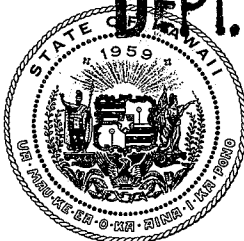


STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917



DEPT. COMM. NO. 38

MARION M. HIGA
State Auditor

(808) 587-0800
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December 16, 2008

The Honorable Colleen Hanabusa
President of the Senate
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear Madam President:

I transmit to you a copy of our report, *Performance Audit on the State Administration's Actions Exempting Certain Harbor Improvements to Facilitate Large Capacity Ferry Vessels from the Requirements of the Hawai'i Environmental Impact Statements Law: Phase II*.

We found in this second phase that in their haste to support Hawai'i Superferry, Inc., state officials ignored the recommendations of their technical staff, implemented the only harbor improvement system that could meet Hawai'i Superferry's time horizon and the decision to exempt that system from the State's environmental laws. The system has proved problematic and costly even in its limited use and the State's entire \$38.5 million investment may become unnecessary. The potential secondary impacts of ferry operations were regarded by state officials as the ferry company's responsibility. In addition, the legislative action on behalf of Hawai'i Superferry, Inc. compromised the State's environmental laws and set a worrisome precedent for future government action to attract new business.

Our first version of this report, distributed by the Office of the Auditor on December 15, 2008, was sent out without the appendixes. This omission does not affect the content of the report, but has changed the Table of Contents, the number of pages and the page numbers. We have reproduced the report. We apologize for the inconvenience and ask that if you received the first version, that you replace the report with this version.

We hope that the report will assist you in reviewing the issues examined. We will place the report on our website, www.state.hi.us/auditor, and release it to the public and press, on Wednesday, December 17, 2008.

Sincerely,

Marion M. Higa
State Auditor

Enclosure

✓
c: Carol Taniguchi, Senate Clerk