

Essential Air Service at

Kamuela, HI

under 49 USC 41731 *et seq.*

Docket OST 1997-2833

MOKULELE FLIGHT SERVICE, INC.

D/B/A

MOKULELE AIRLINES

RENEWED PROPOSAL TO PROVIDE ESSENTIAL AIR SERVICE

AT

KAMUELA, HI

DOCKET

OST 1997-2833



Proposal to Renew Essential Air Service

Pursuant to Order 2017-2-4, Mokulele Flight Service, Inc. d/b/a Mokulele Airlines respectfully submits this renewal proposal to provide subsidized essential air service to the communities and residents of Kamuela on the Big Island of Hawaii. Mokulele Airlines holds a certificate of public convenience and necessity authorizing, and finding Mokulele fit to engage in, scheduled interstate air transportation of persons, property, and mail, and has been doing so for the past 10 years. Our company's foundation is built on service to rural communities. Mokulele Airlines currently operates routes under the Essential Air Service program, as well as un-subsidized operations on established competitive routes.

Mokulele: The Right-Size for Kamuela

Mokulele proposes to continue the operation of two direct round trips per day between Kamuela and the hub of Kahului with unsubsidized continuing service to Molokai and Honolulu. This service level will offer more than enough inventory to provide for the traffic of the last couple years, while keeping capacity "right-sized" and avoiding an unnecessary flooding of empty seats and resulting higher operating costs

In addition, we will sustain a schedule to maximize traffic flow with flights morning, midday and evening. Mokulele believes that traffic will continue to increase in the coming years as the speed and convenience of our service continues to become more familiar to the residents of these communities.

We are therefore able to continue to offer these communities the best possible fit with:

- Comfortable and Reliable Cessna Grand Caravan aircraft
- Convenient schedules
- Affordable fares
- A reasonable and sustainable subsidy request
- Access to the national transportation network

Our Aircraft

Mokulele Airlines operates several Cessna Caravan aircraft. The Caravan is an American made, turboprop aircraft often found in corporate aviation, but utilized by Mokulele Airlines in a nine-seat commuter configuration. The world's best-selling turbine business aircraft, and still in

production today, the Caravan can shuttle you with comfort and ample baggage capacity with no “middle” seats.

Dedication to Safety

Mokulele always flies with two pilots, not because we are required to, but because we choose the highest level of safety whenever possible. At Mokulele, safety is not just our number one core value, but can be found in every area of our company's culture. This past year, Mokulele acquired a full motion flight training device ("flight simulator"), so that our training is as complete as possible and our pilots are ready for any scenario that might come their way.

Efficiency and Reach

Mokulele Airlines is already fully integrated into (Global Distribution System) GDS so that passengers will have multiple channels from which to purchase tickets, including all of the familiar branded GDS portals. Customers will be able to call our central reservations office, book online at www.Mokuleleairlines.com or purchase from travel agents. A number of online travel agencies and meta-search engines, such as Expedia and Kayak, are currently able to carry Mokulele inventory. Mokulele continues to expand its presence on additional online travel agency sites. Passengers are always welcome to simply walk up to the counter if they so desire. Mokulele has an established interline passenger and baggage agreement with Alaska Airlines, giving passengers even further choice and convenience.

History of Serving Essential Air Service Communities

Mokulele currently delivers Essential Air Service to two communities: Imperial, CA and Kamuela, HI.

In every case, we have maintained fares either at or below that which we outlined in our bid, in comparison to so many other airlines placing bids with unreasonable fares that are never realized by the traveling public. As important, Mokulele has been excellent stewards of federal tax money. We have been able to reduce our subsidy request significantly due to strong ridership and efficiencies in our business model.

Mokulele’s Current Plan

Mokulele Airlines emphasizes customer service and convenience, and in so doing our platform is reminiscent of commercial air service of the past in that our passengers only need to arrive 20 minutes prior to departure from any of our terminals except Honolulu.

Further, a no-TSA model will continue to offer the communities tremendous appeal for quick trips to and from Kahului and other potential major market connections to be served by Mokulele.

History of Serving Kamuela, Hawaii

For nearly four years, Mokulele Airlines has had the pleasure of providing Kamuela, Hawaii with a unique air service unlike anything this community has experienced in the past. Ease, convenience and customer service have accompanied every flight, and at an affordable rate. Mokulele has provided the comfort of private air travel on a scheduled commuter service, and the response has been overwhelmingly positive. Mokulele has been extremely pleased with its successful service to Kamuela as it steadily develops into an increasingly sustainable route, investing not only in the air service, but in the community itself.

General operations and scheduled flights. In the last eight months, Mokulele has maintained a completion rate of nearly **99%** for Kamuela flights with over **93%** of those being on time. Flights were only cancelled or delayed due to extreme fog, when visibility was below the legal limits. Mokulele's history of minimizing controllable cancellations and delays has been industry leading. When demand has required, Mokulele has even added some unsubsidized segments to ensure that we provide the highest level of service to Kamuela.

When it has happened where weather did not cooperate, Mokulele dispatched our shuttle van to make sure that all passengers ended up where they needed to be.

Customer service. The Mokulele customer service philosophy has been integral to the success of the service to Kamuela, highlighting that each passenger is an individual, and each should have their needs addressed accordingly. Our customer service agents, flight crew, and other staff are not only trained to be knowledgeable and attentive, but are selected for their friendly qualities and abilities to express consideration for the needs of our clients. Mokulele passengers are asked to participate in our survey program upon completion of their flying experience, and comments such as the following have been recorded and are not uncommon:

- "Friendly and personal service. Amazingly smooth take-off and landing. It was great!"
- "Great service! Love check-in time!"
- "Very fast and efficient service. Wonderful staff! My first time with Mokulele, and I plan to return!"
- "Very friendly staff, excellent service. Thank you, Mokulele."
- "Wonderful, personable employees!"
- "Wonderful, informative staff."
- "Very friendly and helpful."
- "Friendly crew and super convenient."
- "Very good experience!"

Marketing and public relations. This past year, Mokulele has brought our marketing effort all in house and has doubled the size of the department. Mokulele is now or soon to be very active with many online channels such as spotify, taboola, internet retargeting, google adwords, just to name a few.

Promotions. Mokulele is very pleased to offer our Ali'i program to our corporate/business customers and our Imi Loa frequent flyer program to our other loyal customers. Both programs are very rich with benefits and is Mokulele's way of giving back to those who are loyal to us.

Also this year Mokulele introduced it's "Wikiwiki" small package service where we can get time sensitive small packages anywhere we fly in a matter of hours.

Internet and social media. With an established website, and the institution of booking capabilities on online travel agency sites and meta-search engines, a number of possibilities have presented themselves for marketing the Kamuela route globally.

Mokulele has a dedicated Facebook and Twitter account with a solid following of clients and non-clients that are enticed to participate through round-trip ticket contest giveaways. Social media has been a great tool for promoting events and promotions.

Passenger Loads and Sustainability Potential

Mokulele has witnessed excellent growth in ridership since it began service to Kamuela in December 2013. Where Kamuela previously had an air service provider who was adversarial at best, Mokulele is proud to be Kamuela's hometown airline. Mokulele has been able to keep fares low and affordable while still reducing the amount of subsidy requested from the Federal government.

Mokulele welcomes this opportunity to once again be chosen to provide essential air service at Kamuela, Hawaii for the next four-year period. We bring a fresh approach, and believe we have presented a proposal that will meet the EAS needs of the communities at reasonable subsidy levels less than our previous proposal. Thank you for your consideration.

Respectfully submitted,



Rob McKinney
President
Mokulele Flight Service, Inc. d/b/a
Mokulele Airlines

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	Factor	Kamuela
		MUE-OGG
Revenue:		
Passenger:		
Forecasted Passengers		8,500
Average Revenue / Pax:		
Revenue / Pax Change		\$ 68.00 0.00%
Average Revenue / Pax		\$ 68.00
Passenger Revenue		\$ 578,000
Other Revenue:		
Ratio to Passenger Revenue		6.00%
Other Revenue		\$ 34,680
Total Revenue		\$ 612,680
Operating Expenses		
Completed Block Hours		1,016.80
Direct		
Flight Crews	\$ 76.50	77,785
Fuel		
Gallons / Block Hour	54	
Into Plane Cost / Gallon	\$ 2.95	
Fuel Cost / Block Hour	\$ 159.30	161,976
Insurance	\$ 52.00	52,874
Maintenance	\$ 215.00	218,612
Aircraft Lease	\$ 225.00	228,780
Total Direct		\$ 740,027
Indirect Expense	30.00%	222,008
Total Operating Exp		\$ 962,035
Return	5.00%	48,102
Total Economic Cost		\$ 1,010,137
Surplus / (Deficit)		\$ (397,457)
Annual Subsidy		\$ 397,457
Completed Departures		1,240
Subsidy Per Departure		\$ 320.53