

Owner taking back Discovery's 5 jets

Airline officials believed still searching for new capital

By Greg Wiles
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Discovery Airways' prospects for returning to service in Hawaii lessened yesterday when British Aerospace Inc. took back the five jets the carrier had been using.

A spokeswoman for British Aerospace in Virginia said the repossession was an amicable one and came only after many months of hoping Discovery would restart operations.

Spokeswoman Karen Wood said British Aerospace was in no great

hurry to ferry the aircraft back to the Mainland, but had started preparations for the flights. This includes returning spare parts to British Aerospace.

"They (the aircraft) will be returned to the Mainland in due course," she said. "They were well maintained by Discovery and British Aerospace had no problem with what Discovery was doing."

Discovery executives could not be reached for comment yesterday but were believed to be still searching for new capital for the company.

Former employees, aviation executives and others said Clyde McAvoy, Discovery president, and Peter Freymuth, Discovery chairman and chief executive officer, went to Japan last weekend to try to get more money.

Discovery's fate has been in question since early March when K.P. Harvest Ltd., a Japanese company that had agreed to spend up to \$21.5 million for Discovery's operations, went bankrupt.

Discovery was forced to lay off its 163 employees and start a search for new capital.

It subsequently was able to find an investor who pledged \$12.5 million and came through with at least \$150,000 before pulling back, a worker close to top management said.

Some of that money was used to make \$250 payments to former workers and to pay rent and utility bills, former workers said.

Since March 7 Discovery has operated with a skeleton crew whose members volunteered their time. Among other duties, the volunteers

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maintained the five British Aerospace 146 jets.

The workers reportedly were briefed on the seriousness of the financial situation Monday morning. Discovery executives last month said they might dissolve the business if solid financing could not be found.

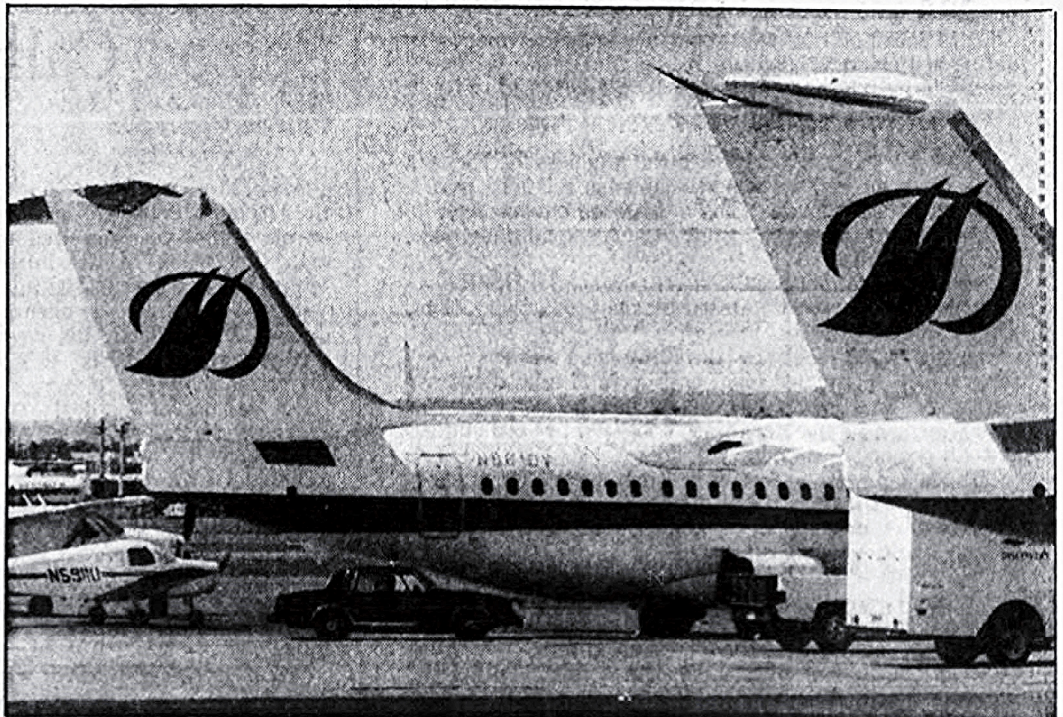
It was unknown yesterday whether McAvoy and Freymuth had obtained more funding in Japan.

British Aerospace said it would consider releasing the aircraft to Discovery if the airline comes up with a new business plan and financing.

Discovery Airways announced its intent to become Hawaii's third major interisland airline in July 1989. Its start, however, was delayed by questions posed by Aloha and Hawaiian airlines over whether the new carrier would be controlled by foreign interests.

Despite that continuing controversy, the U.S. Department of Transportation granted the airline temporary authority to fly last spring. During that time Discovery developed a good service reputation and saw itself as helping bring down interisland air fares.

However, the airline was



Advertiser photo by Gregory Yamamoto

Discovery Airways jets, reclaimed by British Aerospace this week, sit on the south ramp area near Lagoon Drive. The police car is occupied by an officer on airport patrol.

forced to shut down in July 1990 after the Transportation Department said it wanted to take a closer look at Discovery's foreign control and ability to comply with regulations.

It then was sold to a new group of owners that included McAvoy and Freymuth.

Moxie Technologies Inc. recently filed a lawsuit against the airline alleging it failed to

pay \$258,000 for reservations services provided the airline. Moxie also is asking for other money allegedly owed on its five-year contract with Discovery.