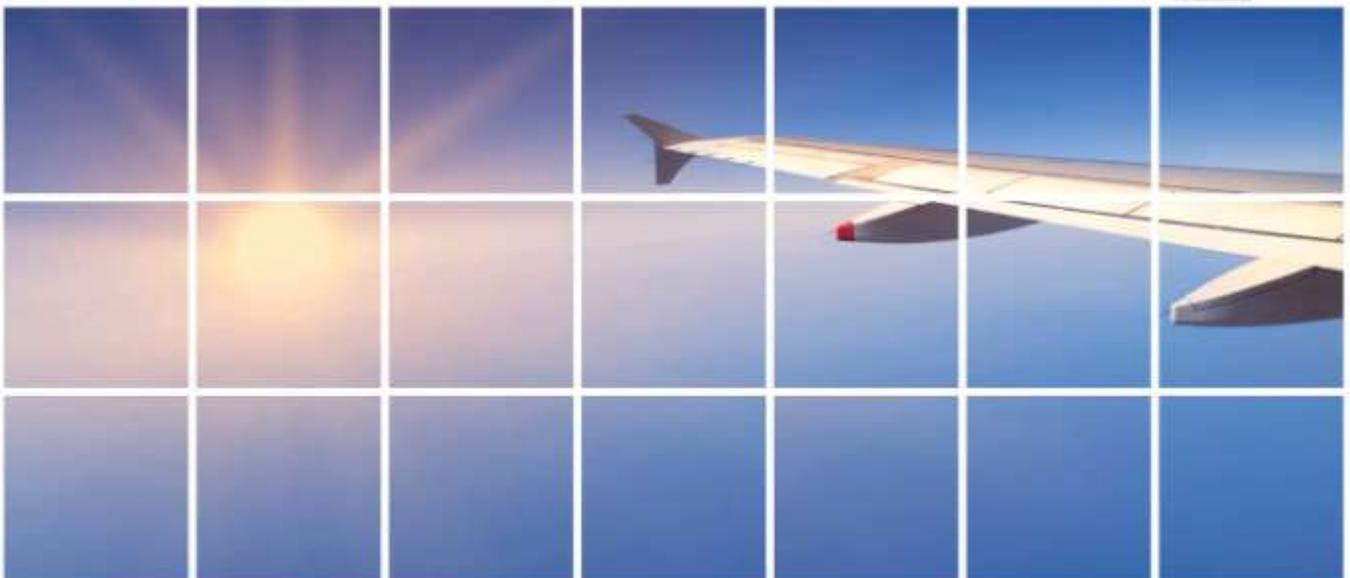


American Samoa



Phase One Report





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The RFP initiating this project describes the problem: “American Samoa, as an isolated, distant, non-contiguous, territory of the US, is very poorly served by domestic and international air passenger and cargo services.” It notes further that American Samoa (AS) severely lags other US states and territories in GDP per capita. (RFP p. 2)

Executive Summary

Beginning the Study project on November 1, the ASM team first put together publicly available data and information on American Samoa and its economy, demographics, transportation markets and air service and traffic history. Two team members spent a week in American Samoa, adding a Sunday day trip to Independent Samoa, gathering more data and information and impressions of the problems and possible solutions.

The ASM team met with more than thirty government officials, airline and aviation services managers, hoteliers and other business operators over a period of several days. The most important concern expressed and repeated by members of the Pago Pago community is that airfares to Honolulu and the US Mainland are too high, flights are too few, connections at HNL are not convenient and seat availability is limited in the June-August peak season.

Pago Pago service appears to be very profitable for Hawaiian Airlines, which operates a substantial hub at Honolulu and gains revenue not only for local PPG-HNL travel but for beyond sectors (LAX, etc.) as well. Hawaiian’s B767-300ER aircraft is larger than optimal for a market as the size of HNL-PPG, but it’s the smallest aircraft with sufficient range in Hawaiian’s fleet. The Study plan contemplates a meeting with Hawaiian early in 2013 to discuss the needs of the market and plans to improve service.

The smaller B737-800 aircraft, which Air Pacific operates on the Apia-Honolulu route, would be a better choice for schedule frequency. United Airlines and Alaska Airlines, which serve Honolulu with B737-800s and could connect to multiple Mainland

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destinations, would be attractive competitors for Hawaiian if one or the other can be persuaded to enter the market. Delta Air Lines and American Airlines similarly operate multiple Honolulu routes, including some with narrowbody B757 aircraft that could be used for Pago Pago. None of those airlines probably has considered PPG in recent years and will not easily decide to start service.

The impact of immigration laws and airport processing by ASG Immigration is also of concern, particularly for people in the travel industry who want to expand the market. The ASM team has ideas on Immigration policy and processes and will describe them later in the Study. Security clearance, handled by the Federal TSA for outbound Honolulu flights, is also a concern and the ASM team can suggest ways to improve the process by making small changes in equipment placement and line management.

Polynesian Airlines serves the PPG-Apia market through close-in Fagali'i Airport (FGI), which has no runway lights and is therefore limited to daytime operations. Polynesian's technical base is at Faleolo International (APW), where it operates some night flights on peak days. Fagali'i Airport is owned by Polynesian Airlines, which believes it can effectively block competitors from using the airport.

American Samoa's Inter Island Airways operates only between APW and PPG. Its aircraft are not suited to FGI's short, 1800-foot runway or to the short runways at the airports in the Manu'a Islands.

Neither Polynesian nor Inter Island has flights displayed in the Global Distribution Systems that travel agents use for automated reservations and ticketing. Similarly, neither has an interline agreement with Hawaiian Airlines or the long-haul airlines serving APW. American Samoa would be better served if one or both short-haul airlines could improve its connectivity with the long-haul airlines and the worldwide sales networks.

Another important issue for many is American Samoa's status as a US Territory, which makes PPG-HNL a domestic sector closed to sale by foreign airlines. The important



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impact of the Cabotage restrictions is that foreign airlines such as those serving APW cannot operate through PPG to either Honolulu or Los Angeles.

PPG-Manu'a sectors are similarly restricted the Cabotage law, but the DOT and FAA want to be accommodating because the Manu'a markets are so tiny and American Samoa is so far from other US Territories. Cabotage issues are addressed in this report and will be developed further in the course of the Study.

Samoa Air, based in Apia, is seeking US authority for service to Pago Pago and exemption for Cabotage service on routes between PPG and the Manu'a Islands. Those requests are awaiting action by the FAA and USDOT, which can authorize emergency Cabotage operations by a foreign airline if no US airline is willing and able to serve isolated points. The Cabotage authorization can last no more than thirty days but can be renewed if the urgent need continues. Samoa Air has asked the DOT to wait for FAA action so that the 30-day clock need not start until service is fully authorized.



Task 1: Assess Pertinent Historical Conditions in American Samoa

1. GDP and Population Growth

The purpose of this study is not to deal with the identified economic problems of AS except for poor air service. Nonetheless, efforts to understand and improve the air service situation must take account of and grapple with the economic problems and their causes.

American Samoa is a small and relatively poor territory of a large country with the world’s largest economy. It is small compared to nearby Independent Samoa or compared to most of the other island territories and small nations in the broad South Pacific region.

Table 1 Comparative GDP and GDP per Capita

Country	GDP	Population	GDP per Capita	Year of Estimate
American Samoa	\$615 Million	55,519	\$11,017	2010
Samoa	\$649 Million	183,874	\$3,532	2011
United States	\$15.1 Trillion	311,591,917	\$48,300	2011

Source: American Samoa Government, Department of Commerce, Statistical Yearbook 2011

2. Population Growth and Net Migration

The citizens of American Samoa are nationals of the United States, having the right to enter and reside in the US and become US citizens. Economic opportunity attracts migration of many American Samoans to the US and attracts many from Independent Samoa to settle in AS. The result has been little net change in the AS population despite significant shifts in who lives where.

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The 2010 Census reports population of 55,519, down slightly from the 57,291 enumerated in the 2000 Census, but the number of Samoans living in the US grew in the same period from 85,000 to 115,000.

The Census groups together people of Samoan descent from both parts of the island chain. Counting people reporting partial as well as full Samoan ancestry, the 2000-2010 growth is from 128,000 to 184,000. About 33% of the Samoan Americans live in California, 20% in Hawaii and 10% in Washington State.

Table 2 Population of American Samoa

Migration and Natural Increase 1970-2000				
Component	1990-2000	1980-1990	1974-1980	1970-1972
First Census Population	46,776	32,297	29,190	27,159
Second Census Population	57,291	46,773	32,297	29,190
Net Increase	10,515	14,476	3,107	2,031
Births	17,882	14,150	5,945	4,143
Deaths	2,371	1,601	724	602
Natural Increase	15,511	12,549	5,221	3,541
Apparent Net Migration	-4,996	1,927	-2,114	-1,510
Intercensal Increase	22%	45%	11%	7%
Intercensal Natural Increase	33%	39%	18%	13%
Intercensal Net Migration	-11%	6%	-7%	-6%
Annual Growth Rate	2%	4%	2%	2%

Source: ASG Department of Commerce

Table 3 Samoan Population Living in the US

	2005	2006	2007	2008	2009	2010
Samoan Population in US	56,736	73,385	69,615	71,831	98,945	114,796

Source: US Census Bureau, Samoan Population

Table 4 Breakdown of Samoan Population Living in the US by State

2009-2011 American Community Survey 3-Year Estimate	
US State	Samoan Population Estimate
California	40,547
Hawaii	18,876
Washington	14,385
Utah	10,070
Alaska	5,756
Nevada	3,417
Other	11,178

Source: US Census Bureau, 2009-2011 American Community Survey

3. Air Passenger Traffic Trends

The population of Samoans living in Hawaii and on the Mainland is an important factor in the development of air traffic for PPG. Family ties are strong and travel for family visits is an important component of the market. As the number of Samoans living in the US rises and income levels rise for off-island Samoans, travel demand increases. As will be considered later in this report, passenger volumes would respond readily to moderation of high PPG airfares.

4. Passenger Traffic History

Before Apia Faleolo International Airport (APW) was enlarged and the runway lengthened in the mid-1980s, PPG was the principal airport for all of the Samoa Islands. The competition between APW and PPG developed at the same time as aircraft technology reduced the need for flights to stop on long routes between Hawaii (or even the US Mainland) and Australasia. Today, PPG gets most of the Samoa Islands-Honolulu service and APW gets all other long-haul service (Fiji, New Zealand and Australia).



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Schedules, seat capacity and traffic on the Pago Pago-Honolulu route have been stable since Aloha Airlines left the market at the start of 2005. Hawaiian Airlines has operated two weekly flights with B767-300 equipment and each year added a third weekly flight in the peak summer and yearend seasons. The traffic volume was reduced by the recession but in the 12 months ending June 30, 2012 it was slightly ahead of the 2009 level and slightly behind the 2008 level. Passenger load factors (PLFs) since 2008 have ranged between 66% and 71% (see Table 5).

Any airline considering HNL-PPG service in competition with Hawaiian will look carefully at the Aloha history, which is reflected mostly in 2004 data. Phase Two of this study will include a thorough analysis of traffic and fare data and the issues of Aloha's B737-700 service, route network, market strength and financial situation leading to bankruptcy in December 2004 and eventual liquidation.

Passenger volumes and load factors are not the only key revenue factors for airline route decisions. Other factors are fare levels, cargo volumes and rates and other ancillary revenue opportunities (baggage fees, ticketing and change fees, etc.). Those non-ticket revenues have become more important in the last few years as low-cost carriers have pushed fares down while charging every imaginable fee.

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Table 5 Pago Pago – Honolulu Passengers, Seats and PLF, 2000 to YE June 2012

Year	Passengers	Seats	PLF
2000	47,906	70,450	68%
2001	44,891	72,416	62%
2002	50,290	74,520	67%
2003	39,215	56,306	70%
2004	54,261	88,406	61%
2005	48,748	64,388	76%
2006	46,687	61,664	76%
2007	47,081	64,024	74%
2008	44,926	62,848	71%
2009	42,736	64,314	66%
2010	43,518	63,890	68%
2011	41,714	62,258	67%
YE Jun 2012	43,468	62,125	70%

Source: OAG Aviation Solution – US Dept. of Transportation Database T100

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Table 6 Pago Pago – Honolulu Average Passenger Fares, 2000 to YE June 2012

Year	Average Fare (USD)		
	Hawaiian Airlines	Aloha Airlines	Total
2000	293.45		293.45
2001	349.96		349.96
2002	320.37		320.37
2003	385.62	438.72	386.71
2004	383.57	385.00	384.45
2005	440.79	473.75	441.86
2006	454.98		454.98
2007	454.80		454.80
2008	485.73		485.73
2009	481.09		481.09
2010	468.95		468.95
2011	499.22		499.22
YE Jun 2012	501.60		501.60

Source: OAG Aviation Solution – US Dept. of Transportation Database OD1B.

Note: Aloha operated only a few flights in 2003 and 2005, but flew a full schedule throughout 2004.

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Table 7 Airport Activity – Apia and Pago Pago

Year	Passengers			
	APW	FGI	PPG	Total
2009	294,572	48,112	142,531	485,215
2010	312,273	46,212	136,268	494,753
2011	321,973	47,431	135,971	505,375
YE June 2012	n/a	51,047	114,515	n/a

Source: ACI Annual Airport Traffic Report; US DOT Database T100; American Samoa Department of Commerce, 2011 Statistical Yearbook.

5. Air Cargo Traffic Trends

The USDOT requires most airlines to file reports for its Database T100, which includes for each airport-pair route the number of flights and seats operated, passengers, freight and mail transported and other data. The T100 data includes Polynesian Airlines but not Inter Island Airways, resulting in incomplete results for the PPG short haul routes. Polynesian in 2009 moved its Apia operations from Faleolo Airport (APW) to Fagali'i Airport (FGI).

Table 8 Pago Pago – Apia Air Cargo (Lbs.)

Route	2005	2006	2007	2008	2009	2010	2011
APW-PPG	495,897	542,555	416,232	407,629	130,130	0	0
FGI-PPG	0	0	0	0	194,050	257,653	396,834
Total	495,897	542,555	416,232	407,629	324,180	257,653	396,834

Source: OAG Aviation Solutions – US DOT T100 Database

Note: Volumes shown are for Polynesian Airlines; Inter Island Airways does not report.



Table 9 Long-haul Air Cargo (Lbs.)

Route	2005	2006	2007	2008	2009	2010	2011
PPG-GUM	448,077	1,003,899	75,540	0	0	0	0
PPG-HNL	2,900,831	4,311,246	2,684,665	2,482,312	4,276,198	2,974,921	3,284,994
PPG-LAX	18,282	0	0	0	0	0	0

Source: US DOT T100 Database, Freight and Mail (Lbs.)



Task 2: Assess the Changing Role of Transportation in the Global Economy and its Effects on American Samoa's Economy

1. The Fall of Tariffs and Other Obstacles to International Trade

International trade has grown dramatically as transportation and communications have become more efficient and most nations have reduced tariffs and non-tariff barriers. The US has been a leading advocate of free trade, subject to certain fairness principles. High tariffs and trade wars were widely viewed as exacerbating the Great Depression and leading to World War Two.

Trade liberalization has been advanced since WW2 by a lengthy list of multilateral and bilateral agreements, beginning with the 1946 General Agreement on Tariffs and Trade (GATT). Subsequent rounds of liberalization under the GATT umbrella moved trade barriers lower and lower.

The result is the massive complex of agreements administered by the World Trade Organization (WTO), successor to the GATT organization. The Doha Round continues the process today. Both the US and Independent Samoa participate in the WTO.

The North American Free Trade Agreement (NAFTA), which took effect in 1994 among the US, Canada and Mexico, has opened the northern and southern borders for a huge volume of raw materials, agricultural commodities and finished goods. The European Union (EU) partially integrates the economies and policies of 27 nations.

The important Asia Free Trade Area includes the ten member states of the Association of Southeast Asia Nations (ASEAN). Indonesia, the Philippines, Australia and New Zealand attend meetings with Observer status.

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The various multilateral agreements are reinforced by many bilateral free trade agreements (FTAs). In addition to NAFTA, the US has FTAs with 18 nations, including Australia and Singapore but not New Zealand, Samoa or other South Pacific nations. The United States, Australia, New Zealand and 18 other economies are members of the Asia Pacific Economic Cooperation (APEC), which was formed in 1989 to foster trade liberalization. Independent Samoa is not an APEC member.

2. Aviation Deregulation and Open Skies

International aviation was very limited before WWII but the late-1944 Convention on International Civil Aviation (the Chicago Convention) established the framework for the industry to come. It left domestic aviation to each country's jurisdiction and enumerated operating rights such as overflight, emergency landings and technical stops for airlines from foreign countries. International traffic rights were to be determined by agreement between individual countries.

That evolved quickly into a regime of Bilateral Air Service Agreements (Bilaterals), mostly based on a system in which each country identified one or two flag carriers for international services between named points (gateways). The Bilateral and flag-carrier system came under pressure in the late 1970s when the continuing development of commercial aviation and general economic growth generated demand for more airlines to serve more routes to and from more gateways.

The United States undertook airline deregulation in the 1970s, leading to the Airline Deregulation Act of 1978 and the sunset of its economic regulatory agency, the Civil Aeronautics Board, in 1984. At the same time, the US began in 1978 to negotiate liberalized bilateral agreements with individual aviation partners, but progress was not as quick for international aviation as for domestic.

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The United States had by far the world's largest airline industry and largest domestic aviation market. For international service, the country was moving beyond Pan American as its "Chosen Instrument" supplemented by TWA to Europe and the Middle East, Braniff International Airways to South America and Northwest Orient Airlines to Asia.

The introduction of widebody aircraft, carrying a lot of seats at low cost per seat, created turmoil among the airlines and the regulators. The original international aviation giants, protected by their governments, had lost the ability to compete with aggressive newcomers to the sector.

Liberalization led eventually to Open Skies Agreements, which leave it up to the airlines where to fly and what fares and fees to charge, subject to normal consumer protection and antitrust laws. The US has negotiated Open Skies Bilaterals with 107 nations, including Australia, New Zealand, independent Samoa and Tonga.

Even with Open Skies, however, the US and most other countries have clung to prohibitions on Cabotage services (the carriage of domestic passengers or cargo) by foreign airlines. The US is among the strictest. The EU has established a right of establishment, allowing foreign ownership of airlines within the member states, and has tried to negotiate a similar provision into the US-EU Open Skies regime, which in 2007 replaced 15 separate Bilaterals. The EU has proposed but the US has not accepted a right of establishment and has vigorously enforced its domestic ownership and control regulations.

Australia and New Zealand in 1997 established a Single Aviation Market and granted unlimited route rights within their combined territories for each other's airlines. They have also liberally agreed to Trans-Tasman traffic rights so that third country airlines operate about 30% of the AKL-SYD seats. In 2001, the US established the Multilateral Agreement on the Liberalization of International Air Transportation (MALIAT) with New Zealand, Singapore, Brunei, and Chile, later joined by Samoa, Tonga, and Mongolia.

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Table 10 Asia-Pacific Open Skies Bilateral Air Service Agreements with the United States

Partner	Application	Date Concluded	All-Cargo 7ths
Singapore	In Force	1/22/1997	Yes
Taiwan	In Force	2/28/1997	-
Brunei	In Force	6/20/1997	Yes
Malaysia	In Force	6/21/1997	Yes
South Korea	In Force	4/23/1998	-
Samoa	In Force	7/04/2002	Yes
Tonga	C&R	9/19/2002	Yes
Indonesia	In Force	7/26/2004	Yes
Thailand	In Force	9/19/2005	Yes
Cook Islands	In Force	2/28/2006	Yes
Australia	C&R	2/14/2008	Yes
Japan	In Force	10/25/2010	-

Source: US Department of State, www.state.gov

Notes: C&R is Comity and Reciprocity, which requires each country to observe the Open Skies principles but allows it to regulate in specific situations. All-Cargo 7th Freedom traffic rights allow an airline of one country to carry cargo between the other country and a third country without the operation being a through flight to or from its territory. They are not Cabotage Rights.

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Table 11 Air Passenger Flows between the US and Australia/New Zealand

Year	HNL-Australia	HNL-New Zealand	Mainland-Australia	Mainland-New Zealand	Total
2000	226,969	54,358	1,351,502	714,123	2,346,952
2001	225,814	55,111	1,143,333	712,675	2,136,933
2002	249,456	48,888	1,073,228	750,051	2,121,623
2003	221,831	53,344	1,037,012	804,235	2,116,422
2004	283,935	52,065	1,130,909	849,645	2,316,554
2005	308,221	49,415	1,251,434	838,271	2,447,341
2006	304,663	47,853	1,354,400	830,000	2,536,916
2007	238,445	48,701	1,345,573	824,760	2,347,479
2008	204,306	51,802	1,322,268	758,476	2,336,852
2009	215,775	43,354	1,699,337	714,655	2,673,121
2010	238,564	44,070	1,844,759	646,276	2,773,669
2011	320,087	49,904	1,952,531	661,138	2,983,660

Source: OAG Aviation Solutions – US Dept. of Transportation T100 Database

Air passenger traffic between the US and Australia and New Zealand declined in the recession of 2000-2001 and did not recover until 2004. Growth since 2008 has been strong. With passengers generally flying nonstop to and from Mainland gateways, Hawaii-South Pacific traffic is less than 15% of the US-South Pacific total.

3. The Rise of International Trade – 1967 to Today

Table 12 Selected Major Multilateral Trade Agreements

Date	Event	Members	Comment
1967	ASEAN	Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam	3 pillars: - Political-Security Community - Economic Community - Socio-Cultural Community Initiative of ASEAN Integration
1989	APEC	21 members	Asia-Pacific Economic Cooperation
Jul 1989	US-Bangladesh Investment Treaty	US and Bangladesh	To encourage and protect investment
Jan 1992	AFTA	ASEAN countries	ASEAN Free Trade Agreement
May 1993	US-Sri Lanka Investment Treaty	US and Sri Lanka	To encourage and protect investment
Jan 1994	NAFTA	US, Canada, Mexico	North American Free Trade Agreement
Jan 1995	WTO		Replaces GATT Forum to negotiate trade agreements and disputes
1996	Qualifying Industrial Zone	US, Israel, Jordan, Egypt, West Bank, Gaza	Product manufactured in those Middle East countries can enter the US duty-free
1996	US-Israel FTA	US and Israel	
Jan 1997	US-Mongolia Investment Treaty	US and Mongolia	To encourage and protect investment
2000	EU-ACP EPA	European Union and Africa, Caribbean, Pacific Group of States	Framework treaty on trade, aid and political cooperation to facilitate economic and political integration into liberalized world market over the next 20 years.
2001	PICTA	Cook Islands, Fiji, Kiribati, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu	Pacific Island Countries Trade Agreement covering the trade of goods From 2008 it has been extended to services
Nov 2001	Doha Development Agenda	WTO	Introduce major reforms of international trading system by lowering trade barriers and revising trade rules Improve trading prospects of developing countries

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Date	Event	Members	Comment
2002	PACER	PICTA members plus Australia and New Zealand	Pacific Agreement on Closer Economic Relations: Framework for extensive trade and investment liberalization on a step by step basis
Jan 2004	US-Singapore FTA	US and Singapore	
Jan 2004	US-Chile FTA	US and Chile	
Aug 2004	CAFTA-DR	US, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Dominican Republic	Dominican Republic-Central America-US FTA
Jan 2005	US-Australia FTA	US and Australia	
Jan 2006	US-Bahrain FTA	US and Bahrain	
Jan 2006	US-Morocco FTA	US and Morocco	
Aug 2006	US-ASEAN TIFA	US, ASEAN	Trade and Investment Framework Arrangement
May 2007	US-Colombia FTA	US and Colombia	Apr 2011 a comprehensive action plan was announced. All milestones have been met to date. Implementing key elements of the action plan is the precondition for the FTA to enter into force.
Jan 2009	US-Oman FTA	US and Oman	
Feb 2009	US-Peru Trade Promotion Agreement	US and Peru	Elimination of tariffs, removes barriers to US services, protection of investment, intellectual property, workers and environment
Jan 2010	US-Jordan FTA	US and Jordan	
Jan 2010	AANZFTA	ASEAN, Australia, New Zealand	To create a regional common market by 2015. Comprehensive FTA covering all sectors simultaneously.
2011	Interim EU EPA	EU and Fiji, Papua New Guinea	Interim EPA ratified by EU and Papua New Guinea. Fiji signed the agreement in Jul 2009, but not applying it yet.
Oct 2011	US-Panama Trade Promotion Agreement	US and Panama	Approved by Panama in Jul 2007, signed into US law in Oct 2011
Nov 2011	Trans-Pacific Partnership (TPP)	US, Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam	Outlines ambitious Trans-Pacific Partnership agreement to enhance trade and investment
Mar 2012	KORUS FTA	US and South Korea	Elimination of 95% of each countries tariffs within 5 years Protection of multinational financial services

Date	Event	Members	Comment
Mar 2013	16th Round of TPP	TPP members	Trans-Pacific Partnership stakeholder event in Singapore, 4-13 Mar 2013

Sources: WTO, USTR, APEC, bilaterals.org

Table 13 US Trade of Goods – Total, to Asia and Pacific Rim (in Mill USD)

Year	Total US	US Asia	US Pacific Rim
2000	436,105	265,854	215,435
2001	411,898	238,818	194,673
2002	468,265	262,547	214,903
2003	532,350	286,416	230,517
2004	654,830	349,500	284,741
2005	772,372	406,248	330,727
2006	827,971	452,668	366,110
2007	808,762	455,414	372,303
2008	816,199	466,174	357,990
2009	503,582	336,177	278,425
2010	634,897	408,663	327,492
2011	727,392	461,397	349,704
YTD Nov 2012	681,571	475,679	355,318

Source: US Census Bureau, not seasonally adjusted

4. The Shift of Manufacturing to Populous, Low Wage, Underdeveloped Countries

The history of US and EU trade with China, Korea and various SE Asian countries shows the progression. Note that “Trade” refers to commodities as well as manufactured goods. Thus, the US exports tons of agricultural products, timber and coal and also imports commodities as well as finished goods. Services are not included in trade totals but are in

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a separate category, which includes movies and TV as well as software and social networking.

Table 14 US Goods Imports from Low Wage Asian Countries (in Mill USD)

Year	2008	2009	2010	2011	YTD Nov 2012
China	337,773	296,374	364,944	399,362	390,809
South Korea	48,069	39,216	48,875	56,661	54,293
Taiwan	36,326	28,362	35,846	41,405	35,761
Malaysia	30,736	23,283	25,900	25,777	23,864
Indonesia	15,799	12,939	16,478	19,111	16,578
Vietnam	12,901	12,288	14,868	17,487	18,492
Philippines	8,713	6,794	7,982	9,145	8,889
Asia	825,325	644,074	796,106	899,964	889,922

Source: US Census Bureau, not seasonally adjusted

5. Improving Aircraft Technology

Air services to and through PPG have been affected by the development of aircraft technology. First travel across the Pacific was made practical, however, further development allowed nonstop flights between the US and Australia and New Zealand, to bypass PPG and other island airports. Another important factor was the 1984 improvement of Apia Faleolo International Airport (APW), making it a nearby competitor for intermediate and long-haul flights serving Independent Samoa and American Samoa.

From the 1958 introduction of the B707 and DC8 through introduction of the 747, jet aircraft transformed travel and opened longer and longer Pacific routes. Particularly important were the B747SP and the upgraded B747-400 that had sufficient range for nonstop West Coast-Auckland and -Sydney services respectively. Continental Airlines flew the DC10-10 through Pago Pago and other islands on the way to Australia, but then



reduced those trips when it had the longer-range DC10-30 to fly nonstop from Honolulu to Auckland and Sydney.

The efficient B737-800 is an important aircraft for South Pacific routes up to 3000 miles with smaller capacity yielding schedule flexibility for smaller markets. More efficient and longer-range B737Max models will improve market economics further when they enter airline service in about 2017 and the Airbus 320NEO will achieve similar range.

Table 15 Narrowbody Jet Aircraft Milestones

Aircraft	Range (NM)	Typical Seating	Year	Notes
B727-200	2,300	136	1967	Range Improvement Continued with Advanced Models
B737-300/400	2,400	137-149	1981	Aux Tanks Enabled Pacific Island Operations
B737-700/800	3,200	137-149	1998	Improved Range and Efficiency
B737MAX 8/9	5,510	177-210	2017*	Another Improvement with Pacific Impact

*Scheduled

Source: Wikipedia, Mfr. Websites

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Table 16 Widebody Jet Aircraft Milestones

Aircraft	Range (NM)	Typical Seating	Year	Notes
B707	4,700	179	1958	First
B747-100	5,000	430	1969	First Widebody Jet
DC10-10	3,800	325	1970	First 3-Engine Widebody
DC10-30	6,600	325	1972	HNL-SYD Range
B747-SP	6,650	331	1976	First LAX-AKL & JFK-NRT Aircraft
High Gross Weight B747-200	5,000	366	1982	First Full Size JFK-NRT Aircraft
B747-400	7,300	450	1989	First LAX-SYD Nonstop Range
B767-200/-300	6,000	185-255		First Widebody Twin
A330	6,500	295	1991	Larger, More Efficient Twin
A380	9,500	525	2007	Huge Aircraft, Lowest ASM Cost, Very Long Range
B787	7,925	195	2011	Improved Passenger Comfort and Efficiency in Mid-Size Twin

Source: Wikipedia, Mfr. Websites

Table 17 Fuel Price History (USD per Gallon)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Domestic	0.77	0.72	0.69	0.83	1.10	1.58	1.85	1.96	2.86	1.76	1.99	2.63
Hawaiian Airlines	0.77	0.66	0.95	0.84	1.23	1.89	2.03	2.15	3.17	1.69	2.19	3.03
Industry	0.76	0.73	0.69	0.82	1.08	1.57	1.85	1.97	2.91	1.78	2.06	2.73
International	0.75	0.76	0.68	0.81	1.04	1.52	1.86	1.98	3.01	1.82	2.19	2.90
EIA*	0.85	0.73	0.69	0.82	1.15	1.72	1.92	2.13	2.96	1.66	2.15	3.00

*US Energy Information Administration

Source: US DOT Form 41 Database, Version iNet (D)

Fuel prices were stable in 2012 but at continued high levels. The airline industry has adapted by constraining capacity in order to raise fares and ancillary fees and by accelerating replacement of older, inefficient aircraft. Forecasts for the next decade

indicate fuel prices declining in real terms as US production of both oil and gas from shale formations has worldwide effect. Fleet modernization will continue nonetheless and airlines will be cautious about new route entry.

6. Government Support

Long distances and modest populations characterize the many islands located in the Central and South Pacific. The US, UK, Germany and France aggressively acquired Pacific territories and spheres of influence in the 18th and 19th Centuries. The US and France are still involved but the German influence is gone and the UK has passed on its role to Australia and New Zealand.

With desirable beaches and warm weather, the Pacific region is a natural tourist attraction. There are, however, many competing island markets with similar beaches and all are considerable distances from major population centers. This means that air service holds the key to tourism development.

Air service in turn requires sufficient customer volumes as do hotels and the other fixtures of tourism infrastructure. The increasing cost of fuel over past decades has made travel across long distances more and more expensive for tourists and has undermined the economics of airlines, but hotels and cruise ships have generally done well.

The governments of Australia, New Zealand, Fiji, Samoa and Tahiti, among others, support air services on routes that bring in tourists. Some of the governments have launched and supported airlines with the specific mission of tourism development. Examples include Virgin Samoa, Air Pacific and Air Tahiti Nui, and there are others. American Samoa is affected particularly by Independent Samoa linking Apia with Australia and New Zealand with its Virgin Samoa joint venture.

Fiji's support of national carrier Air Pacific, which will be re-branded as Fiji Airways in 2013, also distorts the PPG-HNL market. Air Pacific flies a weekly NAN-APW-HNL



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with about half through passengers and half locals and relatively full airplanes (source: Air Pacific). The airline submits much lower passenger numbers for the USDOT's T100 database, possibly failing to include the through passengers and reporting only locals filling 40% of the available seats.

One visible example is the New Zealand government's support for the Cook Islands. In 2012 that government budgeted NZ\$13 million (US\$10.7 million) to support flying to the Cooks by Air New Zealand (ANZ). ANZ operates weekly service from Auckland to Rarotonga and onward to Los Angeles. ANZ also flies an A320 weekly between Rarotonga and Sydney.

For NZ\$13 million of support, the Cooks are able to fly in tourists from 3 major markets. The program appears to be successful although the support budgeted for 2012 was up substantially from 2011 to compensate for declining passenger volumes and expensive fuel. These operations are not part of the core business for ANZ, which plans to retire the B767-300ER aircraft type flown on the Los Angeles route.

When that occurs, the operating cost will increase considerably as ANZ will need to assign a larger B777-200 or an expensive new B787. ANZ discontinued service on the Apia-Los Angeles route in 2011. Samoa appears to have decided that the service was not worth the cost of support, though there are continuing talks with New Zealand airports about resumption.

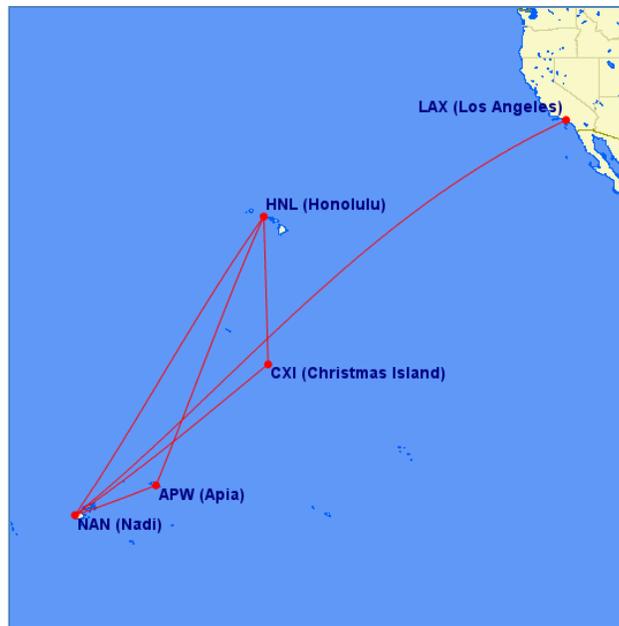
Virgin Samoa, operated by Virgin Australia in a joint venture, flies from Apia to Brisbane, Sydney and Auckland with B737 aircraft. Virgin Holdings owns 49%, the Samoa government 49% and a local resort hotel 2%. The participants do not disclose the amount of the subsidy but Virgin Australia's Annual report notes \$5.4 million in payments from governments, it is likely that the majority of that money is in support of Virgin Samoa. Samoa is buying out Virgin Holdings' share of the joint venture.

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Recent events in the region indicate Air France will eliminate its 4 B777 flights to Tahiti from Los Angeles due to continued losses and instead will work with Air Tahiti Nui to move European passengers through LAX to and from Papeete. The reduction in seats will naturally raise prices and reduce traffic in that market.

Air Pacific has announced in conjunction with rebranding the replacement of B747-400 aircraft with smaller and more efficient A330 or A340 aircraft. Fleet realignment will downsize the Los Angeles-Nadi aircraft and probably increase prices on the sector but may also reduce the need for government support.

Figure 1 Air Pacific Routes to Honolulu and Los Angeles



Source: SRS Analyzer, Nonstop and through flights, February 2013

The trend in government-supported services appears to point to continuing flight reductions. Because of the relatively small populations of the Pacific Islands, the burden on the populace from continuing airline losses puts pressure on flights that cannot achieve self-sustaining revenues.

American Samoa will benefit incrementally from capacity reductions and price increases in other Pacific tourist markets as tourists search for alternatives. A commensurate drop in the cost of travel to Pago Pago, which is an objective of this Study, would amplify and solidify those gains.

7. Location

The tourist attractions of South Pacific Islands center on warm weather and lovely beaches. Location – the distance from major cold-weather population centers – is a problem for tourism in Pago Pago. From Asia, the leading tourist sources are cities like Tokyo, Shanghai, Hong Kong and Seoul. From North America, cities like Seattle, Vancouver and Chicago. The problem for PPG is that competing island destinations such as Hawaii and Tahiti, Fiji and Guam, are closer to where the tourists originate.

Sydney, Melbourne, Brisbane and Auckland are not quite as large or as cold as the large northern cities, but the Australians and New Zealanders are avid travelers and always looking for new destinations. Pago Pago is more convenient for them than for Japanese or North Americans but the Apia-South Pacific air service discussed above is PPG's link to the region and makes nonstop service more difficult. The APW market dominance within the region is reinforced by the development of tourism in Independent Samoa, which is more advanced than tourism in American Samoa.



Task 3: Assess the Future of American Samoa's Economy as it Affects the Demand for Transportation Services.

1. Visitor Industry

1.1. Tourists

Total hotel rooms on American Samoa include 211 rooms. Sadie's by the Sea and the Sadie Thompson Inn in combination offer 74 rooms and the newly built Tradewinds near the airport has 105. The remaining 33 rooms are in small hotels or bed and breakfasts. Frommer's Travel Guides rates these as a mix of 2 and 3 star accommodations. The owner of Sadie's is interested in adding 60 new rooms near the airport within the next few years. Current annual occupancy rate is approximately 50% (survey underway) but highly variable, with much higher rates in peak summer and holiday seasons and lower in off-peak.

The two small beach hotels at the Shark and Turtle at American Samoa have about 15 rooms combined, but there is no large Beach Resort property. There currently appears to be no location in American Samoa where a large beach hotel could readily be built.

By comparison, Independent Samoa has several large beach properties and over 900 rooms, though still not a huge number compared to other beach destinations. Independent Samoa's tourism infrastructure development is boosted by investment from Australia, New Zealand and China.

American Samoa recently created a Visitors Bureau and has begun assisting AS operators in how to package and market their products. American Samoa is developing sport fishing, whale watching, scuba diving, hiking, national park tours and native cooking



seminars as part of a plan to encourage eco-tourism and appeal to travelers seeking travel options beyond the mass market.

The Port of Pago Pago hosted 19 visits from large cruise ships in 2012 with approximately 2,000 visitors per arrival. The Visitors Bureau expects the cruise ship activity to continue in 2013 and beyond and is working to increase it. Without being an embarkation-debarkation point, Pago Page gets little air traffic volume from the cruise ship visits but there may be opportunity to develop more cruise-related business.

1.2. Business Travel

Nearly all the commercial activity in AS centers around the Port of Pago Pago, one of the best deep water harbors in the world. The largest generators of business air traffic appear to be the American Samoa Government and various agencies of the US Government, which are among the largest employers in Pago Pago.

In the private sector, the canneries and related fishing vessels are also important. The recovery of canning activity is important for expansion of the traffic base for adding air service.



1.3. Visit Friends and Relatives (VFR)

The substantial and growing Samoan population in Hawaii and Mainland US is the most important factor for passenger traffic generation on the PPG-HNL route. The market for travel to family events such as births, weddings, funerals, and other ceremonies is relatively resistant to the high fares and limited schedules of the Honolulu service operated by Hawaiian Airlines. People travel for these important family occasions.

Experience since airline deregulation has shown, however, that other VFR travel is affected by fares and schedules. Hawaiian or another airline adding service would be able to expand the market easily using restricted discount fares that would not undermine the economics of the market.

1.4. Tuna Canneries

Two tuna canneries are located conveniently on Pago Pago's deep water harbor with easy access for offloading fish from Purse Seiners and Long-Line tuna boats. One of the canneries, operated by Chicken of the Sea, closed after the 2009 Tsunami and the other, operated by Starkist, cut back production.

Starkist has now resumed full operations with a workforce of about 2,000. Seattle-based fish conglomerate Tri Marine has acquired the shuttered cannery and is rebuilding with new equipment as Samoa Tuna Processors. It expects to employ about 500 workers by mid-2013 for fresh and frozen products and to resume canning by mid-2014, bringing its total workforce to 1800 or more.

The combined cannery workforce therefore is projected to reach or slightly surpass the peak for that industry prior to the Tsunami. The labor-intensive canneries are sensitive to labor-cost rates. A Federal law enacted in 2007 (mostly to deal with Chinese sweat shops in the Northern Marianas) mandated American Samoa minimum wages to rise to the US level in stages over several years but the increases have been suspended since 2009.



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The AS minimum wage is \$4.76 and scheduled to rise by \$0.50 on September 1, 2015 and each subsequent September 1 until it reaches parity with the Federal level, currently \$7.25. The American Samoan government may seek further delay in the scheduled increases as it has since 2008.

The minimum hourly wage level in nearby Independent Samoa is reported to be 2.50 Tala or roughly 1.13 USD. The canneries are the largest industry in AS and, with a labor-intensive process, the one most impacted by minimum wage laws. Much of the expanding cannery work force is expected to come from Independent Samoa.



Task 4: Analyze Trends In Air Service Demand For American Samoa And What Those Trends Portend For Future Air Service Demand For American Samoa For The Next 5-10 Years.

1. Passenger Service Trends and Prospects

Table 18 PPG Passenger O&D Traffic to Largest Markets

Dest	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	H1 2012
HNL	22,480	16,640	22,360	19,900	29,960	22,690	25,350	27,180	25,320	26,410	27,700	27,420	28,140
LAX	7,790	9,240	8,240	6,270	6,090	6,200	5,760	5,600	4,320	3,360	3,160	3,530	3,960
SEA	2,760	3,830	4,090	3,180	3,420	3,040	3,200	3,220	3,560	2,640	2,160	2,290	2,100
SFO	4,340	5,570	4,840	3,030	2,850	3,460	2,560	2,080	1,660	1,270	1,300	1,290	1,240
LAS	260	540	570	520	690	960	1,400	1,160	750	1,000	1,120	1,180	1,180
SAN	880	1,860	2,420	1,710	1,850	1,650	1,620	1,510	1,690	1,270	1,190	1,100	1,310
SMF	140	30	440	720	690	710	660	670	650	590	530	500	490
PDX	320	730	760	700	330	740	910	500	560	510	510	470	460
SJC	20	0	0	70	20	190	580	710	730	490	670	440	550
OAK	20	10	40	50	520	20	0	20	230	310	380	420	440
PHX	200	260	110	660	580	400	370	780	370	360	540	410	550
Others	4,410	4,360	4,720	4,250	7,470	6,430	5,260	4,690	5,030	6,240	5,400	4,280	5,060
Total	45,620	45,071	50,592	43,063	56,474	48,495	49,676	50,127	46,878	46,459	46,670	45,341	45,480

Source: OAG Aviation Solutions - US DOT Database OD1B



The Origin & Destination traffic distribution shown above is distorted by the way service is offered and data collected. Passengers with online Hawaiian Airlines tickets will be reported correctly but passengers who fly another airline between a Mainland city and HNL to connect will be counted as local PPG-HNL and separately as domestic HNL passengers (e.g., LAX-HNL).

1.1. Identify Patterns of Aircraft Type (Including Configuration) Used on this Route.

Hawaiian Airlines has been the dominant and often the only PPG-HNL operator for more than a decade. As a result, the equipment type flown for PPG-HNL service has been determined predominantly by the equipment type availability in Hawaiian's fleet. That has been mostly the B767-300, 252-seat widebody twinjet aircraft. Hawaiian's smaller 123-seat B717 aircraft lack the range for the route.

Hawaiian seems to prefer limiting PPG seat capacity rather than deploying larger, 294-seat A330-200 aircraft, which the airline first started flying in 2010 and now operates just 10. For Hawaiian's 2 or 3 weekly PPG flights, changing aircraft types would be expensive and probably not economical for seasonal capacity adjustments.

Hawaiian's fleet does not include 160-seat B737-800 aircraft, which are very commonly deployed by other airlines on Mainland-Hawaii routes about the same distance as PPG-HNL and are operated by Air New Zealand on some of its Apia flights.

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Table 19 Schedule History for Pago Pago and Apia to Honolulu (Annual Frequency)

Year	APW - HNL						PPG - HNL		
	FJ	HA	NZ	PH	WR	Total	AQ	HA	Total
1993		13	52	63	27	155		115	115
1994			52	86	26	164		104	104
1995			52	3		55		14	14
1996			53			53		18	18
1997			53			53		115	115
1998			52			52		115	115
1999			53			53		116	116
2000			43	11		54		116	116
2001				88		88		119	119
2002	1			52		53		117	117
2003				54	3	57	4	121	125
2004	22			51	12	85	114	233	347
2005				46		46	3	110	113
2006						0		121	121
2007						0		121	121
2008						0		123	123
2009	17					17		125	125
2010	52					52		121	121
2011	52					52		121	121
2012	52					52		118	118

Source: OAG Schedules iNet, one-way flights

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Table 20 Pago Pago – Honolulu Performance History

Year	Aloha Airlines (AQ)					Hawaiian Airlines (HA)				
	Flights	Passengers	Seats	PLF	Seats/Flight	Flights	Passengers	Seats	PLF	Seats/Flight
2000						233	47,906	70,450	68.0%	302
2001						236	44,614	71,672	62.2%	304
2002						244	50,290	74,520	67.5%	305
2003	11	536	1,364	39.3%	124	208	38,679	54,942	70.4%	264
2004	224	1,3293	27,776	47.4%	124	232	40,968	60,630	67.6%	261
2005	6	376	744	50.5%	124	244	48,372	63,644	76.0%	261
2006						236	46,687	61,492	75.9%	261
2007						246	47,081	64,024	73.5%	260
2008						242	44,926	62,848	71.5%	260
2009						246	42,692	63,954	66.8%	260
2010						245	43,518	63,890	68.1%	261
2011						240	41,714	62,258	67.0%	259
YE May 2012						240	42,668	62,127	68.7%	259

Source: USDOT Database T100

Note: Aloha-AQ flights operated with B737-700 aircraft; Hawaiian-HA with B767-300s

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2. Cargo Trends and Prospects

Table 21 Freight and Mail History for PPG-HNL

Year	Aloha Airlines		Hawaiian Airlines		Other		Total			Out	In
	Freight	Mail	Freight	Mail	Freight	Mail	Freight	Mail	Total		
2000			451,481	745,628			451,481	745,628	1,197,109	67%	33%
2001			380,778	492,272	7,797,955	34,590	8,178,733	526,862	8,705,595	96%	4%
2002			306,031	345,541	5,461,996		5,768,027	345,541	6,113,568	97%	3%
2003	2,607		618,444	366,779	927,757		1,548,808	366,779	1,915,587	85%	15%
2004	66,540	14,334	500,959	220,039		7,910	567,499	242,283	809,782	64%	36%
2005	47	1,892	408,613	225,407	870,661	1,450	1,279,321	228,749	1,508,070	62%	38%
2006			649,298	259,644	541,210		1,190,508	259,644	1,450,152	75%	25%
2007			385,342	259,071	2,040,252		2,425,594	259,071	2,684,665	77%	23%
2008			409,404	254,077	1,818,831		2,228,235	254,077	2,482,312	84%	16%
2009			678,831	312,484	1,965,365		2,644,196	312,484	2,956,680	81%	19%
2010			609,634	311,659	2,053,628		2,663,262	311,659	2,974,921	84%	16%
2011			671,553	261,251	2,304,300		2,975,853	261,251	3,237,104	73%	27%
YE May 2012			589,969	221,404	2,227,371		2,817,340	221,404	3,038,744	76%	24%

Source: US DOT Database T100, in lbs.

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Table 22 Freight and Mail History for PPG - FGI and APW

Year	PPG - FGI				PPG -APW				Total	Out	In	
	PAO	Samoa Aviation		Total	PAO	Freedom Air	Samoa Aviation					
	Freight	Freight	Mail		Freight	Freight	Freight	Mail				
2000				0					0			
2001				0					0			
2002	125,686	66,732	589	193,007	24,627		3,732	71	28,430	221,437	46%	54%
2003	424,032	110,235	975	535,242	57,596		8,131	56	65,783	601,025	45%	55%
2004	428,068			428,068	102,687				102,687	530,755	36%	64%
2005				0	593,296	1,601			594,897	594,897	44%	56%
2006				0	360,002	172,163			532,165	532,165	47%	53%
2007				0	359,338	56,894			416,232	416,232	42%	58%
2008				0	381,272	26,357			407,629	407,629	28%	72%
2009	194,050			194,050	130,130				130,130	324,180	38%	62%
2010	257,653			257,653						257,653	50%	50%
2011	396,834			396,834						396,834	47%	53%
YE May 2012	200,971			200,971						200,971	73%	27%

Source: US DOT Database T100, in lbs.

Note: POA – Polynesian Airlines

2.1. American Samoa Cargo Traffic Including Hubs of Interest

Asia Pacific Airlines operates a B727-200 freighter aircraft on a weekly PPG-HNL flight marketed by Pacific Air Cargo (PAC) and, in Pago Pago, by Fax Cargo. PAC also has a B747-400F service between HNL and LAX and sells freight transportation on the Hawaii inter-island services of Hawaiian Airlines.



PAC describes its PPG inbound cargo as a mix of common consumer and household goods from shippers in the Honolulu and Los Angeles areas. The PPG service has been supported largely by the inbound loads with limited demand for outbound service.

The rebuilding and reopening of the former Chicken-of-the-Sea cannery on the harbor in Pago Pago by Tri Marine's Samoa Tuna Processors holds promise of greatly increased outbound air freight shipments. A part of Samoa Tuna's operation will be fresh fish for sale in Hawaii, the Mainland US and Japan. All of those areas are of course well served via HNL. Samoa Tuna projects that fresh fish shipments may exceed the weekly capacity of PAC's single B727 freighter flights when its Pago Pago facility is fully operational in 2014.

2.2. American Samoa's Air Freight Market is Inevitably Linked by Location to Independent Samoa's

Apia (APW) is just 93 miles from PPG and FGI is just 77 miles. FedEx and UPS shipments are reported to be routed inbound via HNL-PPG flights but outbound via PPG-APW-AKL. This service pattern is subject to further research and confirmation. The schedule frequency is of course daily via Apia and outbound package express volumes are relatively light. Mail is carried mostly by Hawaiian Airlines and shows a similar imbalance with almost five pounds inbound for every two outbound.

The 19-seat turboprop aircraft operated by Polynesian Airlines and Inter Island Airways have limited cargo capacity. Inter Island's Dornier 328 is larger and can carry more cargo but flies infrequently in PPG-APW service.



Tasks 5 and 6: Determine Most Promising Approaches to Expanding Air Services and Formulate Recommended Strategy to Provide Necessary Air Transport Services Capacity to Meet Forecasted Needs.

The substance of this section will be expanded in Phase Two of this Study. It is included here because it overlaps Phase One and is based on the research and analysis discussed above.

The American Samoa Government has undertaken considerable efforts to improve air service, which is critical for 21st Century commerce in an island setting. Two or seasonally three weekly combination (passenger and belly cargo) flights to Honolulu and one weekly B727 freighter flight do not constitute enough links to the mainline air transportation system of the United States and the world beyond. The laborious process involving small turboprop service to Apia Faleolo International Airport for flights to South Pacific destinations represents a poor link to the South Pacific region and Australasia.

Air service development begins with analysis of the situation, which is the function of Phase One of this Study. That analysis provides the factual basis for identifying which target airlines might be prospects for adding service to Pago Pago and for making the case for added service. The next step is to prepare presentation materials specific to the target airline and route and open a dialogue with the planning staff at selected target airlines.

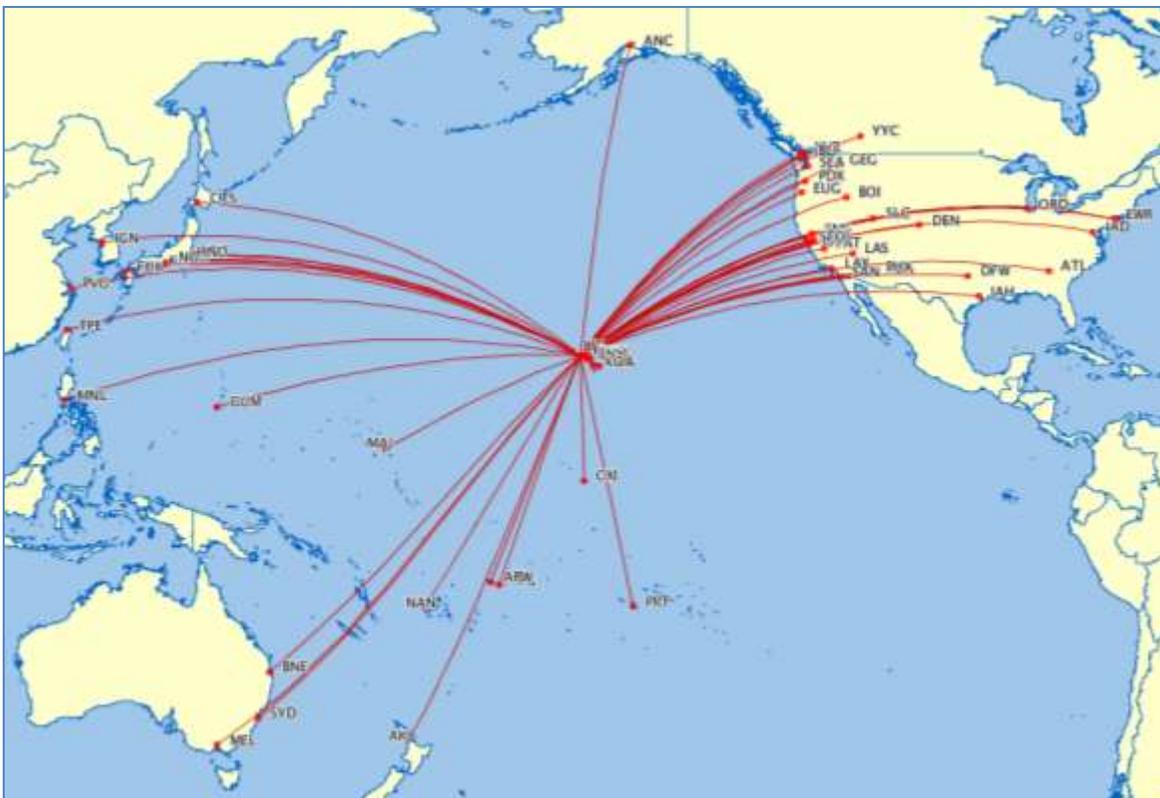
American Samoa's air service and need for improvement will be discussed in four parts:

1. Intermediate and long haul – Honolulu and the Mainland
2. Intermediate haul routes – New Zealand and Australia
3. Short and intermediate haul routes to island nations – Tahiti, Fiji, etc.
4. Short haul services to Apia and Manu'a

1. Honolulu and the Mainland

Honolulu has long been American Samoa’s main connection to the US. It is the closest major airport in the direction of North America and a good connecting hub for travel to and from the Continental US as well as Japan and Korea. Honolulu has nonstop service to all the significant West Coast cities as well as Las Vegas, Phoenix, Salt Lake City and many other interior major airline hubs.

Figure 2 Honolulu Nonstop Route Network



Source: SRS Analyzer, Feb 2013

Hawaiian Airlines (HA) has served PPG-HNL since 1985 and currently operates two weekly round trips with B767-300ER aircraft, adding a third frequency in the peak



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northern summer and holiday seasons. HA successfully fought off a challenge from Aloha Airlines (AQ) in 2004.

Aloha flew PPG service with 122-seat B737-700 aircraft, not a good choice to operate a route at the outer limit of its operating range. The -700 carries most of the cost of the larger -800 with about 20% fewer seats, making it relatively inefficient. The -700, with smaller capacity but higher cost per seat, was also a poor choice for the HNL-Mainland routes where Aloha similarly was unable to compete with the larger and stronger Hawaiian Airlines.

HA seems to be doing very well on the route despite the premium cost of fuel at both PPG and HNL and the inefficiency of operating just twice a week. FAA crew rest regulations require the airline to either overnight crews in PPG or carry a third pilot for the two-person cockpit. On similar routes with more frequent service, such as LAX-HNL, the airline can utilize its pilots more efficiently. With just two or three weekly flights, that is not as easy.

Hawaiian is reported to have expressed concern about the high cost of recovery if an aircraft breaks down in PPG with a problem that is not readily repairable. That concern is real but not enough to offset the lucrative profitability of the operation. Modern airframes, engines and avionics are remarkably reliable and the ETOPS operating standards require particular attention to any expectation of a problem.

ASM's pro forma financial results for Hawaiian's PPG-HNL service estimate total revenues for the year ended June 2012 at \$23.2 million with operating profit greater than 20%. The pro forma takes into account only the results on-segment. Hawaiian also benefits from an estimated 12,700 passengers and \$11.1 million of passenger-related revenue flowing over its Honolulu network, including inter-island routes as well as Mainland and international Asia-Pacific destinations.

For the same period, HA parent Hawaiian Holdings reported total revenues of \$1.8 billion, operating profit of \$135 million (7.8 % of revenues) and net income of \$58 million (3.2



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%). PPG is a small market for Hawaiian but very profitable. With adjustments for the network traffic flow contribution and the use of otherwise unproductive aircraft time, PPG looks even better.

Hawaiian's capacity on the PPG-HNL route until recently has been sufficient for the passenger loads it attracts, reflected in a moderate 67.0% passenger load factor (PLF-seat occupancy) for 2011. Traffic has been recovering in the last year, however, with monthly load factors reaching 79% in March 2012 and 82% in May.

The on-board passenger volume was up 8.9% in the first half of 2012 compared to the 2011 period on the same number of flights, raising load factor to 73.0% from 66.2% (USDOT Database T100). Growth continued in July with passengers up 4.3 % and PLF up to 81.2 % from 75.6%. Even so, the passenger volumes have been held down by HA's limited schedules and high fares, about twice the level of fares on HNL-West Coast routes of the same distance.

The average local PPG-HNL one-way fare was up 5.6% to \$510 (USDOT Database OD1B). For the same six month period, HA's average one-way local fare on the 2,600-mile HNL-PDX (Portland, Oregon) route was just \$298, about 42% lower than the lucrative HNL-PPG route.

Hawaiian Airlines enjoys monopoly status on the PPG-HNL route and faces only limited competition from parallel weekly service by Air Pacific (FJ) from Apia's Faleolo International Airport (APW). Air Pacific is the flag carrier of Fiji and operates through APW between Nadi (NAN) and Honolulu. Air Pacific departs APW at 0040 Sunday morning, which corresponds to late Friday night in American Samoa, about 24 hours after Hawaiian's Thursday 2330 PPG-HNL departure. FJ departs HNL at 0810 Friday morning, 15:30 after HA's 1640 Thursday departure. FJ flies B737-800 aircraft on the route.



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USDOT's T100 database shows a 41% PLF on the APW-HNL route for the YE July 2012 (latest T100 data available for international flights). Discussion with FJ's Samoa manager indicates that the flight runs a much higher load factor and that about half of the on-board passengers are continuing through APW. That seems to indicate that the FJ numbers are erroneous, reflecting just local APW-HNL passengers and not total on board.

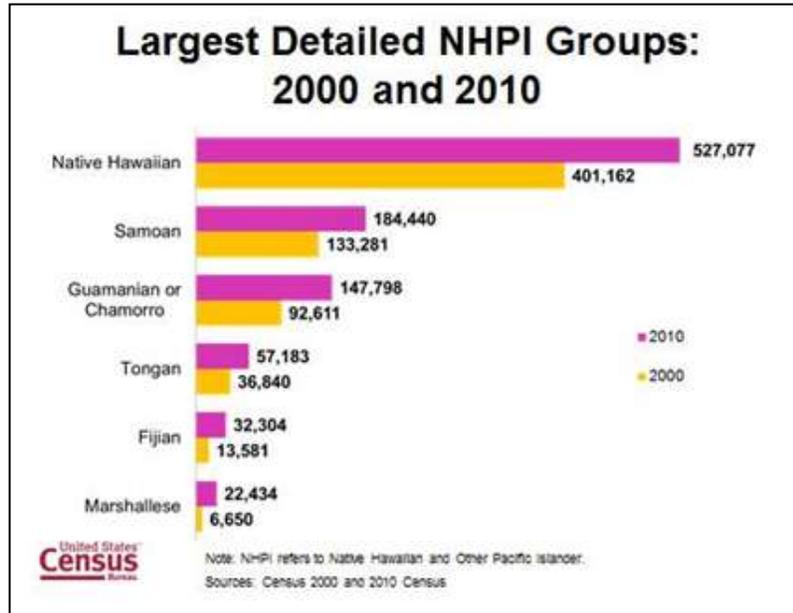
Connecting from PPG through APW to HNL is difficult and expensive. Air Pacific's economy fares are reported to be slightly lower than Hawaiian's but its business fares are higher. FJ's B737-800 aircraft are configured with just eight business class seats, which are shared between local and through passengers. Addition of the PPG-APW fare on Inter Island Airways and the need to make a separate reservation and take the turboprop flight limits the appeal of FJ's alternative to the HA nonstop.

Demand for air service is heavily influenced by the cost and convenience of travel in both short run and long run. Thus, a market that offers limited schedules and high fares will discourage travel and the effect will be greater the longer those conditions prevail. If potential passengers know they will never see an affordable fare, they organize plans for travel elsewhere.

Travel between PPG and the Mainland West Coast is even more expensive and inconvenient than PPG-HNL. Hawaiian's HNL flights offer few connections to the Mainland in less than 4 hours. Average one-way fares from PPG through HNL in the YE June 2012 were \$886 for Los Angeles International Airport (LAX), the most popular destination, and for other West Coast cities ranged between \$824 each way for Portland and \$1001 for San Diego.

Southern California is the home of the largest population of ex-patriots from both American Samoa and Independent Samoa, who are combined in the Census tabulation of population origins.

Figure 3 Largest Detailed NHPI Groups in 2000 and 2012



Source: US Census Bureau

Note: NHPI – Native Hawaiian and other Pacific Islanders

Samoan Americans are concentrated in California (33%), Hawaii (20%) and Washington (10%). It is not surprising, then, that Pago Pago’s largest Mainland origin and destination markets include Los Angeles, San Diego and Seattle. The Mainland market numbers are understated because passengers who buy separate tickets (e.g., LAX-HNL and HNL-PPG) are reported as local PPG-Honolulu passengers, inflating the HNL total and shrinking LAX.

Even with some adjustment, the PPG-LAX passenger numbers are modest for a long-haul, widebody route. The nonstop PPG-LAX range is a relatively long 4,781 miles or more than 9 hours flying time, versus 2,600 miles and about 5.5 hours for PPG-HNL. That length of flight requires an aircraft such as the B767-300ER that Hawaiian uses for HNL-PPG.



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Other long-range widebody aircraft operated in significant numbers by US airlines (A330, B747 and B777) are all larger. The efficient B787s are about the same size as the B767-300 but they are expensive and not yet available in significant numbers.

The US operators of 767-300s in schedule service are mostly the mega-carriers, including the largest LAX carriers United, Delta and American plus US Airways. Charter operator World Airways also operates 767-300s. Hawaiian, with its lucrative position in the PPG market and its hub at HNL, is unlikely to have interest in the Los Angeles route. United or Delta would be slightly more likely but any conversation with them would naturally start with the PPG-HNL route.

American Airlines is operating in bankruptcy and unlikely to look seriously at any route that doesn't help solve its fundamental system problems. US Airways lacks the market position at LAX needed to give the route a chance and World Airways works for tour operators rather than selling directly to the public.

Table 23 Top 10 O&D Markets from PPG – H1 2012

Destination	O&D Passengers
HNL	28,140
LAX	3,960
SEA	2,100
SAN	1,310
SFO	1,240
LAS	1,180
PHX	550
SJC	550
SMF	490
Others	5,520
Total	45,040

Source: OAG Aviation Solutions – US DOT OD1B Database

Note: Double ticketing produces overstated volume for HNL and understatement for other airports.

2. New Zealand and Australia

At the center of PPG’s need and opportunity for service to New Zealand and Australia is the competition with Apia APW described above. Apia receives service from Auckland, Brisbane and Sydney. Data is not available for travel volumes between American Samoa and those destinations because passengers are unable to buy through tickets or, indeed, any automated tickets sold by travel agents through the Global Distribution Systems, which are the industry’s most robust data providers.

3. Neighboring Pacific Islands Beyond Samoa

Beyond Independent Samoa, the important island population centers are Fiji (population 850,000; 757 miles to the capital city, Suva), Tonga (population 100,000; 557 miles to the



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capital city, Nuku'alofa), Tahiti (1,420 miles; population 230,000) and the Cook Islands (860 miles, population 15,000). Each of these countries or territories has a different economy, ranging from mining and agriculture to garment assembly - but each also has a meaningful portion of GDP from tourism.

There are substantial differences in their economic orientation, with American Samoa having close ties to the US and a US Dollar denominated economy. Tonga is of particular interest because it is relatively close and several thousand Tongans are working in American Samoa.

Tonga is a constitutional monarchy and member of the Commonwealth. It never lost independent governance in the colonial period of the 18th and 19th centuries, though it was a British Protectorate until 1975. Tonga has its own currency and an important economic relationship with New Zealand resulting from relative proximity to Auckland, just over 1200 miles from Nuku'alofa.

Fiji became an independent republic in 1970 after more than a century as a British colony but has experienced considerable political instability. It has its own currency, the Fijian Dollar, and maintains significant ties to Australia and New Zealand as an outgrowth of long-time membership in the British Commonwealth.

The Cook Islands have a close relationship with New Zealand and use the New Zealand Dollar.

Tahiti, as the center of French Polynesia, is of course economically tied with France and is by far the wealthiest of the 5 island areas with Per Capita GDP more than twice that of American Samoa and several times greater than the Per Capita GDP of Fiji, the Cook Islands or Tonga.

The distances, divergent population sizes and different economic spheres limit American Samoa's affinity with these neighbors. The geographic proximity is nonetheless relatively



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close in the long reaches of the South Pacific. The cultures and histories are similar, which might allow these communities to build stronger economic ties. Air transportation is difficult due to long distances, limited populations and modest per capita incomes.

Nonetheless, regional jet and turboprop aircraft of 30 to 50 seats are available for missions connecting Pago Pago to regional destinations. Demand for the smaller RJs has declined sharply in the last few years, making aircraft readily available at low lease rates. A well-managed airline might find ways to bring services to these neighboring communities.

As a case in point, Air Rarotonga in the Cook Islands carries over 70,000 passengers a year in small turboprops within the Cooks and to and from French Polynesia. Such an operation could provide tangible benefits for American Samoa. Polynesian Airlines is considering small RJ service between its Apia base and Fiji or Tonga.

Air service among the islands of Tonga has been operated since 2004 by New Zealand-based Air Chathams with a variety of older piston and turboprop aircraft. Effective in March 2013, Chathams is discontinuing the Tonga operations of its Chathams Pacific unit and the government-sponsored airline Real Tonga is starting up.

The Real Tonga website (www.realtonga.to) shows initial services operated with Chinese Y-12 Panda 9-seat aircraft and mentions availability of other aircraft, including a 68-seat ATR-72 and a 19-seat Twin Otter. The Panda is probably too slow for Vava'u-Pago Pago services, the ATR too large and the Otter too old, but Phase Two of the Study will include contact with Real Tonga.

Recent Developments

American Samoa has been in contact with government transport officials in both Indonesia and Taiwan. Both expressed interest in possible air service to Pago Pago but the challenges are substantial.

Garuda Indonesia, the country's flag carrier, has been reborn in the last three years after a 2007 crash and a two-year ban on service to the EU. Garuda was reinstated by the EU in 2009 and has been growing aggressively with expansion of both widebody and narrowbody fleets. The B737-800 aircraft is Garuda's primary narrowbody aircraft type, though it has on order A320NEO aircraft (a new, more efficient design planned to enter service in 2015 or later at its low-cost subsidiary Citilink).

Garuda could originate service from either the nation's capital Jakarta (JKT) or Bali's capital Denpasar (DPS). The nonstop distances would require widebody aircraft, which probably would be impractical for a developmental route. Initial services with B737-800 aircraft could be one-stop via Northern Australia (probably Cairns-CNS) or Papua New Guinea (Port Moresby-POM). ASM will analyze these and other route possibilities, including two-stop routings that would connect PPG with Fiji, Tonga or other islands in the region.

Taiwan's two flag carriers are China Airlines and Eva Air, the subsidiary of a huge multi-modal transportation conglomerate. Taiwan is more than 5000 miles from PPG and probably should be started with one-stop service. China Airlines is the more likely Pago Pago operator with B737-800 aircraft in its fleet and more on order.

Initial services could be one-stop via Papua New Guinea (Port Moresby-POM). ASM will analyze POM and other route possibilities, including two-stop routings that would connect PPG with Nadi, Tonga or other islands in the region.

4. Apia and Manu'a

American Samoa depends on the Samoan national carrier Polynesian Airlines and its US-flag charter carrier Inter Island Airways for service to Apia. Inter Island also sometimes serves Manu'a, but the service appears to be irregular.



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The two commuter carriers fly nine to ten round trips per average day with 19-passenger aircraft between Pago Pago and the two Apia airports, Fagali'i-FGI and Faleolo International-APW. Recent data suggest 110 passengers a day each way with heavy seasonal variation and a significant directional imbalance based on majority Pago Pago point of sale. During Holiday periods as many as 20 trips a day may operate. Midweek volumes are low with much higher weekend volumes.

PPG-FGI service is operated by Polynesian Airways with 19-seat Twin Otter aircraft restricted to 16 seats for sale. FGI is just 12 minutes from downtown Apia. The airport has a short 1,800 foot runway with obstacles and can be flown only by Twin Otters or smaller Cessna aircraft. The airport is owned by Polynesian Airlines and currently no other airline operates there. FGI is preferred by travelers to and from the downtown area. The owner of Polynesian Airlines is the Government of Independent Samoa.

PPG-APW service is operated by Inter Island Airways with 19-passenger Dornier 228 turboprop aircraft. Inter Island is able to use all 19 seats most days, depending on baggage loads. APW has a 10,000 foot runway and air service by Air New Zealand, Air Pacific and Virgin Samoa as well as Inter Island. APW is 45 minutes from Downtown Apia but closer than FGI to the island resorts and Savai'i, Samoa's big island, as well as the western Apia suburbs.

Inter Island also sometimes flies a 30-passenger Dornier 328 aircraft that cruises at more than 350 MPH. Passengers prefer the faster, roomier 328, but it requires a flight attendant and, if flown in scheduled service, would require Inter Island to upgrade its FAA operating certificate from Part 135 to Part 121. Inter Island has reported that the FAA is comfortable with its operation of a regular schedule of charter flights sold through sister company Inter Island Vacations.

From the perspective of air service market development for PPG, the shortcomings of both Polynesian and Inter Island are their lack of connecting sales with the long-haul carriers



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and their absence from the global distribution systems (GDSs) used for travel agent sales, including online agencies such as Expedia and Travelocity as well as local, in-person agencies. Both airlines sell by phone or through their websites with seat requests and email confirmations.

Passengers and agents familiar with American Samoa and Independent Samoa are accustomed to this system and comfortable with it. Passengers and agents elsewhere are mostly unaware of the PPG-Apia links. Just as important, travel from HNL to Apia via PPG or from PPG via APW to South Pacific destinations requires double ticketing at the sum of the local fares. Sales departments of Hawaiian Airlines, Virgin Samoa, Air New Zealand and Air Pacific are unable to sell seats conveniently or to offer joint fares end to end.

5. Changes in Federal Laws or Regulations to Allow Foreign Carriers to Serve American Samoa on Cabotage Routes

American Samoa, with less than 0.02% of the population of the United States and thousands of miles removed from the country's population centers and major transportation corridors, should not be regulated as though it were an important US aviation market. AS needs air service and the US ban on Cabotage sales (transportation of domestic passengers or cargo) by foreign airlines should not apply. But it does.

Granting a foreign operator whatever rights it needs to serve PPG certainly makes sense. Proponents of the Cabotage rules representing US airlines and their labor groups will not argue that granting AS Cabotage would cause economic harm to any US entity, with the exception of Hawaiian Airlines. They will argue instead that any precedent would threaten a progression of steps, opening another small and remote market followed by a slightly more meaningful market until eventually Singapore Airlines, Air New Zealand and other world-class Pacific airlines are competing in the lucrative nonstop Honolulu-Los Angeles market.



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The colorful terms used in Washington DC for the fear of creeping incremental threats are “the slippery slope” and “the camel’s nose under the tent”. The struggle against such arguments cannot be easy or quick but the methods are straightforward. American Samoa will need to educate the decision makers in Congress and the Executive Agencies about the need based on:

- 1) The severe inadequacy of the current service and the weight of the burden of high monopoly fares,
- 2) The need for relief based on the Territory’s economic disadvantages,
- 3) How far, measured in distance and travel time, PPG really is from the Mainland,
- 4) How small any adverse impact would be on the US airline industry,
- 5) The positive impact projected for American Samoa tourism and commerce,
- 6) The strengthening of the Samoan community possible with lower-cost and more convenient travel to and from Hawaii and the Mainland, and
- 7) Interest by a foreign airline in operating from its home country through PPG to HNL or LAX if it could carry domestic passengers along with through passengers,

5.1. Cabotage Exceptions

Common exceptions to the Cabotage restrictions include authorization for foreign airlines flying a sector like PPG-HNL to pick up passengers at one domestic point and transport them to another domestic point if their travel is from a foreign point and they are either stopover or connecting passengers. These stopover rights are significant in Honolulu or New York but in practical terms would not generate enough Pago Pago stopover passengers to make a significant difference for the airline if that were the only relaxation of the ban.



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Air cargo markets, dominated by giant worldwide consolidators UPS and FedEx, are less jealously guarded than are passenger markets, though straightforward Cabotage exemptions are still not granted. Many “Open Skies” agreements allow carriers to operate international cargo flights without beginning or terminating in their own countries. These 7th Freedom traffic rights are sometimes extended also to passenger charter operations but not to scheduled passenger services.

5.2. Foreign Air Cargo Transfer Rights (Alaska Cargo Provision) Legislation

As discussed above, foreign airlines typically are not allowed to carry passengers or freight between two US domestic points, with some exceptions if the transportation is an online connections. Anchorage and Fairbanks, Alaska are beneficiaries of the Stevens Amendment, a federal law taking effect in 2004. The USDOT in 2010 used its authority to improve flexibility in handling arrangements allowed under the Alaska Cargo Provision.

The Stevens Amendment allows non-US airlines to carry international cargo between US points as part of an interline itinerary if the interline connection occurs in Alaska. These rights were opposed by supporters of the principles of Cabotage but have led to substantial air growth for the Alaska airports.

Apart from being controversial and narrowly confined to Alaska, similar provisions would not be helpful for American Samoa. Alaska has a geographic advantage. It is conveniently located for technical stops between Asia and the lower 48 states on long routes where heavy freighter aircraft cannot operate nonstop. Pago Pago had a similar advantage years ago when many commercial aircraft needed refueling enroute from the Mainland or even Hawaii to New Zealand and Australia.

The Stevens Amendment help the cargo operators to distribute their loads efficiently between multiple Asian gateways and multiple US gateway cities by working together.

The value is generated by frequent flights operating through Alaska on a regular basis. Pago Pago is not located advantageously on world air routes to take advantage of a similar exception to the Cabotage restrictions and, if it were, enabling legislation would take years of hard fighting to accomplish.

5.3. Air Service for Small and Rural Communities Access

The Essential Air Service Program has been narrowed in recent years and no longer applies to PPG. Small Community Air Service Development Program Grants continue to receive funding and American Samoa in 2010 received a grant in for the purchase of ground equipment to be used at the Manu'a airports. The grant continues to be active through the end of 2013 as some of the equipment has been received and some has not. A new grant application will be considered in the course of Phase Two.

5.4. Codeshare

Codesharing is the airline industry practice of advertising and selling seats operated by one carrier with the identity and two-letter code of another carrier. That arrangement enables the non-operating carrier to sell seats on the route and also facilitates the sale of seats on its own flights to passengers on connecting itineraries.

The US and a number of other countries, including Australia and New Zealand, have enabled their airlines to establish international alliances (Star Alliance, SkyTeam and **oneworld**), which have become an important factor in route planning and network development. Most codesharing sales involve alliance partners, though Hawaiian Airlines and Alaska Airlines are notable exceptions, participating in code sharing and other interline marketing programs without alliance memberships.

Among the other large US airlines operating at Honolulu, United Airlines is a partner in Star Alliance, Delta Air Lines in SkyTeam and American Airlines in **oneworld**.



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The USDOT has strengthened the alliances by granting anti-trust immunity for Joint Ventures (JVs) in specified regions. There are three immunized JVs for US-South Pacific services. One includes United and Air New Zealand, a second includes American and Qantas and the third includes Delta and the Virgin Pacific Group.

Anti-trust immunity allows JV partners to decide jointly what routes to fly, what level of capacity to operate and what fares and marketing programs to offer. It even allows the partners to decide together which flights and which aircraft each airline should operate on each route. The carriers then share the financial risks and returns from the markets included in their JV.

Thus, a flight such as AKL-PPG-HNL, could be a joint venture of United and Air New Zealand, which would code share, offer the passenger a choice of frequent flyer miles on UA or NZ, sell joint corporate travel deals. To the extent possible, UA and NZ would give passengers buying tickets on the same benefits as passengers ticketed on the other. UA and NZ would share revenues and costs.

If the flight were operated on UA aircraft with UA crews, the airlines could sell local PPG-HNL seats as well as AKL-PPG and AKL-HNL. Although codesharing within a JV seems to be a logical vehicle for a Cabotage exception, the law and the regulators do not allow local sales for the PPG-HNL sector.

6. Immigration

Airline passenger traffic is limited by the visa and permit requirements imposed by American Samoa's immigration and visitor policies and by the processing of passengers at Pago Pago International Airport. Processing is a particular issue two or three times a week when Hawaiian's large aircraft unload upwards of 200 passengers.



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American Samoa has no visa requirements for US citizens and nationals and similarly admits freely citizens of a number of other countries (Australia, New Zealand, Canada and most of Western Europe). American Samoa does require that visitors obtain visas in advance if they are citizens of Independent Samoa or a number of other countries, including Mexico, China, Taiwan, the Philippines and Indonesia. Even Green Card holders residing in the US who are citizens of those countries are not exempted from the visa requirements, though American Samoa admits visitors who have visas for entry to the US.

Further development of the Pago Pago-Apia market will be good for PPG Airport as well as for the convenience of the residents of both islands. Reducing the cost and making visa acquisition easier for passengers in both directions could well boost the market.

From an airline point of view, the immigration process and visa requirements may be negative factors affecting consideration of through services such as HNL-PPG-Auckland.

7. Security

The US Transportation Security Administration handles passenger security screening at PPG for flights to Honolulu but small-aircraft flights to Apia do not require screening. Hawaiian's two or three weekly HNL flights often board 250 or more passengers. Although the screening area and equipment and the TSA staffing appear to be adequate for the volume, the screening queue sometimes gets backed up when only one passenger or bag scanning line is operating. Simple changes in line management and screening procedures could improve throughput and avoid screening delays.

Passengers are screened at departure by TSA and are screened again at HNL, where they are treated as international arrivals. Changing the security screening protocols is probably not feasible without a change in the status of American Samoa as an Independent Unorganized Territory.

8. *Hawaiian Airlines and Competitors in the US Airline Industry*

Table 24 Top 10 US Airlines by Operating Revenue (2011)

Rank	Carrier	Operating Revenue (Mill)
1	United/Continental	\$37,330
2	Delta	\$35,230
3	American Airlines	\$23,958
4	Southwest/Air Tran	\$16,596
5	US Airways	\$13,341
6	JetBlue	\$4,509
7	Alaska Airlines	\$4,310
8	Frontier Airlines	\$1,662
9	Hawaiian Airlines	\$1,651
10	Spirit Airlines	\$1,071

Source:

8.1. **Hawaiian Airlines**

Hawaiian Airlines (HA) dominates the Hawaii interisland market and is the largest Honolulu (HNL) – Mainland operator. HA flies HNL-PPG service twice weekly, with an extra weekly trip in summer and some added flights during the Christmas Holidays. The route appears to be very profitable for Hawaiian, which has limited incentive to improve schedules.

Hawaiian’s long-haul fleet, composed of large widebody B767-300ER and A330-200 aircraft, makes any schedule frequency increase difficult. An added weekly flight would increase capacity by more than 40%. HA serves PPG with Boeing 767-300 aircraft, which have substantial cargo capacity in addition to 252 seats. The B767 is the best HA fleet

these relationships includes codesharing or through fares to and from the Mainland, which would greatly enhance joint marketing.

8.2. United Airlines

United Airlines is the largest airline in the world by several measures and the second largest Honolulu-Mainland operator, operating 28.2% of seat departures (Source: OAG Schedules iNET, June 2013). With the acquisition of Continental Airlines in 2010, United also took over Air Micronesia, the former Continental Airlines unit based in Guam. Air Micronesia has now been operationally merged into Continental and will be just a part of the overall United operation when integration is complete. United’s seat share of overall HNL long-haul routes is 19.3%, second to Hawaiian’s share.

United and the former Air Micronesia routes are important because of the long history of Continental Airlines in the Pacific and the availability of B737-800 aircraft at HNL for UA’s HNL-West Coast and -Pacific operations. Except for interisland services, United has HNL connecting capability comparable to Hawaiian’s, which would enable it to generate traffic from all directions. The smaller B737-800 aircraft would give United scheduling flexibility that Hawaiian lacks.

Figure 5 United Airlines’ Honolulu Network



Source: SRS Analyzer, Feb 2013

8.3. Alaska Airlines

A prospect for new entry into the Pago Pago market is Alaska Airlines, the fourth largest Honolulu-Mainland operator with a 15.5% flight share but, flying smaller aircraft than its major competitors, an 11.1% seat share. Alaska is a very successful hub operator at Seattle and Portland, where it is the dominant carrier, and in June 2013 will fly B737-800 aircraft on 23.5 daily roundtrip flights between Hawaii and the Mainland, including 9 daily frequencies between HNL and 7 West Coast airports.

Figure 6 Alaska Airlines' Honolulu Network



Source: SRS Analyzer, Feb 2013

Alaska flies efficient, overwater-equipped B737-800 on all of its Hawaii services. That fleet already operating in HNL makes extending service to PPG easier for Alaska than for other airlines.

In addition to its own online connections, Alaska enjoys codeshare and marketing relationships with several airlines, particularly Delta and American. Those partnerships

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would help generate passenger volumes through HNL and the West Coast to and from virtually the entire Mainland.

8.4. Delta Air Lines

Delta Air Lines operates B757 aircraft along with wide-bodies on Honolulu-Mainland routes and is third largest with a 13% seat share. The Pacific is very important for DL, which would offer Japan connections for PPG passengers via HNL. Delta competes with United in the Guam-Japan market and, presented with a positive business case, should give PPG serious consideration.

8.5. Other Major Airlines

American Airlines also has B757 operations at Honolulu and an 11% HNL-Mainland seat share. AA could connect to Japan with its alliance and joint venture partner JAL. American is currently preoccupied with bankruptcy reorganization efforts and a proposed merger with US Airways, which would make it the world's largest airline and raise its HNL-Mainland seat share to more than 16%.

Southwest Airlines is the world's third largest airlines as measured by number of passengers and fifth largest by number of flights. It is taking delivery of new, overwater-equipped B737-800 aircraft that could fly efficiently in the PPG-HNL market. For several reasons, however, Southwest is not in a position right now for serious consideration of PPG service:

- Southwest has no flights to Hawaii, which it will need for West Coast connections to supplement local HNL traffic. A Hawaii stop is necessary for the B737-800 to reach PPG
- Before it can start Hawaii flights, Southwest will need FAA certification for over-water operations, a process that takes about a year to complete



- Southwest is still working hard on operational and cultural challenges of integrating AirTran Airways, which it acquired in 2011

Although much smaller, AirTran was a more diverse airline than Southwest, operating two distinct fleet types and serving a variety of international routes to the Caribbean and Latin America. The acquisition forced Southwest into an accelerated technology transition, which demands significant amounts of management time and attention.

Southwest will need at least a year after it begins Hawaii service to build up enough of a Honolulu network to consider Pago Pago.



Pago Pago and Apia Meetings

12/3 Robert Lamansky, Hawaiian Airlines, VP-Planning

12/4 DOC Lasiandra Hall & Dion Te'o

12/4 Attorney for Governor: Toetasi Tuitelepaga

12/4 Lelei Peau, Acting Director, DOC

12/5 Immigration - Ufuti Leremia

12/5 Governor Togiola Tulafono - Ulu Reception (Dr. CL Cheshire Univ. Hawaii; Utu Abe Malae, ex-ASDB & ASPA, ex-Saipan Power Company CEO)

12/6 Jason Pritchard-Pritchard Airport Services

12/6 Toe Loia Tuaillemafu, Polynesian Airlines FGI Airport Mgr

12/6 Dave Fuimaono & Chris Oti, PPG Airport Management

12/7 Jason Betham - VP, American Samoa Development Bank; Jilla Piroozmandi, Grant Writer

12/7 David Robinson, Head of Chamber of Commerce and Chairman of Interplan

12/7 Tom Drabble, Hotel Owner, Sadie's by the Sea and Sadie Thompson Inn

12/8 Tisa Fa'amuli, Group Tours and Barefoot Bar

12/8 Jason Pritchard, Pritchard Airport Services, Follow up Meetings

12/9 (12/10 in Samoa) Michelene Taua'a, Sales Mgr, Polynesian Airlines

12/9 (12/10) Fatu Tielu, CEO Polynesian Airlines

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12/9 (12/10) Chris Dalton, Apia Manager, Air Pacific

12/10 GM Ian Bolt & PR Alfonso Galea'i Samoa Tuna Processors, Tri Marine Fishing

12/10 David Vaeafe & Roy Hall, AS Visitors Bureau

12/10 William Haleck, Tradewinds Hotel

12/19 Barney Sene, Inter Island Airways (by phone)

1/8/2013 Paul Gretch, Director, Office of International Aviation, USDOT

2/5 Peter Ingram (EVP) and Andrew Watterson (SVP), Hawaiian Airlines Marketing and Planning Executives (by phone)

2/12 Eni Faleomavaega, Jr., American Samoa Delegate to the US Congress

2/12 Judy McCoy, former Hawaiian Airlines Station Mgr now in San Diego (by phone)

Planned but not scheduled

Office of Insular Affairs, USDOJ, Washington DC

Airlines selected as candidates to add PPG service

Samoa Air (by phone)

Glossary

Type	Code	Name	Country
Airport	AKL	Auckland	New Zealand
	ANC	Anchorage	US
	APW	Apia	Western Samoa
	ATL	Atlanta	US
	BLI	Bellingham	US
	BNE	Brisbane	Australia
	BOI	Boise	US
	CNS	Cairns	Australia
	CTS	Sapporo	Japan
	CXI	Kiritimati	Kiribati/Christmas Island
	DEN	Denver	US
	DFW	Dallas	US
	DPS	Denpasar	Bali
	EUG	Eugene	US
	EWR	New York – Newark	US
	FGI	Apia-Fagali	Western Samoa
	FUK	Fukuoka	Japan
	GEG	Spokane	US
	GUM	Guam	US
	HND	Tokyo – Haneda	Japan
	HNL	Honolulu	US
	IAD	Washington	US
	IAH	Houston	US
	ICN	Seoul	South Korea
	JFK	New York – JFK	US
	JKT	Jakarta	Indonesia
	KIX	Osaka	Japan
	KOA	Keahole/Kona	US
	LAS	Las Vegas	US
	LAX	Los Angeles	US
	MAJ	Majuro	Marshall Islands
	MEL	Melbourne	Australia
	MNL	Manila	Philippines
	NAN	Nadi	Fiji
	NRT	Tokyo Narita	Japan
Airport	OAK	Oakland	US
	ORD	Chicago	US
	PDX	Portland	US

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Type	Code	Name	Country
	PHX	Phoenix	US
	PPG	Pago Pago	US
	PPT	Papeete	Tahiti
	PVG	Shanghai	China
	SAN	San Diego	US
	SEA	Seattle	US
	SFO	San Francisco	US
	SJC	San Jose	US
	SLC	Salt Lake City	US
	SMF	Sacramento	US
	SYD	Sydney	Australia
	TPE	Taipei	Taiwan
	YYC	Calgary	US
Airline	ANZ or NZ	Air New Zealand	New Zealand
	AQ	Aloha Airlines	US
	AS	Alaska Airlines	US
	CO	Continental Airlines	US
	DL	Delta	US
	HA	Hawaiian Airlines	US
	PAO	Polynesian Airlines	Samoa
	UA	United Airlines	US
Other	PLF	Passenger Load Factor	
	JV	Joint Venture	



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