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DEPT. COMM. NO. 88

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

IN REPLY REFER TO:

DIR 1.11683

November 21, 2022

The Honorable Ronald D. Kouchi
President and Members of the Senate
31st State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki
Speaker and Members of the House
of Representatives
31st State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Operations and Use Privileges Report as requested in Chapter 261-7(e), Hawaii Revised Statutes.

In accordance with HRS 93-16, I am also informing you that the report may be viewed electronically at <http://hidot.hawaii.gov/library/report/reports-to-the-legislature/>

Sincerely,

A handwritten signature in black ink, appearing to read "Jade T. Butay".

JADE T. BUTAY
Director of Transportation

REPORT TO THE THIRTY-FIRST LEGISLATURE
STATE OF HAWAII
2022

PURSUANT TO SECTION 261-7(e), HAWAII REVISED STATUTES,
REQUIRING THE DEPARTMENT OF TRANSPORTATION
TO SUBMIT A REPORT TO THE LEGISLATURE
ON THE CIRCUMSTANCES OF ESTABLISHING RATES AND CHARGES
BY CONDUCTING PUBLIC INFORMATIONAL HEARINGS AND
IMPLEMENTED PURSUANT TO THE SECTION

Prepared by

DEPARTMENT OF TRANSPORTATION
STATE OF HAWAII

September 13, 2022

BACKGROUND

Hawaii Revised Statutes (HRS) Section 261-7(e) provides a mechanism for the Department of Transportation (Department) to set airports rates and charges following publication of the rates and charges and conducting a public informational hearing. When airports rates and charges are set in this manner, the Department is obligated to report the circumstances and resulting rates and charges to the Legislature. The Department adjusts two major groups of rates and charges from time to time pursuant to this section, including rates and charges under the Airports Division Procedure 4.5, and non-signatory airline rates and charges under Airports Division Procedure 4.13.

Procedure 4.5 – Rates and Charges

In the Procedure 4.5 “Schedule of Rates and Charges,” the Airports Division establishes rental rates and charges for the use of facilities and services of the public airports, such as paved and unpaved ground rentals, or building rental rates. The Airports Division updates the Procedure 4.5 from time to time based on appraisals, and conducts a public hearing regarding the updated rates.

Procedure 4.13 – Non-signatory Rates

As of September 2022, airline rates and charges at Hawaii Airports System for the use of airfield and passenger terminal buildings are established through two different approaches: (a) contractually through the Airport-Airline Lease of 1962, as amended (the Airline Lease), and (b) unilaterally through Airports Division Procedures 4.13 pursuant to Section 261-7(e).

The Department has negotiated with certain airlines operating at Hawaii Airports System multiple times since 1962 and amended the original airline lease, with the most recent major revision in 2007, referred to as the First Amended Lease Extension Agreement. The Airline Lease provides a hybrid residual ratemaking methodology, which satisfies the self-sustaining requirement of the Hawaii Revised Statutes. Airlines signatory to the Airline Lease pay airport rates and charges calculated pursuant to the Airline Lease. The Airline Lease also includes a requirement that non-signatory rates and charges will be 125% of signatory airline rates and charges.

Therefore, the Department established non-signatory airline rates and charges pursuant to Section 261-7(e) and separated all non-signatory airlines into two groups, as detailed in the Airports Division Procedure 4.13:

1. Non-signatory Commercial Air Carriers, which are FAA part 121 or 129 operators, or part 135 operators with scheduled flights. Such carriers pay 125% of signatory airline rates and charges, which are adjusted annually
2. Non-signatory Air Operators, for which the rates are lower and remain at the same level, in consideration of small business operations

In Fiscal Year 2021, signatory airline payments accounted for approximately 88% of total airline payment.

REPORT

The most recent rates set pursuant to Section 261-7(e) are available on the Airports Division's website. The Procedure 4.5 was last updated in October 2019. The Airports Division is in the process of conducting appraisals and plans to conduct a public hearing in late 2022 for the updated rates.

In the 12 months ending June 30, 2022, seven airlines were classified as Non-signatory Commercial Air Carrier and operated at Hawaii Airports System, including Aero Micronesia, Air Transportation International, LLC, Corporate Air, National Airlines, Omni Air International Inc, Western Global Airlines, and ZIPAIR Tokyo, Inc. Such airlines collectively paid approximately 2% of total landing fee revenues. The Airports Division has updated the Procedure 4.13 effective August 2022 and distributed the rate schedule to each Non-signatory Commercial Air Carrier. The Airports Division plans to hold a public hearing at the same time as the Procedure 4.5 public hearing, expected in late 2022.

During FY 2022, thirty-three airlines were classified as Non-signatory Air Operators and operates at Hawaii Airports System. Such airlines collectively paid approximately 1.2% of total landing fee revenues. To avoid impact to small businesses, the Airports Division has not increased the rates since 2013.