
A BILL FOR AN ACT

RELATING TO TRANSPORTATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that air transportation
2 is uniquely important to the people of the State of Hawaii. The
3 construction of surface transportation systems linking the
4 various islands of Hawaii on the comprehensive basis that
5 prevails elsewhere in the United States is impractical.
6 Accordingly, the people of the State of Hawaii must rely
7 extensively on air travel for their basic daily personal
8 transportation needs and for the shipment of goods that are
9 important to their daily lives. Similarly, visitors to the
10 State must often rely on local air travel services provided by
11 Hawaii air carriers for transportation among the various
12 islands. This makes reliable air transportation among the
13 islands of the State vital to the growth of the statewide
14 tourism industry. The recent inter-island air travel fare wars,
15 the conduct of which is currently subject to litigation, has
16 resulted in a dramatic and severe loss of revenues by inter-
17 island airlines. The legislature further finds that failure to
18 provide relief to these critical transportation providers is



1 likely to result in reduced inter-island travel opportunities
2 and, consequently, to visitor decline on the neighbor islands.
3 This will have severe negative impacts on businesses statewide.
4 The loss of air transportation among our islands and from points
5 of origin in Hawaii other than Honolulu to destination points on
6 the mainland not covered by major airlines would result in a
7 significant reduction in employment and the quality of life for
8 the citizens of Hawaii.

9 The legislature also finds that financial assistance for
10 those hardest hit by this loss of revenues is not available
11 through a loan from a federal or state agency. Such financial
12 assistance can best be provided through a loan guarantee by the
13 State to assist Hawaii inter-island air carriers when other
14 government resources are not available and a loan from a private
15 lending institution can only be secured through the use of a
16 guarantee from the State. The legislature finds and declares
17 that the issuance of loan guarantees under this Act is in the
18 public interest and for the public health, safety, and general
19 welfare of the State.

20 The purpose of this Act is to assist Hawaii inter-island
21 air carriers whose operations and revenues have been adversely
22 affected by the recent inter-island travel fare wars by



1 authorizing the department of business, economic development,
2 and tourism, through its director, to guarantee loans from
3 private lending institutions.

4 SECTION 2. Loans guaranteed by the department of business,
5 economic development, and tourism. (a) The department of
6 business, economic development, and tourism, through its
7 director, may guarantee up to ninety per cent of the principal
8 balance of a loan made by a private lending institution to a
9 Hawaii air carrier providing the carriage of persons or property
10 by air for compensation or hire between any two points, both of
11 which are within the State of Hawaii; provided that at no time
12 shall the aggregate amount of the State's liability, contingent
13 or otherwise, on loans guaranteed by this Act exceed \$.

14 (b) The loan guarantee shall be for a term of not more
15 than ten years.

16 (c) The department shall not approve a loan guarantee
17 unless the Hawaii air carrier provides reasonable assurance that
18 the loan can and will be repaid pursuant to its terms.

19 (d) Funds provided by the guaranteed loan may be used for
20 working capital, except that a loan guarantee shall not be
21 granted if the granting of the loan guarantee would directly or
22 indirectly serve the following purposes:



1 (1) Satisfy debts arising prior to the effective date of
2 the loan guarantee;

3 (2) Provide funds, directly or indirectly, for payment,
4 distribution, or as a loan to owners, partners, or
5 shareholders of the Hawaii air carrier; or

6 (3) Replenish funds heretofore used for any of the above
7 purposes in anticipation of applying for a loan
8 guarantee under this Act.

9 (e) The department may set additional terms and conditions
10 on the granting of the loan guarantee. When an application for
11 a loan guarantee is approved by the department, the department
12 shall issue to the private lending institution a guarantee for
13 the percentage of the loan guaranteed. The private lending
14 institution shall collect all payments from the Hawaii air
15 carrier and otherwise service the loan.

16 (f) The Hawaii air carrier shall:

17 (1) Expend the loan in accordance with the provisions of
18 this Act;

19 (2) Keep the department informed of any and all changes in
20 the security and other major changes in the Hawaii air
21 carrier's operation; and



1 (3) Promptly provide any information and documents to the
2 department upon request.

3 (g) During the term of the loan guarantee, the Hawaii air
4 carrier shall submit to the department audited annual financial
5 statements consisting of a balance sheet, income statement, and
6 a statement of cash flows. These reports shall be submitted no
7 later than four months after the close of the Hawaii air
8 carrier's fiscal year. The department may require the Hawaii
9 air carrier to file interim financial statements and reports as
10 deemed necessary by the director.

11 SECTION 3. The provisions of this Act shall be performed
12 to the extent permissible under the United States Constitution
13 and federal law without causing a violation of the United States
14 Constitution, federal grant agreements, federal law, or federal
15 regulations.

16 SECTION 4. This Act shall take effect upon approval and
17 shall be repealed on June 30, 2018.



PROPOSED

H.B. NO. 509
H.D. 2
S.D. 2

Report Title:

Transportation; Interisland Airlines; Loan Guarantee Trust Fund

Description:

Allows DBEDT to guarantee up to 90% of the principal balance of a loan made by a private lending institution to a Hawaii air carrier; provided that the aggregate amount of the State's liability shall not exceed \$. Repealed on 06/30/2018.
(HB509 SD2)

