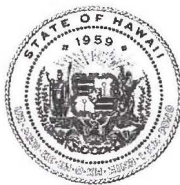


SB 2798

RELATING TO PORT AUTHORITY

DAVID Y. IGE
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

Testimony by:
FORD N. FUCHIGAMI
DIRECTOR

Deputy Directors
JADE T. BUTAY
ROSS M. HIGASHI
EDWIN H. SNIFFEN
DARRELL T. YOUNG

IN REPLY REFER TO:

February 4, 2016
Time 2:45 PM
State Capitol, Room 229

**S.B. 2798
RELATING TO PORT AUTHORITY**

Senate Committee on Transportation and Energy

The Department of Transportation (DOT) **supports the intent** of S.B. 2798 with comments.

As an island economy, the State of Hawaii is uniquely dependent on its harbors and airports. Over 80% of all consumer goods available in the State (food, clothing, pharmaceuticals, building supplies, agricultural equipment, etc) are imported, and of this 80%, over 95% enters Hawaii via ocean transportation, through its commercial harbors. The fact that the residents of Hawaii enjoy a standard (and cost) of living comparable to mainland USA is directly dependent on the provision of a network of harbors capable of accommodating state-of-the-art ships efficiently and economically.

As important, the tourism industry, which contributes 21% of the State's gross domestic product fundamentally depends on an efficient and effective system of airports to provide convenient access to over 8 million tourist visitors annually, whose spending contributed over \$15 billion to our economy in 2013. As residents and as business people, we also depend on our airports to maintain the personal, cultural and commercial links that sustain our economy and the unique quality of our island life.

The critical dependency of our economy and standard of living on our harbors and airports creates an imperative requirement that we establish a system of governance for these facilities that promotes efficient operation and high levels of service to all users, and facilitates timely investment in the development and deployment of needed infrastructure.

The State has proven to be an effective steward of our harbors and airports over many years, but experience is increasingly exposing the limitations of the State's ability to proactively drive the development of our harbors and airports in an increasingly demanding and competitive global marketplace:

- First, responsibility for planning, management and development of our sea and air transportation facilities is currently distributed among multiple disconnected entities, including the Department of Transportation, Department of Land and Natural Resources, Department of Budget and Finance, etc. Involvement of multiple jurisdictions is inherently inefficient, and results in conflicting priorities, delay, and in some cases sub-optimal outcomes.
- Second, both our harbors and our airports require critical multi-billion dollar upgrades and capacity enhancements, to keep pace with demand and to avoid constraining our economy. Funding these needed capital improvements in an environment of reduced federal funding requires greater reliance on self-generated commercial revenue streams, and innovative funding approaches – all of which emphasize the need to manage our harbors and airports more like commercial businesses, and less like public utilities. Managing capital funding strategy and operating budgets within State general fund structures and procedures limits flexibility, imposes external constraint and delay, and handicaps our ability to provide world-class infrastructure efficiently.
- Third, the State's standard general fund and procurement policies and procedures are not designed to support specialized enterprise funds operating in a competitive global marketplace and impair our ability to operate efficiently, flexibly and responsively, to compete for and develop leadership talent, to apply specialized technology efficiently, and to take a fully proactive leadership role in economic development.

In this context, the Department of Transportation strongly endorses the initiative to transition responsibility for the development, operation and management of the State's harbors and airports to an independent port authority, and further believes that such a transition is necessary if our harbors and airports are to continue to drive our economy, rather than to constrain it.

Rather than conforming to the industry norm, the State's operation of all our harbors and airports is increasingly an anomaly. Five of the "top 10" US seaports and numerous others are operated by independent port authorities or by joint port/airport authorities (e.g., Port of Seattle, Port of Oakland). Of the top 100 US airports, 42 are now operated by independent airport authorities (more than any other governance model), as communities increasingly recognize the advantages offered by the authority model. In particular, few States now operate major airport systems. The State of Connecticut transitioned operation of its airport system, including Hartford (Bradley International) airport, to an independent authority in 2013, with the express aim of enhancing the ability of the airport system to drive economic growth in the State. For similar reasons the State of Rhode Island transitioned Providence (TF Greene) Airport and its GA

airports to an independent authority in 1996. The only other “top 100” airports operated by State entities are Anchorage and Fairbanks (State of Alaska), and Baltimore-Washington International (State of Maryland).

Experience with these transitions has proven that the authority model can provide a vehicle for significant efficiency gains, while retaining full public accountability and transparency. Port authorities are established as single purpose entities, and as a result can be endowed with the full jurisdiction, powers and capabilities necessary to manage, operate, and develop facilities effectively. Responsibility is clearly vested in a single empowered entity, and policies and procedures, especially for capital program financing, procurement, compensation and talent development can be tailored specifically to the needs of the enterprise, while conforming to public sector standards and conventions.

Clearly, transition of our harbors and airports to a port authority is a significant step. However, from industry experience around the United States, and from our own analysis, we believe that such a transition would enable us to operate more efficiently, to deliver needed infrastructure in a more timely fashion, and to compete more effectively on a global stage – all while retaining full public accountability through an appointed authority board.

Thank you for the opportunity to provide testimony.

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON TRANSPORTATION AND ENERGY
ON
SENATE BILL NO. 2798

February 4, 2016

RELATING TO A PORT AUTHORITY

Senate Bill No. 2798 proposes to establish a three-year Hawaii Port Authority (HPA) pilot project (July 1, 2016 to June 30, 2019). The Port Authority will be an independent public entity tasked with setting statewide policy on all matters relating to harbors and airports in Hawaii. To accomplish this task, the measure transfers the functions, duties, and powers exercised by the Department of Transportation (DOT) over commercial harbors and airports to the HPA. The measure places the HPA within the Department of Budget and Finance (B&F) for administrative purposes, and provides an unspecified general fund appropriation for Fiscal Year 2016-2017 for the implementation and operation of the HPA.

B&F opposes this measure. DOT is currently in the process of exploring the feasibility of establishing an airport authority. This feasibility study has not been completed, nor has any follow-up analysis been conducted of the benefits and challenges of establishing such an authority. Considering the complexity and magnitude of the operations of the State's airports and harbors, it would be prudent to review the airports authority feasibility study first, then determine the best course of action for the State.

Further, it is impractical to transfer responsibilities for commercial harbors and airports on a trial basis. Besides the complications of transferring staff, there is a host of issues relating to revenue bond matters, contracts, etc., that do not lend themselves to temporary trials.

DAVID Y. IGE
GOVERNOR OF HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

**Testimony of
SUZANNE D. CASE
Chairperson**

**Before the Senate Committee on
TRANSPORTATION AND ENERGY**

**Thursday, February 4, 2016
2:45 PM
State Capitol, Conference Room 229**

**In consideration of
SENATE BILL 2798
RELATING TO A PORT AUTHORITY**

Senate Bill 2798 proposes to establish a three-year Hawaii Port Authority (Authority) pilot project, and empowers the Authority to administer a statewide system of harbors and airports. **The Department of Land and Natural Resources (Department) supports this measure but defers to the Department of Transportation regarding language concerning the airports and commercial harbors.** The Department is also open to discussing the inclusion of the State Small Boat Harbor Program to this measure.

SUZANNE D. CASE
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

KEKOA KALUHIWA
FIRST DEPUTY

JEFFREY T. PEARSON P.E.
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS



TESTIMONY OF HAWAIIAN AIRLINES ON SB 2798 Relating to a Port Authority

SENATE COMMITTEE ON TRANSPORTATION and ENERGY

DATE: Thursday, February 4, 2016

TIME: 2:45 pm

PLACE: State Capitol, Room 229

Aloha Chairman Inouye, Vice Chairman Gabbard and members of the Senate Committee on Transportation and Energy,

Hawaiian Airlines welcomes the opportunity to testify in support of SB 2798 Relating to a Port Authority. This measure establishes a three-year pilot project to review the benefits of a statewide system to administer Hawai'i's harbors and airports, which are currently overseen by separate divisions within the Department of Transportation (DOT).

We believe combining both maritime and aviation operations under a single system could help the DOT in its efforts to develop far-sighted and integrated plans to enhance the productivity of its properties, which in turn benefits our entire state.

Port Authority systems are common in many major transportation hubs in the United States, including New York/New Jersey and Los Angeles. They have proven to result in streamlined decision-making and more efficient project timelines.

We recognize that the details of how such a system will operate are important and requires further discussion. Approval of this measure in committee is the first step in that process and we urge its passage.

Ann Botticelli
SVP Corporate Communications and Public Affairs
Hawaiian Airlines



AIRPORT CONCESSIONAIRES COMMITTEE

Honorable Lorraine Inouye, Chair
Committee on Transportation and Energy
Hawaii State Senate
State of Hawaii

Room 229, 2:45 p.m.

February 4, 2016

Re: SB 2798 Relating to Port Authority

Dear Chair Inouye and Honorable Committee Members:

My name is Peter Fithian and I am the Chair of the Legislative and Governmental Affairs Committee of the Airports Concessionaires Committee.

Our Committee represents the majority of the concession operators at the public airports throughout the State of Hawaii. Members of our group contribute about 50% of the operating revenues of the airports along with the airlines who also contribute about 50%.

Our Committee supports the purpose of this bill which is still under our review.

For airport concessions in particular we like the idea that contracts can be "negotiated" via RFP or other means with interested parties like virtually all other airports across the United States. It's time Hawaii airports utilizes a process that will achieve the overall maximum benefits that can result from negotiations among competitors.

At this time we believe amendments to the bill should be made to consider: 1) membership on the Authority that represent the major stakeholder groups. In the case of the airports that would be at least from the airline group and the concessions group; and 2) deletion of language that this be a pilot project as set forth in the bill. Let' make the decision and be committed to proceed with the Authority unless a major issue arises that calls for the concept to be revisited. Lets' focus on making it work.

Thank you for allowing us to testify on this bill.

AIRLINES COMMITTEE OF HAWAII



Honolulu International Airport
300 Rodgers Blvd., #62
Honolulu, Hawaii 96819-1832
Phone (808) 838-0011
Fax (808) 838-0231

February 4, 2016

Honorable Lorraine Inouye, Chair
Honorable Mike Gabbard, Vice Chair
Senate Committee on Transportation and Energy

Re: SB 2798 – RELATING TO A PORT AUTHORITY – SUPPORT THE INTENT
Conference Room 229 – 2:45 PM

Aloha Chair Inouye, Vice Chair Gabbard, and Members of the Committee:

The Airlines Committee of Hawaii* (ACH), which is made up of 20 signatory air carriers that underwrite the State Airport System appreciates the opportunity to offer testimony supporting the intent of SB 2798.

This measure establishes a three-year Hawaii Port Authority pilot project, empowers the Authority to administer a statewide system of harbors and airports, and appropriates funds for the project.

The ACH is in strong support of a Hawaii Port Authority, and is grateful the legislature recognizes the need for a single entity with overall consolidated jurisdiction. This measure is extremely detailed, and an encouraging start to the establishment of an authority, and the ACH asks that rather than a pilot project, this measure instead create a permanent Authority.

Thank you for the opportunity to submit testimony.

Sincerely,

Blaine Miyasato
ACH Co-chair

Matthew Shelby
ACH Co-chair

**ACH members are Air Canada, Air New Zealand, Air Pacific, Alaska Airlines, All Nippon Airways, Aloha Air Cargo, American Airlines, China Airlines, Delta Air Lines, Federal Express, go!, Hawaiian Airlines, Island Air, Japan Airlines, Korean Air, Philippine Airlines, Qantas Airways, United Airlines, United Parcel Service, US Airways, and Westjet.*

SENATE COMMITTEE ON TRANSPORTATION & ENERGY

February 4, 2016

2:45 PM

Conference Room 229

TESTIMONY OF HAWAII PILOTS ASSOCIATION

SENATE BILL 2798, RELATING TO A PORT AUTHORITY

Honorable Chair Inouye, Vice Chari Gabbard, and Committee Members:

My name is Captain Tom Heberle, and I am a state licensed port pilot, currently serving as the president of the Hawaii Pilots Association (HPA). HPA's membership consists of all state licensed port pilots in Hawaii. HPA supports SB 2798.

SB 2798 proposes to establish a 3 year Hawaii Port Authority pilot project and appropriates funds for this pilot project.

As an island state, Hawaii's economy depends in large part on the efficient use of transportation resources such as harbors and airports. Coordinated planning and development of harbor and airport facilities would be possible by giving a single entity such as the proposed port authority jurisdiction over these assets.

Thank you for this opportunity to provide testimony in support of SB 2798.

SENATE BILL NO. 2798
February 4, 2016, 2:45P.M., Conference Room 229

Written Testimony in Support
By Gary J. North

Chair Inouye, Vice Chair Gabbard, and Members of the Senate Committee on Transportation & Energy:

As a retired Executive of Matson Navigation Company with over 40 years of experience in the Maritime Industry I fully support Senate Bill No. 2408 (HB2408).

SB2798 proposes to establish a three-year Hawaii Port Authority pilot project. Empowers the Authority to administer a statewide system of harbors and airports. Appropriates moneys for the pilot project.

The bill acknowledges that Hawaii's sea and air transportation planning, management, and development functions are currently spread out among a number of agencies, including the department of transportation's harbors and airports divisions and the department of land and natural resources' boating and ocean recreation program, as well as the department of health with respect to environmental concerns, and the office of Hawaiian affairs when ceded lands issues arise.

I believe that this three year pilot project will demonstrate that a Hawaii Port Authority can effectively manage, maintain and grow Hawaii's transportation assets.

Thank you for this opportunity to testify.