

**TESTIMONY OF KEONI WAGNER ON BEHALF OF HAWAIIAN AIRLINES
IN SUPPORT OF S.B. NO. 3194, RELATING TO TAXATION**

January 30, 2008

To: Chairman J. Kalani English and Members of the Senate Committee on Transportation and International Affairs:

My name is Keoni Wagner and I am the Vice President for Public Affairs for Hawaiian Airlines presenting this testimony on behalf of Hawaiian Airlines in support of S.B. No. 3194.

This bill would provide an exemption from State General Excise Tax for aircraft fuel that is purchased from a foreign trade zone (FTZ) and used to operate interisland flights. It represents our view of a final version of the bill that had general support at the conclusion of the last legislative session. It also includes additional language that sets out a process for measuring the exemption's effects on the airlines and the State. Having seen consensus on this approach as an acceptable way forward last year, we felt this was a logical place to start the discussion this year.

And, because the environment has changed since last year, rather than rely on the bill that remains in the conference committee, we felt it important to revisit a discussion of the issues this year in order to maintain and hopefully strengthen the consensus for a stronger bill this year.

The most significant change in our circumstances from last year to this year is the one that is affecting all carriers: the dramatic increase in the price of fuel. Every penny change in the price of fuel hits Hawaiian's bottom line to the tune of \$1.4 million on an

annual basis, and our average fuel price rose more than 68 cents over the course of last year.

This is why an exemption is more important than ever to the airlines that operate the state's interisland air transportation system, and we respectfully ask your support in passing an exemption this year.

Thank you for the opportunity to testify on this measure.