Judge Lloyd King granted Aloha permission to pay its daily operating costs, such as wages, fuel and utilities. Aloha Airlines has assured its customers that it has been authorized to honor all existing reservations, take new bookings and operate all flights and services and associated airline loyalty programs, including AlohaPass, Ali'i membership and E-Plus, as well as the AirAwards credit card, will continue.

#### **LEGISLATIVE SUPPORT FOR ALOHA AIRLINES**

The Hawai'i Legislature is prepared to offer assistance to Aloha Airlines to help ensure that the company is able to emerge from bankruptcy in a condition to continue to offer vital services to our state.

The exact nature of the Legislature's assistance is still under discussion. Because the overall goal is to allow Aloha to complete the bankruptcy process and remain a viable company, any proposed legislation will have to consider the kinds of assistance that will serve those ends.

At this point, the key fact is that the legislature and individual Senators have made a public commitment to providing assistance, to benefit our state, our economy, and our residents.

◀ Possible legislative action has been the subject of discussion among members of both chambers, and potential approaches likely will be decided soon. We will bring updates to you in our next newsletter.

### **COMMITTEES**

- ▶ **Chair, Committee on Transportation and International Affairs**
- ▶ **Vice Chair, Committee on Agriculture and Hawaiian Affairs**
- ▶ **Member, Committee on Ways and Means**
- ▶ **Member, Committee on Economic Development and Taxation**



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