



U.S. Department  
of Transportation  
Federal Aviation  
Administration

Western-Pacific Region  
Airports District Office

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October 11, 2002

The Honorable Benjamin J. Cayetano  
Governor of the State of Hawaii  
Governor's Office  
Hawaii State Capitol  
Honolulu, HI 96813

Dear Governor Cayetano:

We thank you for your letter dated September 24, 2002, advising the Federal Aviation Administration (FAA) that the decrease of airport revenue in the aftermath of the September 11, 2001, terrorist attacks has caused the State of Hawaii (State) to seek cost cutting measures to sustain the operation and maintenance of the Hawaii Airport System. We appreciate the opportunity to provide input into the evaluation being conducted to determine whether to close or privatize five non-core State owned airports: Port Allen, Upolu, Waimea-Kohala, Dillingham and Kapalua-West Maui airports.

As you are undoubtedly aware, the FAA has supported the development of the Hawaii Airport System by providing Federal grants under the Federal Airport Act of 1945, the Airport and Airway Development Act of 1970, and the Airport and Airway Improvement Act of 1982 (AIP). Four of the airports being considered for closure, Port Allen, Upolu, Waimea-Kohala and Dillingham airports have been recipients of Federal grants for airport planning and development. In addition, Federal funds have been provided through the Essential Air Service program to subsidize continued service into the communities served by Waimea-Kohala Airport.

In accepting these Federal funds, the State agreed to specific terms and conditions, i.e., assurances, required by Federal statute as a prerequisite for receiving such assistance, and has obligated itself in contractually binding grant agreements and property conveyance instruments to comply with those assurances. The State's assurances include, among other things, commitments to make the airport available for public use as an airport; not to permit any activity that would interfere with its use as an airport; and not to dispose of the airport, or encumber the title or other interest in the airport property and facilities during the period of Federal interest. Consequently, the State may not close or dispose of an airport without concurrence of the FAA Associate Administrator of Airports

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and release of any and/or all terms and obligations of the grant agreements and/or property conveyance instruments.

FAA policy provides that we consider a release of an airport if the sponsor submits a request for release with adequate justification. Any request submitted will be considered on the merits of the airport sponsor's justification for release from its Federal obligations along with input from the industry, airport users, and the communities that the airport serves. The decision to grant or deny the request will be considered on a case-by-case basis and will be guided by the statutes, regulations, and FAA policy applicable to the specific types of agreements involved. Input from the industry, airport users and the communities that the airport serves should be obtained by providing public notice and conducting public hearings.

We are aware that the State has begun to explore the option of airport privatization. A Feasibility Study on the Privatization Potential of Waimea-Kohala Airport, prepared by Edward K. Noda & Associates, Inc., in June 2002, concluded that "privatization with the goal of generating a profit at Waimea-Kohala Airport would not seem reasonable". Airport privatization usually involves a contractual agreement with a private sector firm to operate and maintain the airport on behalf of the airport sponsor. The challenge comes in having a revenue stream generated from rates and fees charged at the airport sufficient enough to pay for the operation and maintenance of the airport plus profit. Airport privatization has the best potential for success at airports where revenues generated exceed operation and maintenance costs. However, an airport privatization arrangement does not relieve the airport sponsor of the terms and obligations of the grant agreements and/or property conveyance instruments.

We are sensitive to your concerns about the financial sustainability of the Hawaii Airport System, however, based on our records, the net potential cost savings derived from closing these five non-core State owned airports is limited to less than \$2.0 million per year in operation and maintenance costs. We recommend that the State pursue strategies to increase airport revenues, such as implementing the Passenger Facility Charge program that has the potential to raise an additional \$11.0 million per year for the Hawaii Airport System. Also, resolving the longstanding airport sponsor compliance issues that have precluded the State from being eligible for AIP discretionary funds may increase the level of Federal funds provided for airport capital development.

In closing, the efficiency and effectiveness of our national system of airports relies on the development and continued operation of general aviation airports, and in particular, on those facilities that serve as relievers to commercial service airports, as well as those facilities that provide necessary transportation services to small communities. The FAA mission is to improve and develop airports as well as to enhance and maintain the airport system. The FAA mandate does

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not include closing airports. An airport closure can only be justified when circumstances clearly demonstrate that an airport no longer serves a public purpose. Such drastic action cannot be justified merely because an airport represents a temporal inconvenience or burden of some kind on the airport sponsor.

Again, the FAA is greatly concerned over the outcome of any evaluation that would recommend closure of the subject airports. We thank you for the opportunity to provide input at this early stage of deliberations on this proposal. If you or your staff have any questions or need further assistance, please contact me at the Honolulu Airports District Office at (808) 541-1232.

Sincerely,

Original signed by

Ronnie V. Simpson  
Manager, Airports District Office

cc:  
Brian Minaal  
Roy Sakata

bcc:  
AWP-600  
AWP-620.1  
AHNL-1  
R.O. - RF

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