



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

IN REPLY REFER TO:

February 4, 2008

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

HOUSE BILL NO. 3406

COMMITTEE ON TRANSPORTATION  
COMMITTEE ON WATER, LAND, OCEAN RESOURCES & HAWAIIAN AFFAIRS

The Department strongly supports this landmark legislation, which will provide for the expedited implementation of approximately \$842 million of critically needed harbor improvements within a six-year period. The bill expands upon the partnership between DOT and the Aloha Tower Development Corporation (ATDC) authorized by Act 127, as passed by the 2007 Legislature.

Hawaii's economy depends upon an efficient harbor system as over 98% of Hawaii's imported goods pass through our commercial harbor system. Concerns over inadequate harbor infrastructure and the lack of a comprehensive, integrated approach to improve harbor infrastructure resulted in a collaboration between the major harbor users and a team of administration officials from the Department of Transportation, the Department of Budget and Finance, the Department of Business, Economic Development & Tourism, the State Tourism Liaison, the State Economist, and other key state officials. Working together, consensus was reached on an \$842 million Harbor Modernization Plan (HMP) of priority projects to improve harbor infrastructure within a six-year timeframe.

To implement the HMP projects in six years, the bill proposes to expand ATDC's jurisdiction, currently limited to Honolulu Harbor under Act 127, to a statewide jurisdiction. ATDC's governing statutes will be amended to:

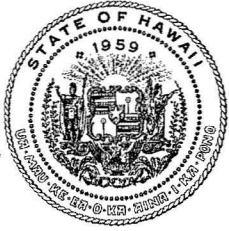
1. Extend the jurisdiction of ATDC over Honolulu Harbor to a statewide jurisdiction to implement the HMP;
2. Establish a Harbors Modernization Group within ATDC with the jurisdiction over specified harbor projects;
3. Increase the membership of the ATDC Board to a total of 13 members by adding the Director of Budget and Finance or a designated representative; two additional at-large public members from the maritime industry; and the mayors or their designees of the counties of Hawaii, Maui and Kauai, who shall serve as ex-officio voting members;

4. Provide that appropriations received by the Department of Transportation for HMP shall be delegated to and administered by ATDC upon receipt of approval to implement the projects by the Director of Transportation and the Governor;
5. Provide that this expanded ATDC authority will exist for eight (8) years from date of enactment.

Another change proposed by the bill is to amend Section 171-59, HRS, to provide a maximum seventy (70) year term for the disposition of public lands for maritime and maritime related operations. For projects identified in the HMP, ATDC's expanded authority could also include land acquisitions, leasing, and conveyances governed under Chapter 171, HRS. The Department of Transportation and ATDC will be exploring development-oriented options such as public-private partnerships, financing and restructuring options, lease arrangements, and other port financing options. Extending the current maximum lease term for maritime and maritime-related leases from thirty-five (35) to seventy (70) years will provide the Department of Transportation with the option to transition large commercial harbor users to exclusive use or preferential arrangement long-term leases. This will provide certainty and predictability in the revenue stream and transfer the maintenance responsibilities directly to the users. The long-term tenants would also be able to finance their capital improvement projects, thereby easing the financial burden on the state.

The bill authorizes the issuance of harbor revenue bonds to finance the HMP projects. Because ATDC will require additional staff resources to implement the HMP, the bill also provides ATDC with project-funded positions with salaries and other project-related costs to be financed with bond proceeds.

The Department respectfully requests your support for this bill.



## ALOHA TOWER DEVELOPMENT CORPORATION

600 Fort Street, Pier 10 Terminal, 2nd Floor, Honolulu, Hawaii 96813  
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804  
Website: [www.alohatower.org](http://www.alohatower.org)

**LINDA LINGLE**  
Governor  
**MELISSA PAVLICEK**  
Chairperson  
**SANDRA PFUND**  
Chief Executive Officer

Telephone: (808) 586-2530  
Fax: (808) 586-3046  
E-mail: [atdc@alohatower.org](mailto:atdc@alohatower.org)

Statement of  
**Theodore E. Liu**  
**Director**  
Department of Business, Economic Development and Tourism  
before the Joint Committees of  
**Transportation**  
and  
**Water, Land, Ocean Resources and Hawaiian Affairs**  
Monday, February 4, 2008  
9:00 AM  
State Capitol, Conference Room 309

in consideration of  
**HB 3406**  
**RELATING TO COMMERCIAL HARBORS MODERNIZATION.**

Chairs Souki and Ito and Members of the Joint Committees on Transportation and Water,  
Land, Ocean Resources and Hawaiian Affairs:

The Department of Business, Economic Development and Tourism (DBEDT) and the  
Aloha Tower Development Corporation (ATDC), an attached agency to DBEDT, strongly  
support House Bill 3406.

The purpose of the bill is to address the critical need for statewide upgrade and  
improvement of the State's commercial harbors system on an expedited basis. The overall  
volume of cargo processed through Hawaii's commercial harbor system has grown to the extent  
that it has become critical to redevelop existing facilities and provide for expansion of our  
commercial harbors. The passenger cruise business and the inter-island ferry system have also

placed demands for space in the harbor system. Concerns over inadequate harbor infrastructure and the lack of a comprehensive, integrated approach to improve harbor infrastructure resulted in a collaboration between the major harbor users and a team of administration officials from the Department of Transportation, the Department of Budget and Finance, DBEDT, the State Tourism Liaison, the State Economist, and other key state officials. DBEDT has assessed this situation from an economic standpoint. Every citizen in our island State is dependent on the commercial harbors for daily needs. Should the capacity and efficiency of state harbors be constrained, adverse statewide economic effects will be experienced with public impacts such as shortages of essential goods, delays in the delivery of goods and increased costs. Failure to solve the issue of harbor upgrades and expansion will diminish efficiency of harbor operations and will eventually limit growth of Hawaii's economy. The result will be higher costs for the goods and supplies brought into or transported between the islands in the State.

The bill will provide authorization to issue revenue bonds to the Department of Transportation to fund harbor improvements and project related costs, as well as provide authorization to the ATDC to assist in the development of commercial harbor infrastructure projects on a statewide basis. A number of changes to ATDC's statute are proposed under the bill to enable it to meet the expedited schedule for development including, but not limited to, project funding for staffing and project related costs.

DBEDT and ATDC are in accord with the provisions of the bill and encourage passage of this measure. Thank you for the opportunity to testify on this important initiative.



**The Chamber of  
Commerce of Hawaii**

*Since 1850*

**Testimony to the House Committees on Transportation and  
Water, Land, Ocean Resources & Hawaiian Affairs  
Monday, February 4, 2008; 9:00 a.m.  
Conference Room 309, State Capitol**

**RE: HOUSE BILL 3406 RELATING TO COMMERCIAL HARBORS MODERNIZATION**

Chairs Souki and Ito, Vice Chairs Nishimoto and Karamatsu, and Members of the Committees:

My name is Kraig Kennedy and I am the Chair of the Maritime Committee of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber respectfully request that House Bill 3406, relating to Commercial Harbors Modernization be passed.

The Chamber is the largest business organization in Hawaii, representing 1100 businesses, which employ over 200,000 workers. Approximately 80% of our members are small businesses with less than 20 employees. The organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern. One of the priorities of our membership is to advocate for improvements of the state's infrastructure, which includes upgrading and expanding our harbors.

This bill expands the authority of the Aloha Tower Development Corporation to assist in the development of the statewide harbors modernization plan by establishing the Harbors Modernization Group. The measure also authorizes the Department of Transportation to issue revenue bonds to finance the harbor improvements.

Harbor development to support sustained economic growth in the State is essential for Hawaii's economy as Hawaii's port system is of primary importance to this multi-island state and to its visitors. The vast majority of everything that Hawaii consumes comes to Hawaii via the ports. As the economy grows, so do the demands on harbors.

At present, Hawaii's harbors are nearing capacity, and adequate plans must be developed and implemented to address the imminent overcrowding that will occur with the advent of new users, expansion of the cruise industry and increases in cargo volumes resulting from a growing economy. It is projected that Honolulu Harbor will run out of space for domestic cargo in the next couple of years.

Therefore, The Chamber supports legislation that addresses the harbor shortage crisis, which includes endorsement of public and private partnerships to pursue the implementation of the state's commercial harbors plans, as well as supports the allocation of funds and adequate investments toward the improvement of the harbor infrastructure.

Over the past couple of years, the Aloha Tower Development Corporation has assisted the Department of Transportation's Harbors Division in the development of various harbor infrastructure improvement projects, such as the commencement of the long-term development of the former Kapalama Military Reservation into a new cargo container terminal, and the acquisition of 30 acres of land at Sand Island for cargo container yard expansion. So far, this partnership has resulted in positive achievements.

The Chamber of Commerce of Hawaii  
Testimony on HB 3406  
February 4, 2008

The Aloha Tower Development Corporation's development-oriented experience provides the type of expertise to the Harbors Division, which focuses primarily on the daily management and operations of the State's commercial harbors. The combination of both parties' roles and experience will promote more effective and efficient planning of the port facilities and harbors.

The Chamber believes that the expansion of authority of the Aloha Tower Development Corporation to assist in the development of the statewide harbors modernization plan is the first step in the right direction in finding much needed solutions to the critical demand for harbor expansion and upgrades.

The Chamber respectfully asks for your favorable consideration on this bill. Thank you for the opportunity to testify.

# Hawaii Harbor Users Group

---

Gary North  
Matson Navigation Company,  
Inc.

Mar Labrador  
Horizon-Lines, LLC

Glenn Hong  
Young Brothers, Ltd./Hawaiian  
Tug and Barge

Alan Yamamoto  
NCL America, Inc.

Douglas Won  
Sause Bros., Inc.

Richard Maxwell  
Aloha Cargo Transport,  
Division of Northland Services,  
Inc.

Robert T. Guard  
McCabe, Hamilton & Renny Co.,  
Ltd.

Jeff Brennan  
Hawaii Stevedores, Inc.

John Garibaldi  
Hawaii Superferry, Inc.

Lance Tanaka  
Tesoro Hawaii Corporation

Steve Golden  
The Gas Company

Eric Yoshizawa  
Ameron Hawaii

George Stewart  
Hawaiian Cement

**HB 3406  
RELATING TO COMMERCIAL HARBORS MODERNIZATION**

**GARY NORTH  
CHAIRMAN  
HAWAII HARBORS USERS GROUP**

**FEBRUARY 4, 2008**

Chair Souki, Chair Ito, and Members of the House Committees  
on Transportation and Water, Land, Ocean Resources & Hawaiian

**Affairs:**

I am Gary North, testifying on behalf of the Hawaii Harbors  
Users Group (HHUG), on HB 3406, "A BILL FOR AN ACT  
RELATING TO COMMERCIAL HARBORS MODERNIZATION." We  
support this bill.

The Hawaii Harbor Users Group (HHUG) is a non-profit  
maritime transportation industry group comprised of the following key  
harbor users: Matson Navigation Company, Horizon Lines, LLC,  
Young Brothers/Hawaii Tug & Barge, Norwegian Cruse Line, Sause  
Brothers Inc., Aloha Cargo Transport (ACT), Hawaii Stevedores,  
McCabe Hamilton & Renny Stevedores, Hawaii Superferry, Tesoro  
Hawaii Corporation, The Gas Company, Ameron Hawaii, and  
Hawaiian Cement.

As an island State, Hawaii is very dependent upon our commercial harbors to ensure the continued and unimpeded movement of cargo in and out of our State. At present, it is estimated that 98% of Hawaii's imported goods pass through our harbors including consumer goods, motor vehicles, construction materials, and fuel. In addition to anticipated increases in cargo transportation to and from Hawaii, inter-island barge service and the cruise industry has steadily grown and a new Hawaii Superferry service has recently been launched.

With the present shortage of port facilities at our commercial harbors along with critical capacity issues including the lack of berthing and back up area space, infrastructure improvements are needed for harbor expansion and upgrades. The continued growth in cargo transportation, the cruise industry, and in other harbor uses has significantly increased an already strong demand for harbor facilities, with reserve capacity at our harbors severely constrained. The proposed Harbor Modernization Plan, which represents a comprehensive system wide harbor improvement strategy, includes statewide harbor infrastructure enhancements to ensure that harbor facilities and capacity is in place to meet both current and future demands.

This bill addresses the critical need for upgrades and improvements to Hawaii's commercial harbors by developing and instituting the financial and organizational capability to facilitate the construction of additional berthing and infrastructure improvements for increased harbor capacity on an expedited basis. The capital improvement projects included in this bill were developed in conjunction with the Hawaii Harbor Users Group (HHUG), which is comprised of the major representatives of the



Hawaii maritime industry. HHUG has also commissioned various studies to identify needed harbor infrastructure improvements and potential sources of financing.

Over the past two years, the Aloha Tower Development Corporation (ATDC) has assisted the Department of Transportation's Harbors Division in the development of various harbor infrastructure improvement projects. With the Harbors Division focused primarily on the daily management and operations of the State's commercial harbors and with the need for innovative financing initiatives to meet the anticipated harbor infrastructure funding requirements, the Aloha Tower Development Corporation's development oriented expertise has provided the stimulus that has resulted in positive achievements by this partnership thus far. This bill establishes a Harbor Modernization Group within the Aloha Tower Development Corporation to assist the Department of Transportation in the development of statewide harbor infrastructure improvement projects. We believe that the formal designation of this partnership between the newly established Harbor Modernization Group and the Department of Transportation will provide the experience, knowledge and expertise to expedite the capital improvement projects included in the Harbor Modernization Plan.

Based on the aforementioned, we respectfully request your favorable consideration on this bill.

Thank you for the opportunity to testify.



Representative Joseph Souki, Chair  
Representative Scott Nishimoto, Vice Chair  
Committee on Transportation

Representative Ken Ito, Chair  
Representative Jon Riki Karamatsu, Vice Chair  
Committee on Water, Land, Ocean Resources & Hawaiian Affairs

State Capitol, Honolulu, Hawaii 96813

HEARING Monday, February 4, 2008  
9:00 am  
Conference Room 309

**RE: HB3406, Relating to Commercial Harbors Modernization**

Chairs Souki and Ito, Vice Chairs Nishimoto and Karamatsu and members of the Committees:

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing about 200 members and over 2,000 storefronts, and is committed to support the retail industry and business in general in Hawaii.

**RMH strongly supports HB <sup>3406</sup>~~3044~~**, which further facilitates the upgrade and modernization of Hawaii's commercial harbors.

Considering that 90% of goods imported to our state come through our ports, and that our harbors are the lifeline of our residents and businesses, we believe that it is incumbent upon us to move forward as expeditiously as possible to realize the goals of the modernization plan.

We respectfully urge your passing HB3406. Thank you for your consideration and for the opportunity to comment on this measure.

A handwritten signature in cursive script, appearing to read 'Carol Prejzler'.

President

HAWAII BUILDING AND CONSTRUCTION TRADES COUNCIL, AFL-CIO  
Gentry Pacific Design Center, Suite 215A  
560 N. Nimitz Highway, #50  
Honolulu, Hawaii 96817  
(808) 524-2249 - FAX (808) 524-6893

February 2, 2008

Honorable Representative Joseph M. Souki, Chair  
Honorable Representative Scott Y. Nishimoto, Vice Chair  
Members of the House Committee on Transportation  
Hawaii State Capital  
415 South Beretania Street  
Honolulu, HI 96813

RE: IN SUPPORT OF HB3406  
RELATING TO COMMERCIAL HARBORS MODERNIZATION  
Hearing: Monday, February 4, 2008, 9:00 a.m.

Dear Chair Souki, Vice Chair Nishimoto and the House Committee on  
Transportation:

For the Record my name is Buzz Hong the Executive Director for the Hawaii  
Building & Construction Trades Council, AFL-CIO. Our Council is comprised  
of 16-construction unions and a membership of 26,000 statewide.

The Council SUPPORTS the passage of HB3406, which expands the authority  
of the Aloha Tower Development Corporation to assist in the development of  
the statewide harbors modernization plan by establishing the Harbors  
Modernization Group. HB3406 also authorizes the DOT to issue revenue  
bonds to finance the harbor improvements.

Thank you for the opportunity to submit this testimony in support of HB3406.

Sincerely,

William "Buzz" Hong

WBH/dg

**nishimoto2-Bryce**

---

**From:** Karen Chun [karen@MauiPaddle.com]  
**Sent:** Friday, February 01, 2008 2:03 PM  
**To:** TRNtestimony  
**Cc:** Rep. Mele Carroll; Sen. Shan Tsutsui; Sen. Roz Baker; Sen. J. Kalani English  
**Subject:** Testimony Against HB 3406

Re: HB 3406

To: **Representative Joe Souki, Chair & Committee Members**  
**COMMITTEE ON TRANSPORTATION**

From: Karen Chun, Save Kahului Harbor.com  
87 Lae St., Paia HI 96779 (808) 283-3049

We oppose this bill because it concentrates decision making for neighbor island harbors in the hands of a small committee with only one representative from Maui. Because it allows Aloha Tower to issue bonds repaid by raising harbor fees, it bypasses, the legislature's responsibility for financing and gives them carte blanche to saddle citizens with increased freight costs to finance cruise ship docks.

The new Modernization plan has already shown complete disregard for Hawaiian Cultural activities in Kahului Harbor as well as common sense in physical layout. Their modernization plan sets up a dangerously constricted turning basin, builds docks for passenger ships that most likely will be unusable in winter and can't serve double duty for freight.

Because the new passenger ship docks will be financed by raising rates for harbor users, Maui will pay even more for ships that shouldn't be taking up room in Kahului Harbor at all and will see their freight further impacted by the unsafe conditions this plan sets up in the harbor.

This is an example of why putting neighbor island harbors in the hands of a self-financed entity answerable only to passenger ship companies and freight companies creates bad plans. This is why this bill is a very, very bad idea.

Something that might ameliorate the negative effect of this plan is to include a clear principal that freight users and Hawaiian cultural users have precedence over passenger ships - in particular cruise ships in the neighbor island harbors. If Aloha Tower is required to respect Hawaiian cultural uses and if operating principles are changed so that freight and cultural uses take precedence over cruise ships and other passenger ships, this would not be quite as bad an idea.