

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

Essential Air Service at

HANA, HAWAII

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

Docket OST-99-6502

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 20, 2000 letter from the Chief of the Department's Essential Air Service Division (the EAS Division) to the Honorable Kimo Apana, Mayor of Hana, Hawaii. The purpose of that letter is to advise the community of Hana and other interested parties that the EAS Division is considering three alternative options two of which would involve reductions of the current level of subsidy-eligible essential air service currently provided by Air Nevada Airlines, Inc., d/b/a Pacific Wings (Pacific Wings) at Hana 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 Hana, and the State of Hawaii on the choice between three alternative service and subsidy proposals for future essential air service by Pacific Wings at Hana.

The first alternative is based on a continuation of the service currently provided by Pacific Wings which consists of 13 nonstop roundtrip flights a week between Hana and Honolulu with 8-seat Cessna 402 aircraft, and 19 nonstop roundtrip flights a week between Hana and Kahului, to be provided utilizing a combination of the 8-seat Cessna 402 and the 4-seat Cessna 172 aircraft, so as to provide a total of 116 seats a week in each direction in that market. That level of service is projected to entail an annual subsidy cost of \$574,500 for a two-year period.

The second alternative is based on the operation of seven weekly nonstop roundtrip flights by Pacific Wings between Hana and Honolulu, and the same level of service between Hana and Kahului as contemplated under Option 1. That second alternative involves a projected annual subsidy cost of \$441,090 for a two-year period.

The third alternative spelled out in the DOT's letter would terminate all direct service by Pacific Wings between Hana and Honolulu, and would increase Pacific Wings' service between Hana and Kahului to 28 nonstop roundtrips a week with Cessna 402 aircraft. That third alternative would reduce the subsidy cost of Pacific Wings' Hana EAS service to \$343,256 a year.

The EAS Division's letter does not express a tentative preference for one of the foregoing three options, but does indicate that the most important decisional criteria "are subsidy savings to the Federal Government and community views" (EAS Letter, p. 2).

While Hawaii is cognizant of the substantial pressures placed on the Department in recent years to reduce the overall cost of the EAS subsidy program, Hawaii respectfully submits that the cost-reduction objective must be subordinate to the overriding objective of insuring the maintenance of reasonably convenient access by isolated small communities to the nation's air transportation system at affordable prices. That basic and crucial objective of insuring 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 has been the primary rationale for the Department's Essential Air Service Program throughout its 22-year existence.

In the case of Hana, the most critically-important element of the community's essential air service requirement is the maintenance of daily nonstop service to and from Honolulu, which is Hana's only hub connection to the national and international air transportation system.

For that reason, Hawaii vigorously objects to Option 3, which would relegate Hana passengers and shippers to connecting service to and from Honolulu via three daily small-aircraft flights between Hana and Kahului. Such connecting service would impose a substantial inconvenience, added cost and significant time delay on transportation between Hana and

Honolulu and beyond, and would have a substantial adverse impact on the economy of Hana which, like all of Hawaii, is heavily dependent upon air transportation.

With regard to the choice between Option 1 and Option 2, Hawaii strongly favors Option 1, which would provide for the maintenance of two daily nonstop roundtrip flights with Cessna 402 aircraft between Hana and Honolulu. That twice-daily service pattern is clearly essential to permitting reasonably convenient service for passengers and cargo shipments moving locally between Honolulu and Hana, and in permitting reasonably convenient connections at Honolulu to and from long-haul flights between Honolulu and points in the mainland United States and the Asia/Pacific region.

In addition, the maintenance of two daily nonstop flights between Hana and Honolulu is necessary to enable Pacific Wings to continue to carry urgent time-sensitive express shipments tendered to Pacific Wings by a major U.S. overnight express carrier.¹ Hawaii understands that the express traffic alone contributes approximately \$4,000 a month in added revenues to Pacific Wings, at little or no added cost, and thus permits a reduction of approximately \$50,000 a year in the subsidy cost of twice daily service. Of equal or greater importance, Pacific Wings' facilitation of the movement of express shipments to and from Hana makes an invaluable contribution to the economic development (and, in some cases, the health and well-being) of the citizens of Hana.

¹ Hawaii understands that the reduction of Pacific Wings' Honolulu-Hana service to a single daily roundtrip flight would preclude it from carrying express shipments, due to the full utilization of the cargo payload capacity of the Cessna 402 with the carriage of passenger baggage and mail.

On the basis of the foregoing considerations, and the fundamental purpose and policy of the EAS Program, the State of Hawaii strongly urges the Department to continue to maintain two daily nonstop roundtrip flights by Pacific Wings between Hana and Honolulu on a subsidy-eligible basis.

WHEREFORE, Hawaii urges the Department to issue an Order selecting Pacific Wings to provide essential air service for compensation at Hana, Hawaii, and authorizing Pacific Wings to maintain its current level of air service at Hana at an annual subsidy rate of \$574,500 per year for the two-year period commencing as of the 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

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