

BEFORE THE
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

_____)
Application of)
)
 HAWAIIAN AIRLINES, INC.) Docket DOT-OST-2010-0018
)
 in the matter of 2010 U.S.-Haneda)
 Combination Services Allocation Proceeding)
_____)

**APPLICATION OF HAWAIIAN AIRLINES, INC.
FOR SERVICE BETWEEN
KONA, HAWAII AND TOKYO, JAPAN (HANEDA AIRPORT)**

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January 5, 2015

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In response to Order 2014-12-9 (the “Instituting Order”) of the Department of Transportation (“DOT” or the “Department”) and as promised in the pleadings of Hawaiian Airlines, Inc. (“Hawaiian”) in this docket, Hawaiian respectfully submits this application for the allocation of a slot pair for daily scheduled, year-round, combination services at Tokyo International Airport (“Haneda”).¹ Hawaiian proposes to institute service to the second largest Origin & Destination (“O & D”) market between the United States and Tokyo without nonstop service, Kona International Airport, Kona, Hawaii (“Kona”).

Opening Statement

In conducting the “fresh examination” of whether the public interest favors reallocation of Delta’s Haneda-Seattle frequency,² Hawaiian respectfully submits that the Department must view the U.S.-Haneda market as it is, not as others may want it to be. DOT should award the

¹ See Hawaiian Airlines’ Motion to Reopen Order 2013-2-4 and Answer to Motion and Application of American Airlines, DOT-OST-2010-0018, (October 9, 2014), at 1.

² Instituting Order at 5.

contested frequency to the most compelling proposal given current competitive conditions at Haneda and in the Japanese market generally, as well as within the constraints imposed by the bilateral with Japan. The Department now has more than four years of operating history since service from U.S. carriers was reintroduced into Haneda. During that time, the fundamental conditions applicable to U.S. carrier operations at the airport have remained the same. The number of slot pairs available remains fixed at four; the hours of operation remain tightly restricted; and the alliance relationships between the major U.S. and Japanese carriers have been stable. Given this stability, market data should drive the Department's decision. That data demonstrates, without question, that Hawaii is the strongest market for Haneda service. In contrast, services between Haneda and the continental United States, without exception, have struggled. Indeed, the weakness of the mainland Haneda gateways, as evidenced by three service failures,³ is the reason the Department instituted this proceeding. The Department should reallocate the frequency based on current market conditions and not on the competing carriers' aspirations or in reliance on the principle that a broad geographic distribution necessarily serves the public interest.

Even before the competing proposals have been submitted, Hawaiian is confident that its proposal to serve Kona will generate the most public benefits. Quite simply, because the large Tokyo-Kona market is currently without nonstop service, Hawaiian's service will be a

³ Delta's Detroit and Seattle services have failed, as evidenced by Delta's withdrawal from Detroit and its startling unilateral reduction in service in the Seattle market. American's return of its New York frequency to the Department is proof positive of its failure. In addition, Delta's Los Angeles service has only survived by reducing its aircraft size from a 403-seat B747 to its smallest aircraft capable of flying to Haneda, the 208-seat B767. United's San Francisco service has survived only by reducing its service to Narita as it implemented its Haneda service.

commercial success, which will provide significant public interest benefits. First, in contrast to Delta's Haneda operating history, the Department can rely on Hawaiian to utilize fully this valuable air service right.

Second, Hawaiian's Kona service will increase tourism to the United States,⁴ improving U.S. exports, boosting spending and economic growth within the United States and increasing U.S. jobs. Hawaiian expects that its proposed service will attract 39,000 new visitors to the United States annually, resulting in \$65 million in direct spending and the creation of 1,151 new jobs. *See* HA-App2015-4, 5, 6.

Third, nurturing Hawaiian's continued expansion in the U.S.-Japan market promotes an independent competitive alternative to the global alliances that dominate the U.S.-Japan market through their historic market position (Delta/Skyteam) or cooperating with the primary Japanese flag carriers (American in oneworld with JAL and United in Star with ANA).

The Department worked very hard to obtain these Haneda operating rights for U.S. carriers. To maximize the benefit of these rights, Hawaiian submits that the Department should allocate them to the carriers that will use them to their highest and best use. By that measure, one carrier stands alone – Hawaiian Airlines.

In support of its application, Hawaiian states as follows:

1. Hawaiian is incorporated under the laws of Delaware, and its headquarters are located in Honolulu, Hawaii.

⁴ While American's Los Angeles proposal may also increase tourism, Hawaiian believes its service proposal will have a much larger impact. Specific comparisons between Hawaiian's and all other proposals submitted will be provided in Hawaiian's Answer.

2. Hawaiian is a citizen of the United States as defined in 49 U.S.C. § 40102(a)(15).

3. The Department has repeatedly found Hawaiian fit to provide interstate and foreign transportation of persons, property and mail, including service to Haneda in Order 2010-7-2. More recently, the Department approved Hawaiian for service from Honolulu, Hawaii to Beijing, China in a Notice of Action Taken in Docket DOT-OST-2013-0071, issued April 26, 2013. The Department also has granted Hawaiian a blanket route integration certificate of public convenience and necessity as well as open-skies certificate authority. *See* Order 2007-7-3 (July 10, 2007); Order 2006-1-1 (Mar. 7, 2006). Hawaiian asks that the Department take official notice of these and all other orders finding Hawaiian ready, willing and able to provide scheduled foreign air transportation of persons, property and mail, pursuant to Rule 24 of its Rules of Practice.

4. Hawaiian is fit, and expects to remain fit, to provide scheduled foreign air transportation of persons, property and mail to and from the United States and Japan.

5. Hawaiian proposes to initiate daily, year-round, nonstop flights between Haneda and Kona. A total of seven (7) round-trip frequencies will be used each week. Service would begin on a date specified by the Department, so long as such a date provides reasonable opportunity for advance selling of the new service. Hawaiian proposes that service should begin on or about June 1, 2015 or approximately 90 days after Hawaiian receives the award to allow sufficient time for Hawaiian to sell the initial flights. Hawaiian intends to operate its proposed flights with Airbus 330-200 aircraft. Each flight will have 294 seats, 18 seats in Business Class, and 276 seats in Economy. The route maps and corresponding flight schedules proposed by Hawaiian for each daily slot pair to Haneda are set forth in Exhibits HA-App2015-1 and HA-App2015-2.

6. This application is consistent with the Memorandum of Understanding (“MOU”) initialed by the United States and Japan on or about December 11, 2009 and the Open Skies Agreement that entered into effect on November 13, 2010.

7. The grant of a slot pair to Hawaiian for service from Haneda to Kona will inject new competition into the Tokyo market from Hawaii and build upon Hawaiian’s already successful service from Haneda to Honolulu. Kona is a large market for Japanese tourists and Hawaiian already has a strong presence in Tokyo and across Japan.

8. Of the four U.S. carrier routes awarded slot pairs in the 2010 Haneda slot allocation proceedings, Hawaiian’s Honolulu service has been by far the most, if not the only, successful route. Not only was Hawaiian the first recipient of Haneda authority to initiate service, but it has flown the route continuously since its launch, even in the aftermath of the tragic earthquake and tsunami in 2011. In fact, with only one route, it has carried more passengers between the U.S. and Tokyo Haneda than any other U.S. carrier (including Delta with its two awarded routes). Since starting service, Hawaiian upgraded its aircraft used on the route from a 260-seat B767-300ER to a 294-seat A330-200, as it promised in its original application. Moreover, Hawaiian’s service has stimulated traffic between Honolulu and Tokyo significantly more than the other carriers’ routes have between their origin markets and Tokyo.

9. Unlike Delta and American, Hawaiian has flown the service described in its application. Delta has moved one of its services from Detroit to Seattle and now is operating service at the minimum level to avoid the imposition of automatic dormancy conditions, presumably for the sole purpose of protecting its Narita hub. American, like Delta, has proven unable to provide service where desired, dropping its New York service entirely only to come back to the Department for another bite at the apple. Delta’s other Haneda service (LAX) has

been operated with significantly smaller aircraft than originally proposed and has been subjected to numerous days without nonstop service. Now American proposes to put additional capacity on this already-crowded route, which is served not only by Delta but ANA.

10. The award of Delta's frequencies to Hawaiian will ensure the highest and best use of this scarce resource for the benefit of the traveling public and the economic benefit of the State of Hawaii and the United States. This service meets the demand for the largest international origin market to Kona, which is Tokyo, as well as the second-largest destination market from Tokyo without non-stop service. For Japanese travelers, access to Kona is only available through Honolulu; as such, the availability of nonstop service will be attractive to Japanese-originating tourists.

11. The additional foreign visitors brought to the United States by Hawaiian's Kona service will maximize public benefits by expanding the U.S. economy and creating U.S. jobs. The money spent by these visitors is considered an export of the United States. Indeed, President Obama himself has noted the positive impact of foreign tourist spending as a justification for his Administration's goal of increasing foreign tourism and therefore creating U.S. jobs.⁵ Hawaiian estimates that its proposed Kona service will generate significant incremental economic benefits in furtherance of that goal by stimulating 39,000 additional visitors to the United States. *See* HA-App2015-4. The spending of these incremental visitors will generate an estimated

⁵ President Barack Obama, Remarks of the President on Creating Jobs Through Tourism (May 22, 2014) (available at: <http://www.whitehouse.gov/the-press-office/2014/05/22/remarks-president-creating-jobs-through-tourism>) ("tourism translates into jobs and it translates into economic growth. . . . I want to turn the 70 million tourists that came last year into 100 million each year by the beginning of the next decade.").

additional \$117 million in sales and \$35 million in earnings, supporting 1,151 new U.S. jobs.

See HA-App2015-5.

12. Hawaiian's extensive Neighbor Island schedule would allow Haneda passengers arriving in Kona easy and frequent access to Hawaii's nearby destinations. Through providing a valuable new entry point for Japanese-originating travelers, Hawaiian's new Kona service will help promote the U.S. export of tourism and further stimulate Hawaii's tourism-based economy.

Service Proposal

Hawaiian proposes to initiate daily nonstop year-round flights between Tokyo Haneda, Japan and Kona, Hawaii. Hawaiian will initiate service on or about 90 days following issuance of the final order,⁶ or on approximately June 1, 2015, which will provide sufficient time to pre-sell the service.

The aircraft would depart Kona at 18:10 local (May through October) and arrive in Haneda at 22:00 +1 day. On the return trip, the aircraft would depart at 23:55 and arrive in Kona at 12:50 on the same day. Owing to winter head winds, there would be a slight seasonal variation in the timing of the Kona service. For the period November to April, the aircraft would depart Kona at 17:05 and arrives at Haneda at 22:00 +1 day. The return would depart Haneda at 23:55 and arrive at Kona at 12:15 on the same day. All departure and arrival times stated herein are local. Route maps and proposed schedules, including inter-island connections, are set forth in Exhibit HA-App2015-1, 2, 3.

⁶ Hawaiian reserves the right to ask for delay of the startup date should any court proceeding be instituted to review an award of the frequency to Hawaiian until such time as the case is resolved.

Hawaiian will use newly acquired, state-of-the-art A330-200 aircraft with 294 total seats (18 Business Class “J” seats and 276 Economy “Y” seats).

Hawaiian will also offer attractive connecting service to enhance its proposed service offering, providing flexibility for passengers seeking to explore more than one of the Hawaiian Islands.

Current Service to Tokyo

Hawaiian currently provides daily direct service between Honolulu and Tokyo, Haneda, seven days a week.⁷ It does not offer code-share service to Tokyo.

Availability of Aircraft

Hawaiian has sufficient aircraft available to provide its proposed service. In the years since the Department awarded Hawaiian its initial Haneda frequency, Hawaiian has increased its fleet of A330-200 aircraft to 19 using lease financing and/or debt financing and will acquire additional aircraft using conventional financing or leases. By the end of year 2020, Hawaiian plans to have 22 A330-200s total and 16 new narrow body A321 NEO aircraft. The airline will begin taking delivery of six new A330-800neo aircraft in 2019. All of Hawaiian’s aircraft are compliant with FAR Part 36.

Annual Fuel Consumption

Hawaiian estimates that the proposed daily service between Kona and Haneda using its A330 aircraft will consume approximately 10,600,000 USG per year. The award of the

⁷ Hawaiian’s present service departs Honolulu at 18:30 and arrives Haneda 22:05+1 day and departs Haneda at 23:55 and arrives Honolulu at 12:25 (May through October). During the winter (November through April), the aircraft departs Honolulu at 17:40 and arrives Haneda at 22:05 +1 day, and departs Haneda at 23:55 +1 day and arrives Honolulu at 11:35.

frequency to Hawaiian will not result in the consumption of 10 million gallons of fuel compared to the current situation as there will be net reduction of approximately 2.1 million gallons of fuel consumed due to the shorter distance to Kona from Haneda as compared to Seattle. Hawaiian has been given assurance through its fuel suppliers, Cosmo in Haneda and Hawaii Independent Energy in Kona, that sufficient fuel to operate the proposed flights will be available at both airports.

Start of Service

Hawaiian will accept, as it did in the first allocation of Haneda frequencies, a requirement to institute service by a date specified by the Department. It would be Hawaiian's recommendation that the Department specify a date of no earlier than 90 days after issuance of the final order to allow sufficient time to pre-sell the flight, such as June 1, 2015.

For the foregoing reasons, Hawaiian respectfully requests that the Department reallocate the Haneda frequency held by Delta for its Haneda-Seattle service and award Hawaiian the frequency to operate daily combination service between Haneda and Kona, Hawaii as set forth herein.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application of Hawaiian Airlines, Inc. was served this 5th day of January 2015 via email transmission or U.S. mail on the following:

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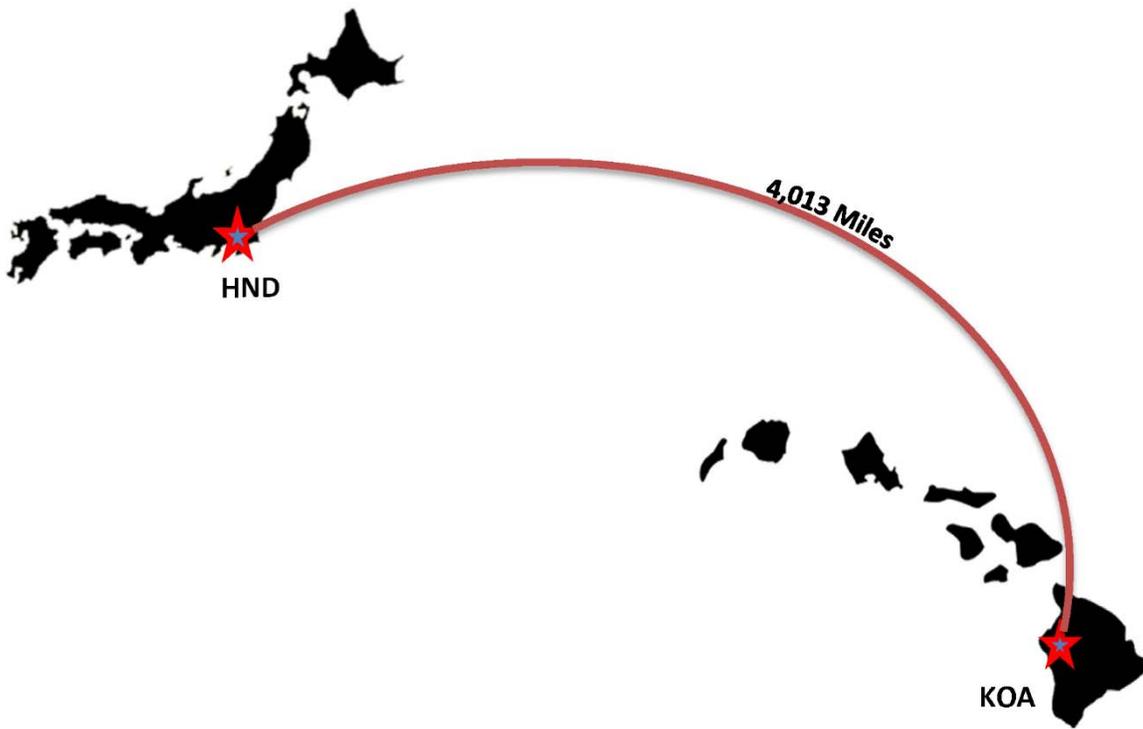
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Bonnie Nelson



PROPOSED ROUTE MAP





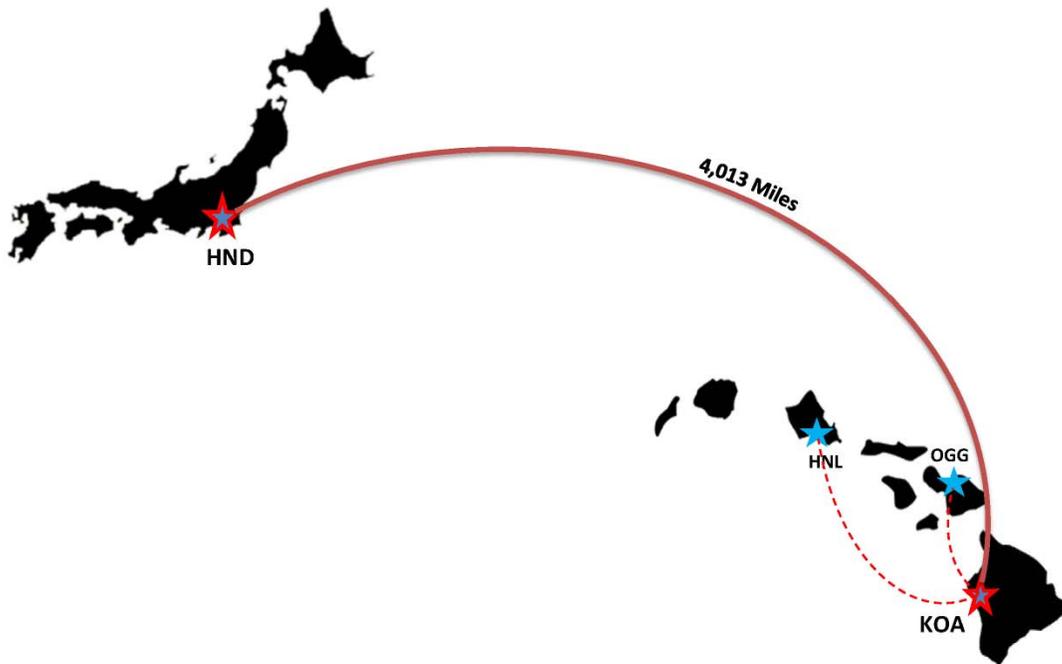
PROPOSED SERVICE SCHEDULE

HA 841 (westbound) Daily		Flight Frequency Season Elapsed Time	HA 842 (eastbound) Daily	
Summer	Winter		Winter	Summer
8:50	9:55		7:20	7:55
2200+1	2200 +1	Tokyo (HND)	2355	2355
▲	▲			
			▼	▼
1810	1705	Kona (KOA)	1215	1250

Aircraft: Airbus 330-200
 Seating Configuration: F-18, Y-276
 All times local



**CONNECTING SERVICE WILL BE
AVAILABLE TO MAUI AND HONOLULU**





**CALCULATION OF KONA PASSENGER AND
 VISITOR STIMULATION AND ECONOMIC IMPACTS**

KONA

1 YE Jun. 2014 HNL-TYO* Onboard Passengers	2,007,523
2 KOA Share of NRT-KOA When Both HNL and KOA Had Nonstop Service	<u>8%</u>
3 Estimated KOA Passengers With Service	160,602
4 Current Unadjusted MIDT KOA-TYO*	58,767
5 Adjustment Factor to Account for Direct Bookings 1/	<u>1.35</u>
6 Adjusted KOA-TYO* Passengers	79,335
7 Stimulated passengers	81,266 (Row 3 - Row 6)
8 Percent Local Passengers	100%
9 Percent Point-of-Sale Japan	96%
10 Total New Japanese Visitors (Roundtrip)	39,008 (Row 7 x Row 8 x Row 9 / 2)

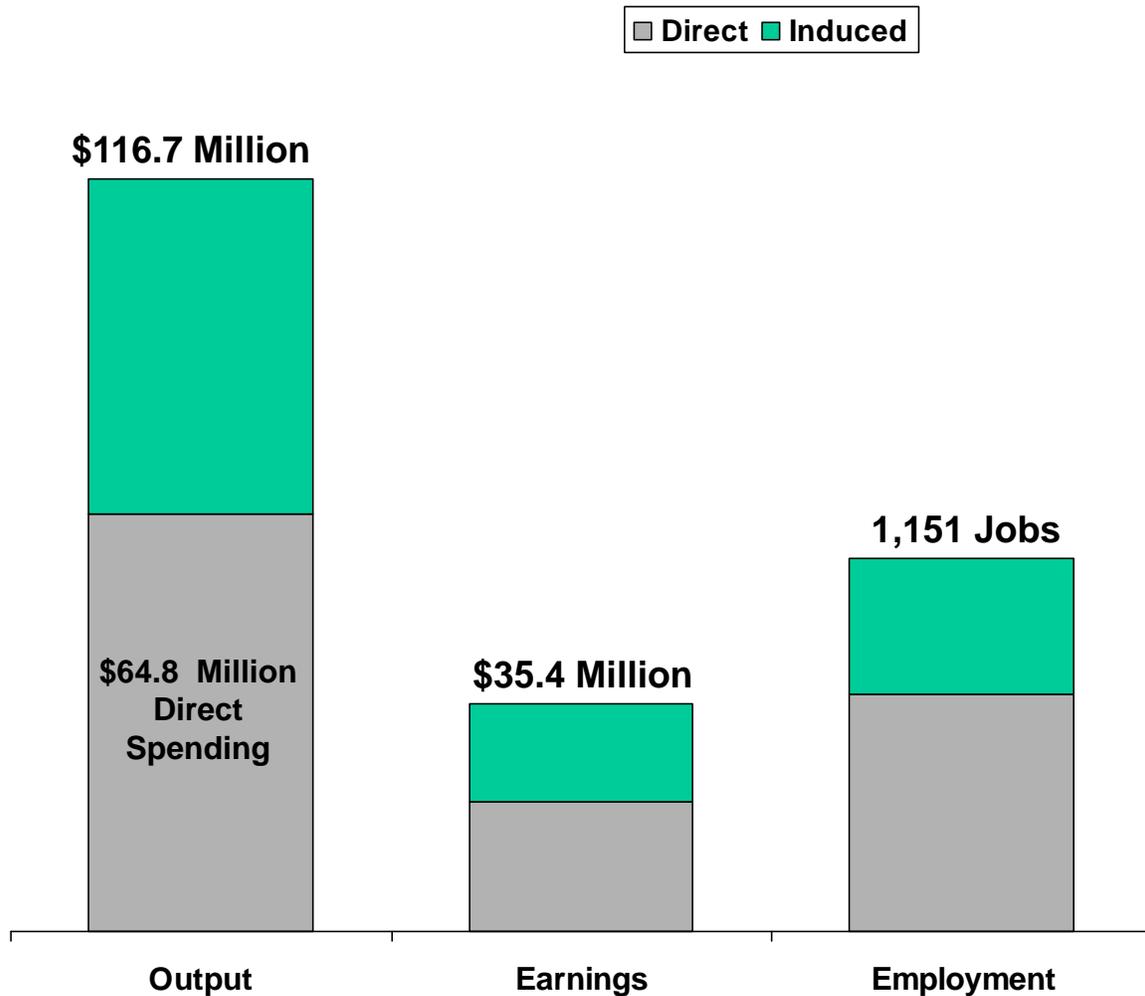
* Includes HND and NRT. YE September 2014.

1/ For purposes of comparability HA has used a 35% MIDT adjustment factor throughout the Haneda cases.



**HAWAIIAN'S KONA FLIGHT WILL CREATE
\$117 MILLION IN SALES, \$35 MILLION IN EARNINGS AND 1,151 U.S. JOBS**

Annual Impact of Japanese Visitors to the U.S.
(Annual)



Note: Induced estimates calculated using standard multipliers from the U.S. Bureau of Economic Analysis.

Source: U.S. Bureau of Economic Analysis RIMS II Multipliers; Exhibits HA-App2015-4 and HA-App2015-6.



EXPLANATION OF ECONOMIC IMPACT METHOD

- **Direct Japanese Visitor Expenditures by visitor were broken down into expense categories using from Hawaii Development & Tourism's 2013 Annual Visitor Research Report and updated to 2014 using the GDP price deflator (\$1,660 per visitor).**
- **Multiplied Visitor Expenditures per Japanese visitor broken down by expense type by the estimated incremental Japanese Visitors (39,008 for the first year).**
- **Induced impacts that estimate the multiplier effects of new spending on the Hawaiian economy were based on official output, earnings and employment multipliers broken down by industry from the U.S. Bureau of Economic Analysis' RIMS II database.**