

**BEFORE THE
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Essential Air Service at

KAMUELA, HAWAII

pursuant to 49 U.S.C. 41731 et seq.

Docket OST-97-2833

COMMENTS OF THE STATE OF HAWAII

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February 8, 2000

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The State of Hawaii (Hawaii) hereby submits its Comments in response to the January 21, 2000 letter from the Chief of the Department's Essential Air Service Division (the EAS Division) to the Honorable Stephen Yamashiro, Mayor of Kamuela, Hawaii. The purpose of that letter is to advise Kamuela and other interested parties that the EAS Division has tentatively decided to reduce the level of subsidy-eligible essential air service currently provided by Air Nevada Airlines, Inc., d/b/a Pacific Wings (Pacific Wings) at Kamuela in order to reduce the projected future annual subsidy cost of that service.

Specifically, the EAS Division's letter requests comments by Pacific Wings, the community of Kamuela, and the State of Hawaii on the choice between two alternative service and subsidy proposals for future essential air service to Kamuela.

The first alternative is based on a continuation of the service currently provided by Pacific Wings which consists of six nonstop roundtrip flights a week between Kamuela and Honolulu, and six nonstop roundtrip flights a week between Kamuela and Kahului, all provided utilizing 8-seat Cessna 402 aircraft. That level of service is projected to entail an annual subsidy cost of \$424,559 for a two-year period.

The second alternative is based on the operation of twelve weekly nonstop roundtrip flights by Pacific Wings between Kamuela and Kahului with 8-seat Cessna 402 aircraft, with no direct service between Kamuela and Honolulu. That second alternative involves a projected annual subsidy cost of \$353,472 for a two-year period.

The EAS Division's letter warns that, because of the higher subsidy cost involved in maintaining daily nonstop service to Honolulu and "the Department's EAS budget constraints," the EAS Division believes that "it is unlikely that we could maintain that [Honolulu] service" (EAS Letter, p. 1). The EAS Division letter concludes that "the most important criteria" affecting its decision "are the subsidy levels, the community views, and the quality of service" (EAS Letter, p. 2).

In all due respect, Hawaii submits that the EAS Division has stated the appropriate decisional criteria in this case exactly backwards. The primary rationale for the Department's 22-year-old Essential Air Service Program has been to insure the maintenance of essential air service to isolated small communities generating traffic levels which may be too limited to sustain minimum necessary levels of air transportation without subsidy support. The hallmark of

essential air service for the past 22 years has been service to at least one primary hub point offering access to the nation's air transportation system.

Against that background of unequivocal Congressional intent, public interest policy and Departmental precedent, the clearly applicable decisional criteria pertinent to this case are, in proper order: (1) quality of service, (2) the views of the community, and (3) subsidy levels.

There is no question that Honolulu is Kamuela's primary market, and is clearly its only hub connection to the nation's air transportation system.¹ There is no question that relegating Kamuela passengers and shippers to connecting service to and from Honolulu via two daily small-aircraft flights between Kamuela and Kahului would impose a substantial inconvenience, added cost and significant time delay on transportation between Kamuela and Honolulu and beyond. Equally clear is the fact that such inadequate air transportation between Kamuela and Honolulu would have a substantial adverse impact on the economy of Kamuela which, like all of Hawaii, is heavily dependent upon air transportation.

Hawaii submits that one daily roundtrip flight between Kamuela and Honolulu with 8-seat Cessna aircraft is hardly excessive or extravagant service, but it clearly satisfies the most basic definition of "essential" air service. The most compelling decisional and public policy objective in this case requires the maintenance of that minimum level of clearly essential air service. Hawaii understands that the Department is under budgetary pressure to reduce the federal EAS subsidy bill by scrutinizing the operating costs of the EAS carriers and minimizing

the levels of essential air service for which compensation will be paid. In this case, however, the substantial importance to the citizens of Kamuela of maintaining direct service to Honolulu clearly outweighs the relatively trivial potential subsidy saving of \$71,000 a year which would be achieved by terminating that critically-necessary Kamuela-Honolulu service.

On the basis of the foregoing considerations, the State of Hawaii strongly urges the Department to continue to maintain daily nonstop essential air transportation by Pacific Wings between Kamuela and Honolulu on a subsidy-eligible basis.

¹ The traffic data set forth in the EAS Division's letter indicate that twice as many passengers per year travel between Kamuela and Honolulu (1,400) as between Kamuela and Kahului (700) (EAS Letter, Appendix B).

WHEREFORE, Hawaii urges the Department to issue an Order selecting Pacific Wings to provide essential air service for compensation at Kamuela, Hawaii, and authorizing Pacific Wings to maintain its current level of air service at Kamuela at an annual subsidy rate of \$424,559 per year for the two-year period commencing as of the effective date of that authorization.

Respectfully submitted,

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THE STATE OF HAWAII

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Comments of the State of Hawaii by messenger, telecopier transmission or United States mail, properly addressed and with postage prepaid, upon each of the persons listed in the Service List attached hereto.

Doreen S. Hughes

Washington, D.C.
February 8, 2000