

LATE TESTIMONY

Island Air would like to submit testimony in support of HB 142.

Over the last 2 years the airlines industry has been challenged by rising fuel prices, increased facility charges and landing fees, costly regulatory requirements and most recently a down turn in travel due to the global economic crisis. Island Air has weathered the storm but not without employee concessions and cutbacks.

Island Air's exclusive business is providing inter-island transportation within the Hawaiian Islands. Currently, inter-island carriers are paying taxes on fuel while transpacific carriers are exempt. We are in full agreement with 142 whereby interisland carriers should be exempt as well, from the general excise and use taxes for sales of fuel from a foreign-trade zone for interisland flights. The passage of HB 142 would have a significant benefit to a company such as Island Air.

Please consider the following information as to why we would like you to support bill 142:

- Interisland ticket prices provide much lower yields than mainland tickets and the interisland revenue base is also smaller than mainland carriers.
- Incentive to mainland carriers to fly to Hawaii with this fuel tax exemption while not affording this to Interisland carriers is unjust with no rational.
- Providing interisland carriers with this fuel tax exemption will have minimal impact on the States Tax revenues but would provide needed financial assistance
- Interisland carriers such as Island Air play an integral part in Hawaii's economy as it provides needed air transportations between the rural communities in this Island State.
- The passage of HB 142 would be beneficial and just.

Thank you for your time, effort and consideration of HB 142