

Regional Airline Data Bank – A Snapshot Report

A Profile of Passenger and Cargo Service In Alaska And Hawaii

Traffic Patterns Differ From 'Lower 48' For Propeller-Driven Aircraft

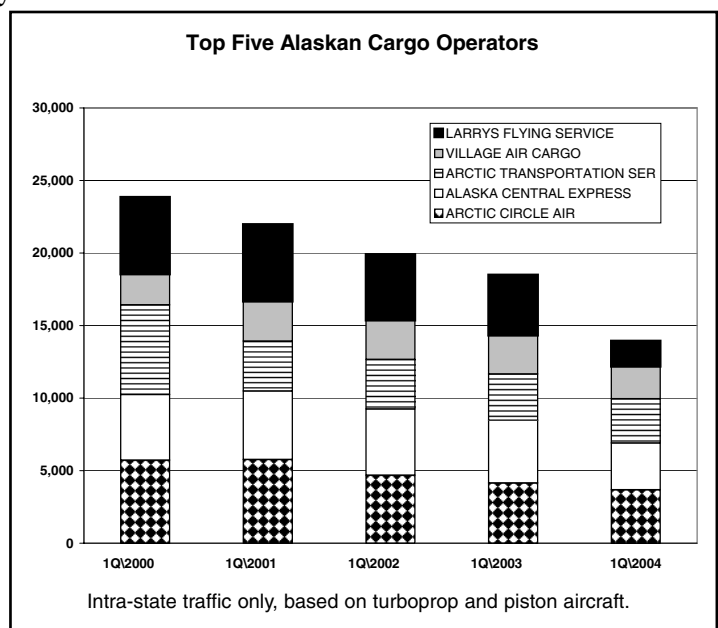
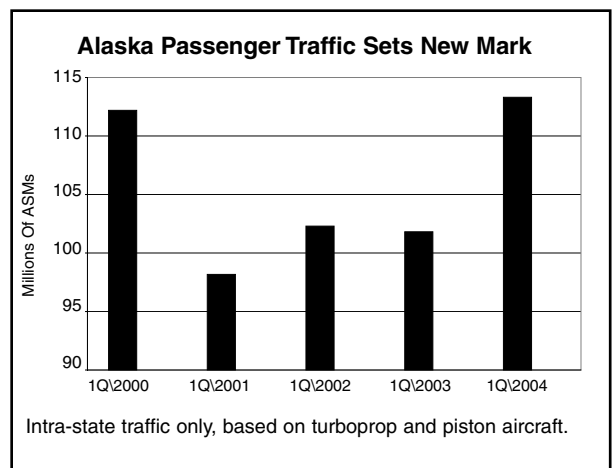
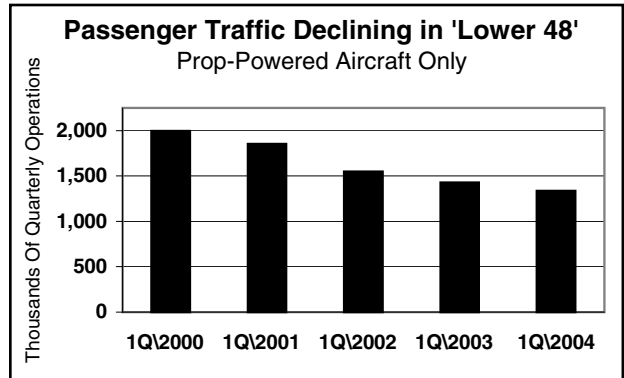
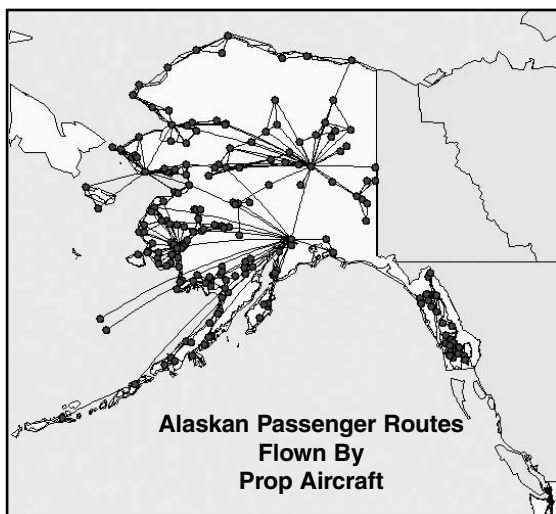
The nation's newest states, Alaska and Hawaii, are far removed from the "lower 48" and that remoteness can skew aviation trends.

When turboprop passenger air travel operations in Alaska and Hawaii are compared to the other 48 states, the trend is similar, but not identical, said John Weber, an analyst with **Back Aviation**. The trend in the lower 48 is a step-by-step decline in passenger operations. There is a significant drop between the first quarter of 2003 and the same period earlier this year.

In Alaska, the operations of the top five carriers have continued to climb since hitting a low in 2001, when the operators flew 40,000 flights in the first quarter. This year, these same five operators flew 48,100 flights in the first three months of the year. Back Aviation tracks 28 passenger operators flying turboprop and piston planes that offer scheduled service within Alaska – all flights start and end within the nation's largest state. The Back Aviation database did not track flights offered by Seattle-based **Alaska Air** or its regional sibling, **Horizon Air**, because their flights frequently originate elsewhere.

Back Aviation analyst Frederick Roe noted that this year the five largest Alaska passenger carriers have increased their flights. First quarter operations increased by 20 percent for Anchorage-based **Hageland Aviation Service**. Of the top five operators, only **Grant Aviation**, also based in Anchorage, reported a drop in business – a 6 percent

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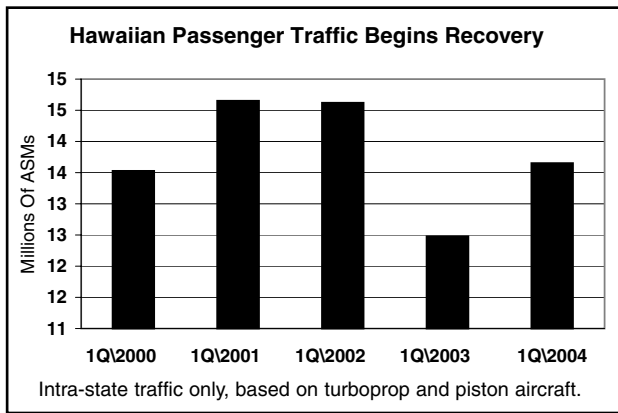
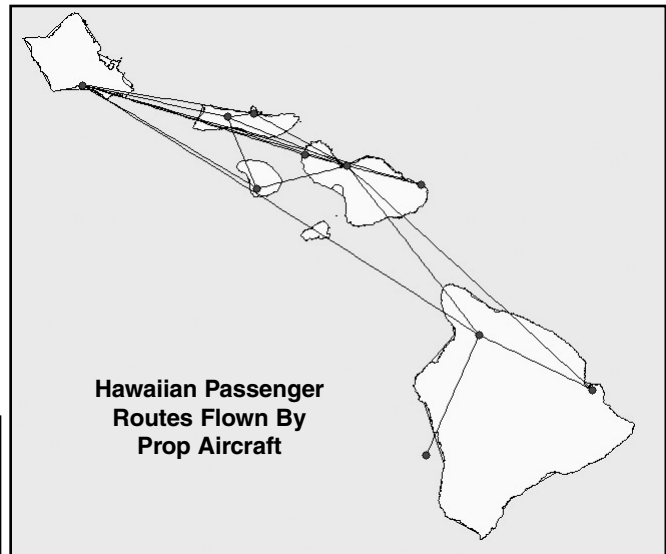


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decline to 9,772 flights.

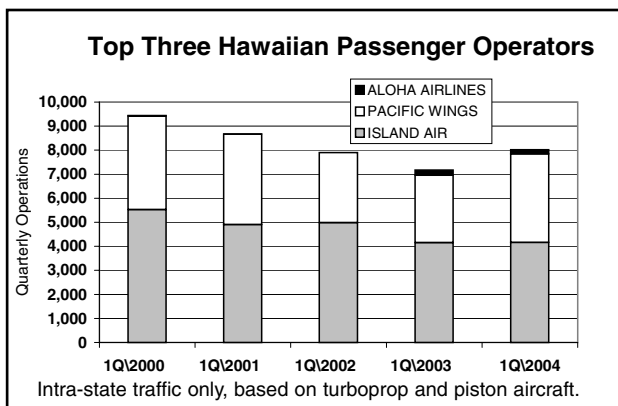
In Alaska, passenger air traffic on turbo-prop and piston planes hit a low in 2001 at 98.1 million available seat miles (ASMs). It has been rising each year – in the first quarter – when it hit the 113.3 million ASMs mark in the first quarter this year. The previous high point was 112.1 million ASMs reported in the first quarter of 2000.

(Neither the reports of ASMs nor flight operations show a decline in 2002 that could be attributed to the fallout of the Sept. 11, 2001, terrorist

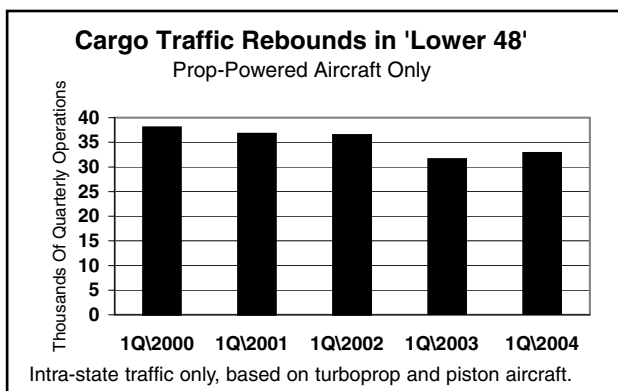


attacks. Instead, the drop in 2001 probably reflects the beginning of the recession.)

The passenger trend in Hawaii hit its low point last year with 7,174 first quarter flights. The high was recorded in pre-recession 2000 when the top three airlines flew 9,444 turboprop and piston flights. The largest growth in first quarter activity from 2003 to 2004 was reported by the second largest operator, Kahului-based **Pacific Wings**. Its business increased by 31 percent. **Island Air**, based in Honolulu and the largest carrier, reported that its flights increased by only 0.19 percent in the first quarter to 4,160 flights. Once a unit of **Aloha Airlines**, Island Air has been a stand-alone company since March 1.



In this report, Back Aviation only tracked propeller operations. There is intra-island service provided by both Aloha and **Hawaiian Airlines** using **Boeing [BA]** jet aircraft.



When reviewing the passenger ASMs for intra-island travel, the peak was in the first quarter of 2001 when 14.65 million ASMs were flown. The same period the next year was down slightly to 14.61 million ASMs. Just as with the operations report, the ASMs' low point was 2003. Just as the number of flights has rebounded, so to have the ASMs, according to Back Aviation's data bank.

On the cargo side, Alaska and Hawaii are not following the trend from the lower 48 in a unified fashion, Weber said. On the mainland, cargo carried by turbo-prop or piston-driven planes has been declining, with the low point in 2003. Cargo operations rebounded slightly in the first quarter of 2004.

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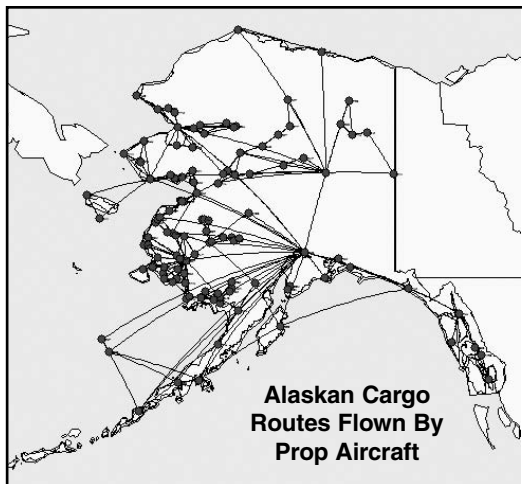
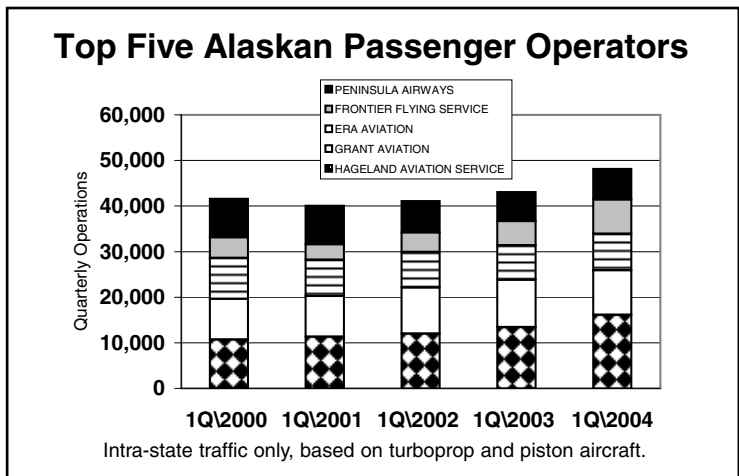
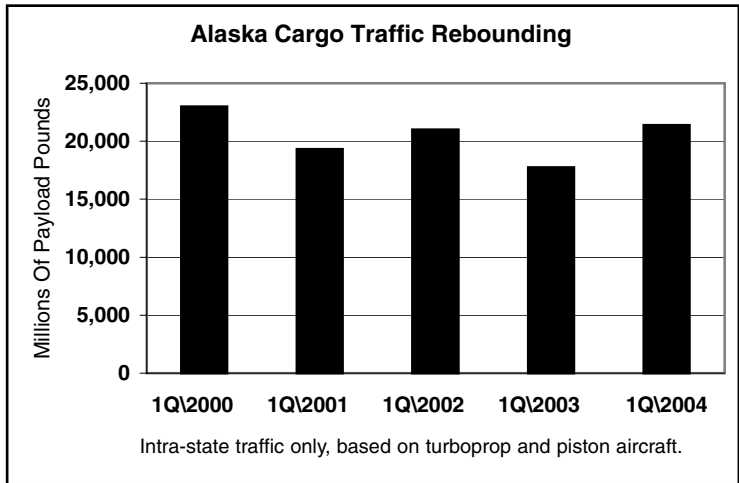
In Alaska, the top five cargo operators have seen a steady decline since the peak in 2000 when the five collectively flew 23,855 scheduled cargo flights. This year in the first quarter, the five flew only 13,940 flights – a drop of nearly 25 percent in one year.

Larry's Flying Service, which in 2000 flew 5,317 flights in the first quarter, flew only 1,765 in the same quarter this year. Cargo business at the Fairbanks-based operation dropped 57 percent from 2003 alone. Even at Anchorage-based **Arctic Circle Air Service**, which is the largest cargo operator, business dropped 11 percent in the last year to 3,679 flights in the first quarter of 2004.

Roe observed that the 17 cargo operators tracked by Back Aviation have been shrinking across the board. Weber noted a larger percentage of the Alaska air cargo is now being handled by jet services.

The Alaskan cargo trend measured by payload pounds, as reported by Back Aviation, reflects a similar trend. Total air cargo payload pounds hit the 21.3 million mark in the first period of 2004, which remains shy of the record of 22.9 million pounds set in the same period of 2000. These cargo payloads are based only on scheduled service by propeller-driven aircraft.

In Hawaii, Honolulu-based **Trans Air** is the only air cargo carrier in the islands that provides scheduled service, according to Back Aviation. Its business has been flat since 2000. However, this year its flights increased by 7.5 percent over the same period of 2003, to 3,042 operations. The carrier flies three Short 360s on 15 different routes within the islands. The Hawaiian cargo trend measured by payload pounds mirrors the Trans Air operations' profile. Q



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