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news from
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I wish to thank the members of the Hawaii Transportation Association for the opportunity to share some of my views on the status of federal regulation of transportation as it affects Hawaii.

Just about all of the cargo which moves in or out of Hawaii, of course, moves by ship. Therefore, most of what I have to say will be concerned with ocean transportation. Specifically, the Jones Act; the recently enacted Shipping Act of 1984; and proposals to deregulate domestic off-shore shipping.

Before doing so, however, I would like to sound a note of caution. Those of us who are fortunate enough to live in Hawaii know how important ocean shipping is; and since it is so important in our daily lives, we are very sensitive to matters such as freight rates and levels of service. But, in the larger picture, that is, back in official Washington, I am afraid ocean shipping is not regarded with the same sense of priority.

This, I believe, is very short sighted, because just as Hawaii is an island state, the United States is an island nation when it comes to exports and imports. In fact, it may interest you to know that as a nation we are only self-sufficient in 1 of 24 strategic raw materials essential to our national defense.

The rest are imported.

Nevertheless, this is very dimly perceived, and Congress reflects the attitude of most Americans. As a consequence, ocean shipping does get the kind of attention I believe is commensurate with its national importance. The Shipping Act of 1984, I believe, illustrates the point very well.

The United States is the only major trading nation in the world which regulates its international liner shipping. Until last year the Shipping Act, 1916, was the law under which we did this.

Now our international trades are also those of our trading partners, so it is not difficult to understand that differences will naturally arise when one partner has one set of rules, and the other partner has a different set.

For example, our laws said, "thou shalt not rebate", our partners said "just don't get caught, it's not cricket."

Our laws mandated that our trades be open to everyone; our partners, on the other hand, advocated closed conferences which, in many cases, meant closed trades.

And, in the middle of it all, was the Department of Justice which seemed to apply our stricter laws exclusively to U.S. - Flag vessels. It is not hard to imagine which carriers had the competitive edge under these circumstances.

But the problem of trying to play under two difference sets of rules was further complicated, because our rules were almost 70 years old (Shipping Act, 1916). In other words, we were attempting to regulate in the container and intermodal age with laws and concepts which had their origins in the breakbulk era.

To get some idea of what the change from breakbulk to containers and other automated vessels meant to the shipping world, just consider the difference in turn around time, and thus the utilization rate for liner vessels.

In the era of breakbulk shipping it often took as along as a week to unload and reload a vessel. As a result, steamship lines often achieved no better than a 50-50 sea-time port-time ratio with their vessels.

Containerships, on the other hand, are able to reduce vessel turn around time to less than a day, and can achieve 80 - 20 sea-time port-time ratios.

It doesn't take much imagination to realize that the ocean liner transportation "ball game" has changed dramatically for everyone -- vessel operators, shippers, freight forwarders, terminal operators, stevedores, etc.

And yet while all these shipping interests were trying to adopt to the technological breakthroughs of the age of containerization, we were trying to regulate them under laws and concepts from the era of the "Model T."

All of that was changed, I hope, last year when Congress enacted the Shipping Act of 1984. The new law is intended to bring our regulation of international ocean liner shipping into the last half of the twentieth century and beyond.

It gives vessel operators more freedom; but it balances that freedom by giving increased recognition to the needs and interests of the shippers.

Those of us who participated in the long and difficult task of re-working the Shipping Act of 1916, are well aware that many of the problems the new legislation attempts to address were caused, not by the earlier law, but by the administrative and court interpretations and implementation of it over a period of several years. As a consequence, the 'antitrust tail was wagging the maritime dog.' And, our U.S. - Flag carriers were the principal losers.

Some have expressed fear that this could recur, even though we have tried our best in the new legislation to guard against that eventuality.

I believe the new Act will give everyone involved in our international liner shipping more freedom to take advantage of the benefits made possible by new technology in ocean liner shipping.

Turning to ocean shipping matters closer to Hawaii, I believe there are two matters which bear special attention:

* Administration efforts to de-regulate

  off-shore domestic shipping;

* Jones Act

In the past few years deregulation has become a very fashionable concept. Competition is the "buzz word" of deregulation, and lower rates and better service are the benefits it promises.

Within the last ten years we have seen two major industries restructured -- one through legislation (airlines), and the other by the FCC and the courts with congressional acquiescence (AT&T).

In the first instance we were told that the increased competition which would result from airline deregulation would mean lower fares and better service. Many of those in Congress who supported that legislation have since expressed their disappointment and regret that the real world of deregulation is quite different than the theoretical world.

And within one year of the break-up of AT&T, grave concern was expressed by many that local telephone rates might rise so sharply throughout the country that it might be necessary for Congress to "fine tune" the work of the court and the FCC.

So, I was quite concerned when I heard reports that the Administration was working on a proposal to deregulate rates, charges, classifications, and practices of ocean common carriers by water in our domestic offshore commerce. In view of our experiences with the airlines and the telecommunications industries, I intend to do the best I can to ensure everyone in government who is considering such a proposal thoroughly analyze and understand what its impact would be upon Hawaii, Alaska, and other domestic offshore points. After they have done that, then we in Congress will consider whatever they propose.

Another matter of concern is the Jones Act. That, of course, is the generic term for the body of Cabotage Laws which reserve the carriage of passengers and cargo in our domestic trades to U.S.-built, U.S.-Flag vessels. These laws are intended to support the national interest in maintaining the viability of our shipyards; U.S. domestic shipping enterprises; and the general public.

In the last few years our Cabotage laws have been coming under attack with increasing frequency.

What makes these attacks so dangerous is that they invariably come in the form of special class, or "one time exemptions", and in each case is a hardship case.

If Congress enacts one of these ad hoc exemptions, based on special need, we cannot very well refuse others. "Once we have turned on the spigot, it would be hard to turn it off."

In that event, we would have "nickled and dimed" the Jones Act to death, without ever having fully considered the purposes it is meant to serve; and whether it no longer does so.

This, of course, is a bad way to legislate, and the consequences of an ad hoc repeal of the Jones Act might be devastating for Hawaii.

On the other hand, maybe the country would be better served if the Jones Act were modified or changed in some particulars.

To settle the question once and for all, I have, in my capacity as ranking democrat on the Merchant Marine Subcommittee, agreed with our Chairman to have the Subcommittee undertake a comprehensive review and study of the Jones Act. During the time of the study, which will probably take the rest of the 99th Congress, it would of course, be counter-productive for us to consider any further ad hoc exemptions to the Act.

Turning from ocean transportations, I would like to say a word or two about the movement of military household goods.

As you know we were successful in obtaining the Department of Defense's approval in maintaining the status quo which prohibits the implementation of the competitive rate program in Hawaii. The Inspector General met with 74 motor carriers, freight forwarders, agents and industry organization to obtain their reaction to the impact of the competitive rate program in Hawaii. 32 carriers, forwarders and agents responded in writing. Both industry and state representatives overwhelmingly felt that implementing the CRP would be a destabilizing factor on the industry and ultimately result in higher prices and lower quality.

I think it is important to observe that the Inspector General indicated that he could not predict what effect market forces would have on future rates, or on the competitive situation. The report, you may recall, provided no assurance that a future attempt would or should not be made to implement the CRP if circumstances warrant.

In an effort to assist you further, I intend to introduce legislation whereby the DOD will notify Congress before any attempt of this nature is made to implement the CRP in Hawaii. Meanwhile, let's keep in touch so we can continue to work together to preserve the status quo.

Finally, I would like to take a minute or two to discuss air cargo. There is a growing problem of insufficient service for the neighbor islands. In recent years, airline deregulation and the increased traffic to Maui and Oahu destinations has resulted in a substantial reduction in the number and size of flights to the less populated islands. Indeed, between 1978 and 1984 the number of departures from Lanai decreased by 30% while the number of flights servicing Molokai fell by 17%. The airlines servicing these islands are also using smaller aircraft with less cargo space. The result is that the fewer, smaller flights are barely meeting the demands of passengers and their luggage, and leaving little room for cargo. What cargo space is available is being sold at such high rates that air transportation is becoming unfeasible.

I am currently exploring a way in which this situation could be remedied through a change in the Federal Essential Air Service (EAS) laws. Currently, the EAS program assures an adequate level of air service to remote communities through government subsidies. This "adequate level" is determined by evaluating an area's passenger needs -- not taking cargo needs into consideration. For the Hawaiian islands, however, I feel that our lack of ground transportation between points in the state and the relative isolation of the islands justifies an EAS assessment based on cargo as well as passenger needs. I am presently working with the U.S. Department of Transportation to have such an approach adopted for Hawaii. It is my hope that the study that the DOT is now doing of air transportation in the Pacific will yield results supporting such treatment for the State and thus provide increased cargo capacity and availability for the neighbor islands.

In all of these matters be assured I will do my best to ensure that the transportation needs and interests get a "fair shake" in Washington.

Again, I wish to thank you for the opportunity to share some of my views on matters of great concern to us all.

I WISH TO THANK THE MEMBERS OF THE HAWAII TRANSPORTATION ASSOCIATION FOR THE OPPORTUNITY TO SHARE SOME OF MY VIEWS ON THE STATUS OF FEDERAL REGULATION OF TRANSPORTATION AS IT AFFECTS HAWAII.

JUST ABOUT ALL OF THE CARGO WHICH MOVES IN OR OUT OF HAWAII, OF COURSE, MOVES BY SHIP. THEREFORE MOST OF WHAT I HAVE TO SAY WILL BE CONCERNED WITH OCEAN TRANSPORTATION.

SPECIFICALLY, THE JONES ACT: THE RECENTLY ENACTED SHIPPING ACT OF 1984; AND PROPOSALS TO DEREGULATE DOMESTIC OFF-SHORE SHIPPING.

BEFORE DOING SO, HOWEVER, I WOULD LIKE TO SOUND A NOTE OF CAUTION. THOSE OF US WHO ARE FORTUNATE ENOUGH TO LIVE IN HAWAII KNOW HOW IMPORTANT OCEAN SHIPPING IS; AND SINCE IT IS SO IMPORTANT IN OUR DAILY LIVES, WE ARE VERY SENSITIVE TO MATTERS SUCH AS FREIGHT <u>RATES</u> AND <u>LEVELS OF SERVICE</u>.

BUT, IN THE LARGER PICTURE, THAT IS, BACK IN OFFICIAL WASHINGTON, I AM AFRAID OCEAN SHIPPING IS NOT REGARDED WITH THE SAME SENSE OF PRIORITY.

THIS, I BELIEVE, IS VERY SHORT SIGHTED, BECAUSE JUST AS HAWAII IS AN ISLAND STATE, THE UNITED STATES IS AN ISLAND NATION WHEN IT COMES TO EXPORTS AND IMPORTS. IN FACT, IT MAY INTEREST YOU TO KNOW THAT AS A NATION WE ARE ONLY SELF-SUFFICIENT IN 1 OF 24 STRATEGIC RAW MATERIALS ESSENTIAL TO OUR NATIONAL DEFENSE.

THE REST ARE IMPORTED.

NEVERTHELESS, THIS IS VERY DIMLY PERCEIVED, AND CONGRESS REFLECTS THE ATTITUDE OF MOST AMERICANS. AS A CONSEQUENCE, OCEAN SHIPPING DOES GET THE KIND OF ATTENTION I BELIEVE IS COMMENSURATE WITH ITS NATIONAL IMPORTANCE. THE

UNTIL LAST YEAR THE SHIPPING ACT, 1916, WAS THE LAW UNDER WHICH WE DID THIS.

NOW OUR INTERNATIONAL TRADES ARE ALSO THOSE OF OUR TRADING PARTNERS, SO IT IS NOT DIFFICULT TO UNDERSTAND THAT DIFFERENCES WILL NATURALLY ARISE WHEN ONE PARTNER HAS ONE SET OF RULES, AND THE OTHER PARTNER HAS A DIFFERENT SET.

FOR EXAMPLE, OUR LAWS SAID, "THOU SHALT NOT REBATE", OUR PARTNERS SAID "JUST DON'T GET CAUGHT, IT'S NOT CRICKET."

OUR LAWS MANDATED THAT OUR TRADES BE OPEN TO EVERYONE; OUR PARTNERS, ON THE OTHER HAND, ADVOCATED CLOSED CONFERENCES WHICH, IN MANY CASES, MEANT CLOSED TRADES.

AND, IN THE MIDDLE OF IT ALL, WAS THE DEPARTMENT OF JUSTICE WHICH SEEMED TO APPLY OUR STRICTER LAWS EXCLUSIVELY TO THE U.S. - FLAG VESSELS. IT IS NOT HARD TO IMAGINE WHICH CARRIERS HAD THE COMPETITIVE EDGE UNDER THESE CIRCUMSTANCES.

BUT THE PROBLEM OF TRYING TO PLAY UNDER TWO DIFFERENT SETS OF RULES WAS FURTHER COMPLICATED, BECAUSE OUR RULES WERE ALMOST 70 YEARS OLD (SHIPPING ACT, 1916). IN OTHER WORDS, WE WERE ATTEMPTING TO REGULATE IN THE CONTAINER AND INTERMODAL AGE WITH LAWS AND CONCEPTS WHICH HAD THEIR ORIGINS IN THE BREAKBULK ERA.

TO GET SOME IDEA OF WHAT THE CHANGE FROM BREAKBULK TO CONTAINERS AND OTHER AUTOMATED VESSELS MEANT TO THE SHIPPING WORLD, JUST CONSIDER THE DIFFERENCE IN TURN AROUND TIME, AND THUS THE UTILIZATION RATE FOR LINER VESSELS.

CONTAINERSHIPS, ON THE OTHER HAND, ARE ABLE TO REDUCE VESSEL TURN AROUND TIME TO LESS THAN A DAY, AND CAN ACHIEVE 80 - 20 SEA-TIME PORT-TIME RATIOS.

IT DOESN'T TAKE MUCH IMAGINATION TO REALIZE THAT THE OCEAN LINER TRANSPORTATION "BALL GAME" HAS CHANGED DRAMATICALLY FOR EVERYONE -- VESSEL OPERATORS, SHIPPERS, FREIGHT FORWARDERS, TERMINAL OPERATORS, STEVEDORES, ETC.

AND YET WHILE ALL THESE SHIPPING INTERESTS WERE TRYING TO ADOPT TO THE TECHNOLOGICAL BREAKTHROUGHS OF THE AGE OF CONTAINERIZATION, WE WERE TRYING TO REGULATE THEM UNDER LAWS AND CONCEPTS FROM THE ERA OF THE "MODEL T."

ALL OF THAT WAS CHANGED, I HOPE, LAST YEAR WHEN CONGRESS ENACTED THE SHIPPING ACT OF 1984. THE NEW LAW IS INTENDED TO BRING OUR REGULATION OF INTERNATIONAL OCEAN LINER SHIPPING INTO THE LAST HALF OF THE TWENTIETH CENTURY AND BEYOND.

IT GIVES VESSEL OPERATORS MORE FREEDOM, BUT IT BALANCES THAT FREEDOM BY GIVING INCREASED RECOGNITION TO THE NEEDS AND INTERESTS OF THE SHIPPERS.

THOSE OF US WHO PARTICIPATED IN THE LONG AND DIFFICULT TASK OF RE-WORKING THE SHIPPING ACT OF 1916, ARE WELL AWARE THAT MANY OF THE PROBLEMS THE NEW LEGISLATION ATTEMPTS TO ADDRESS WERE CAUSED, NOT BY THE EARLIER LAW, BUT BY THE ADMINISTRATIVE AND COURT INTERPRETATIONS AND IMPLEMENTATION OF IT OVER A PERIOD OF SEVERAL YEARS.

AS A CONSEQUENCE, THE 'ANTITRUST TAIL WAS WAGGING THE MARITIME DOG.' AND, OUR U.S. - FLAG CARRIERS WERE THE PRINCIPAL LOSERS.

SOME HAVE EXPRESSED FEAR THAT THIS COULD RECUR, EVEN THOUGH WE HAVE TRIED OUR BEST IN THE NEW LEGISLATION TO GUARD AGAINST THAT EVENTUALITY.

I BELIEVE THE NEW ACT WILL GIVE EVERYONE INVOLVED IN OUR INTERNATIONAL LINER SHIPPING MORE FREEDOM TO TAKE ADVANTAGE OF THE BENEFITS MADE POSSIBLE BY NEW TECHNOLOGY IN OCEAN LINER SHIPPING.

TURNING TO OCEAN SHIPPING MATTERS CLOSER TO HAWAII,

I BELIEVE THERE ARE TWO MATTERS WHICH BEAR SPECIAL ATTENTION:

ADMINISTRATION EFFORTS TO DE-REGULATE
OFF-SHORE DOMESTIC SHIPPING;

JONES ACT

IN THE PAST FEW YEARS DEREGULATION HAS BECOME A VERY FASHIONABLE CONCEPT. COMPETITION IS THE "BUZZ WORD" OF DEREGULATION; AND LOWER RATES AND BETTER SERVICE ARE THE BENEFITS IT PROMISES.

WITHIN THE LAST TEN YEARS WE HAVE SEEN TWO MAJOR INDUSTRIES RESTRUCTURED -- ONE THROUGH LEGISLATION (AIRLINES), AND THE OTHER BY THE FCC AND THE COURTS WITH CONGRESSIONAL ACQUIESCENCE (AT&T).

IN THE FIRST INSTANCE WE WERE TOLD THAT THE INCREASED COMPETITION WHICH WOULD RESULT FROM AIRLINE DEREGULATION WOULD MEAN LOWER FARES AND BETTER SERVICE. MANY OF THOSE IN CONGRESS WHO SUPPORTED THAT LEGISLATION HAVE SINCE EXPRESSED THEIR DISAPPOINTMENT AND REGRET THAT THE REAL WORLD OF DEREGULATION IS QUITE DIFFERENT THAN THE THEORETICAL WORLD.

AND WITHIN ONE YEAR OF THE BREAK-UP OF AT&T, GRAVE CONCERN WAS EXPRESSED BY MANY THAT LOCAL TELEPHONE RATES MIGHT RISE SO SHARPLY THROUGHOUT THE COUNTRY THAT IT MIGHT BE NECESSARY FOR CONGRESS TO "FINE TUNE" THE WORK OF THE COURT AND THE FCC.

SO, I WAS QUITE CONCERNED WHEN I HEARD REPORTS THAT THE ADMINISTRATION WAS WORKING ON A PROPOSAL TO DEREGULATE RATES, CHARGES, CLASSIFICATIONS, AND PRACTICES OF OCEAN COMMON-CARRIERS BY WATER IN OUR DOMESTIC OFFSHORE COMMERCE.

IN VIEW OF OUR EXPERIENCES WITH THE AIRLINES AND THE TELECOMMUNICATIONS INDUSTRIES, I INTEND TO DO THE BEST I CAN TO ENSURE EVERYONE IN GOVERNMENT WHO IS CONSIDERING SUCH A PROPOSAL THOROUGHLY ANALYZE AND UNDERSTAND WHAT ITS IMPACT WOULD BE UPON HAWAII, ALASKA, AND OTHER DOMESTIC OFFSHORE POINTS. AFTER THEY HAVE DONE THAT, THEN WE IN CONGRESS WILL CONSIDER WHATEVER THEY PROPOSE.

ANOTHER MATTER OF CONCERN IS THE JONES ACT. THAT, OF COURSE, IS THE GENERIC TERM FOR THE BODY OF CABOTAGE LAWS WHICH RESERVE THE CARRIAGE OF PASSENGERS AND CARGO IN OUR DOMESTIC TRADES TO U.S. - BUILT, U.S. - FLAG VESSELS. THESE LAWS ARE INTENDED TO SUPPORT THE NATIONAL INTEREST IN MAINTAINING THE VIABILITY OF OUR SHIPYARDS; U.S. DOMESTIC SHIPPING ENTERPRISES; AND THE GENERAL PUBLIC.

IN THE LAST FEW YEARS OUR CABOTAGE LAWS HAVE BEEN COMING UNDER ATTACK WITH INCREASING FREQUENCY.

WHAT MAKES THESE ATTACKS SO DANGEROUS IS THAT THEY INVARIABLY COME IN THE FORM OF SPECIAL CLASS, OR "ONE TIME EXEMPTIONS", AND IN EACH CASE IS A HARDSHIP CASE.

IF CONGRESS ENACTS ONE OF THESE AD HOC EXEMPTIONS, BASED ON SPECIAL NEED, WE CANNOT VERY WELL REFUSE OTHERS. "ONCE WE HAVE TURNED ON THE SPIGOT, IT WOULD BE HARD TO TURN IT OFF."

IN THAT EVENT, WE WOULD HAVE "NICKLED AND DIMED" THE JONES ACT TO DEATH, WITHOUT EVER HAVING FULLY CONSIDERED THE PURPOSES IT IS MEANT TO SERVE: AND WHETHER IT NO LONGER DOES SO.

THIS, OF COURSE, IS A BAD WAY TO LEGISLATE, AND THE CONSEQUENCES OF AN AD HOC REPEAL OF THE JONES ACT MIGHT BE DEVASTATING FOR HAWAII.

ON THE OTHER HAND, MAYBE THE COUNTRY WOULD BE BETTER SERVED IF THE JONES ACT WERE MODIFIED OR CHANGED IN SOME PARTICULARS.

TO SETTLE THE QUESTION ONCE AND FOR ALL, I HAVE, IN MY CAPACITY AS RANKING DEMOCRAT ON THE MERCHANT MARINE SUBCOMMITTEE, AGREED WITH OUR CHAIRMAN TO HAVE THE SUBCOMMITTEE UNDERTAKE A COMPREHENSIVE REVIEW AND STUDY OF THE JONES ACT.

DURING THE TIME OF THE STUDY, WHICH WILL PROBABLY TAKE THE REST OF THE 99TH CONGRESS, IT WOULD OF COURSE, BE COUNTER-PRODUCTIVE FOR US TO CONSIDER ANY FURTHER AD HOC EXEMPTIONS TO THE ACT.

TURNING FROM OCEAN TRANSPORTATIONS, I WOULD LIKE TO SAY A WORD OR TWO ABOUT THE MOVEMENT OF MILITARY HOUSEHOLD GOODS.

AS YOU KNOW WE WERE SUCCESSFUL IN OBTAINING THE DEPARTMENT OF DEFENSE'S APPROVAL IN MAINTAINING THE STATUS QUO WHICH PROHIBITS THE IMPLEMENTATION OF THE COMPETITIVE RATE PROGRAM IN HAWAII. THE INSPECTOR GENERAL MET WITH 74 MOTOR CARRIERS, FREIGHT FORWARDERS, AGENTS AND INDUSTRY ORGANIZATION TO OBTAIN THEIR REACTION TO THE IMPACT OF THE COMPETITIVE RATE PROGRAM IN HAWAII. 32 CARRIERS, FORWARDERS AND AGENTS RESPONDED IN WRITING.

BOTH INDUSTRY AND STATE REPRESENTATIVES OVERWHELMINGLY FELT THAT IMPLEMENTING THE CRP WOULD BE A DESTABILIZING FACTOR ON THE INDUSTRY AND ULTIMATELY RESULT IN HIGHER PRICES AND LOWER QUALITY.

I THINK IT IS IMPORTANT TO OBSERVE THAT THE INSPECTOR GENERAL INDICATED THAT HE COULD NOT PREDICT WHAT EFFECT MARKET FORCES WOULD HAVE ON FUTURE RATES, OR ON THE COMPETITIVE SITUATION. THE REPORT, YOU MAY RECALL, PROVIDED NO ASSURANCE THAT A FUTURE ATTEMPT WOULD OR SHOULD NOT BE MADE TO IMPLEMENT THE CRP IF CIRCUMSTANCES WARRANT.

IN AN EFFORT TO ASSIST YOU FURTHER, I INTEND TO INTRODUCE LEGISLATION WHEREBY THE DOD WILL NOTIFY CONGRESS BEFORE ANY ATTEMPT OF THIS NATURE IS MADE TO IMPLEMENT THE CRP IN HAWAII. MEANWHILE, LET'S KEEP IN TOUCH SO WE CAN CONTINUE TO WORK TOGETHER TO PRESERVE THE STATUS QUO.

FINALLY, I WOULD LIKE TO TAKE A MINUTE OR TWO TO DISCUSS AIR CARGO. THERE IS A GROWING PROBLEM OF INSUFFICIENT SERVICE FOR THE NEIGHBOR ISLANDS.

IN RECENT YEARS, AIRLINE DEREGULATION AND THE INCREASED TRAFFIC TO MAUI AND OAHU DESTINATIONS HAS RESULTED IN A SUBSTANTIAL REDUCTION IN THE NUMBER AND SIZE OF FLIGHTS TO THE LESS POPULATED ISLANDS. INDEED, BETWEEN 1978 AND 1984 THE NUMBER OF DEPARTURES FROM LANAI DECREASED BY 30% WHILE THE NUMBER OF FLIGHTS SERVICING MOLOKAI FELL BY 17%. THE AIRLINES SERVICING THESE ISLANDS ARE ALSO USING SMALLER AIRCRAFT WITH LESS CARGO SPACE.

THE RESULT IS THAT THE FEWER, SMALLER FLIGHTS ARE BARELY MEETING THE DEMANDS OF PASSENGERS AND THEIR LUGGAGE, AND LEAVING LITTLE ROOM FOR CARGO. WHAT CARGO SPACE IS AVAILABLE IS BEING SOLD AT SUCH HIGH RATES THAT AIR TRANSPORTATION IS BECOMING UNFEASIBLE.

I AM CURRENTLY EXPLORING A WAY IN WHICH THIS SITUATION COULD BE REMEDIED THROUGH A CHANGE IN THE FEDERAL ESSENTIAL AIR SERVICE (EAS) LAWS.

CURRENTLY, THE EAS PROGRAMS ASSURES AN ADEQUATE LEVEL OF AIR SERVICE TO REMOTE COMMUNITIES THROUGH GOVERNMENT SUBSIDIES. THIS "ADEQUATE LEVEL" IS DETERMINED BY EVALUATING AN AREA'S PASSENGER NEEDS -- NOT TAKING CARGO NEEDS INTO CONSIDERATION. FOR THE HAWAIIAN ISLANDS, HOWEVER, I FEEL THAT OUR LACK OF GROUND TRANSPORTATION BETWEEN POINTS IN THE STATE AND THE RELATIVE ISOLATION OF THE ISLANDS JUSTIFIES AN EAS ASSESSMENT BASED ON CARGO AS WELL AS PASSENGER NEEDS.

I AM PRESENTLY WORKING WITH THE U.S. DEPARTMENT OF TRANSPORTATION TO HAVE SUCH AN APPROACH ADOPTED FOR HAWAII. IT IS MY HOPE THAT THE STUDY THAT THE DOT IS NOW DOING OF AIR TRANSPORTATION IN THE PACIFIC WILL YIELD RESULTS SUPPORTING SUCH TREATMENT FOR THE STATE AND THUS PROVIDE INCREASED CARGO CAPACITY AND AVAILABILITY FOR THE NEIGHBOR ISLANDS.

IN ALL OF THESE MATTERS BE ASSURED I WILL DO MY BEST TO ENSURE THAT THE TRANSPORTATION NEEDS AND INTERESTS GET A "FAIR SHAKE" IN WASHINGTON.

AGAIN, I WISH TO THANK YOU FOR THE OPPORTUNITY TO SHARE SOME OF MY VIEWS ON MATTERS OF GREAT CONCERN TO US ALL.