



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

IN REPLY REFER TO:

March 26, 2008

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

SENATE BILL NO. 3227, SD2, HD1

COMMITTEE ON FINANCE

The Department strongly supports this landmark legislation, which will provide for the expedited implementation of approximately \$842 million of critically needed commercial 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 an inadequate harbor infrastructure and the lack of a comprehensive, integrated approach to improve the 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, the harbor users and the administration officials reached consensus on an \$842 million Harbor Modernization Plan (HMP). This Plan prioritized projects to improve the harbor infrastructure within a six-year timeframe. SD2, HD1 further transfers jurisdiction over Hana Harbor, except for its small boat ramp facility, to the Department of Transportation and includes improvements to Hana Harbor as an additional HMP project.

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;

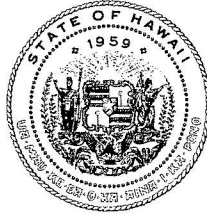
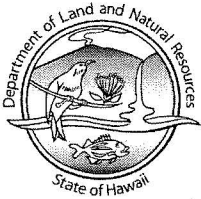
3. Increase the membership of the ATDC Board to a total of 13 members by adding the Director of Budget and Finance or a designated representative; two additional at-large public members from the maritime industry; and the mayors or their designees of the counties of Hawaii, Maui, and Kauai, who shall 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 of this bill, which will be to the year 2016.

The bill will also 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 assignment 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.

SD2, HD1 deleted the appropriation amounts for the respective HMP projects. We leave it to the legislature's discretion whether funding for the HMP appropriations will be provided in this bill or included in the supplemental appropriations bill. However, should the appropriations be funded in the supplemental appropriations bill, specific proviso language must be included to provide that the HMP appropriations shall not lapse unless unencumbered as of June 30, 2012.

LINDA LINGLE
GOVERNOR OF HAWAII



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

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

LAURA H. THIELEN
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

RUSSELL Y. TSUJI
FIRST DEPUTY

KEN C. KAWAHARA
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
KAIHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

**TESTIMONY OF THE CHAIRPERSON
OF THE BOARD OF LAND AND NATURAL RESOURCES**

On Senate Bill 3227, Senate Draft 2, House Draft 1 – Relating To Harbors

**BEFORE THE HOUSE COMMITTEE ON
FINANCE**

March 26, 2008

Senate Bill 3227, Senate Draft 2, House Draft 1: (1) Expands the authority of the Aloha Tower Development Corporation (ATDC) to assist in the development of the statewide harbors modernization plan; (2) Establishes the Harbors Modernization Group as a subgroup of the ATDC Board of Directors to implement specific harbor projects that constitute the Commercial Harbors Modernization Plan; (3) Authorizing the Department of Transportation (DOT) to issue revenue bonds, and appropriating bond funds to finance these harbor improvements; (4) Extends the term from 35 years to 70 years for the disposition of public lands for maritime and maritime-related operations; and (5) Transfers jurisdiction over Hana Harbor, except for its small boat ramp facility from the Department of Land and Natural Resources (Department) to DOT. The Department's comments are limited to Part II of the measure and defers to ATDC and DOT on the feasibility of implementing the commercial harbors modernization plan.

The Department has no qualms if DOT is willing to take over jurisdictional and administrative authority over Hana Harbor. Further, the Department would be agreeable to continue to maintain the Hana Harbor Small Boat Ramp facility.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

LINDA LINGLE
Governor
THEODORE E. LIU
Director
MARK K. ANDERSON
Acting Deputy Director

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Statement of
Sandra Pfund
Chief Executive Officer
Aloha Tower Development Corporation
before the
Committee on Finance
Wednesday, March 26, 2008
10:00 a.m.
State Capitol, Conference Room 308

in consideration of
SB 3227, SD2, HD1
RELATING TO HARBORS.

Chair Oshiro and Members of the committee on Finance.

The Aloha Tower Development Corporation (ATDC) supports Senate Bill 3227, SD2, HD1. The ATDC has been working in partnership with the DOT and the Hawaii Harbors Users Group (HHUG) over the past three years on harbor infrastructure projects for Honolulu Harbor. The success of this effort led to the recognition that assistance from ATDC to undertake harbor development on behalf of the DOT would offer a more expeditious means of getting these essential projects underway and completed in the shortest time possible.

The Legislature previously recognized the expedited accomplishments of the partnership, and the value and benefit that a collaboration between DOT and ATDC provided in achieving a number of improvements related to harbor development by the passage of Act

127, SLH 2007, which formalized the partnership between the DOT and ATDC for Honolulu Harbor. Attached is a compilation of excerpts from our Annual Reports regarding work undertaken with the DOT, and the success that our combined efforts have experienced to date.

SB 3227, SD1, HD1 proposes to expand ATDC's role to assist in the development of harbor infrastructure on a statewide jurisdiction for the duration of the Harbors Modernization Project. The arrangement will automatically terminate upon completion of the project at the end of six years. The ATDC is willing to accept this responsibility to partner with DOT to complete the much needed and sought harbor improvements, under an expedited development schedule that is intended to provide relief of the congestion that is being experienced at all of our state harbors in the shortest time possible.

Thank you for the opportunity to supplement our testimony on this measure.

Attachment

ACCOMPLISHMENTS OF THE DOT/ATDC PARTNERSHIP FOR DEVELOPMENT OF HONOLULU HARBOR INFRASTRUCTURE



BACKGROUND

Hawaii Harbors Project

In April 2005, the Governor's Office initiated the formation of the Hawaii Harbors Task Force to respond on a priority basis to the pressing demands for infrastructure improvements in Honolulu Harbor. It was determined that the overall volume of cargo processed through Hawaii's commercial harbor system continues to increase on an annual basis and that the State must take expeditious action to implement improvement projects to redevelop existing facilities and provide expansion areas for harbor use. There is a looming shortage of port facilities in Honolulu Harbor. Reserve capacity has been depleted for foreign cargo this year and capacity for domestic cargo is expected to be depleted by the year 2011.

Other maritime industries are also being negatively impacted by the lack of adequate expansion space and aging facilities in the commercial harbor system. The passenger cruise business has become a major source of vessel traffic in the harbor system as cruise ships use the commercial harbor system for off-loading and loading passengers. The introduction of the Super Ferry for inter-island travel will place further demands on the harbor system.

The ATDC was tasked to work in partnership with the Department of Transportation, Harbors Division, and has been assigned the lead in implementation efforts to develop harbor infrastructure on a priority basis. The partnership, now known as the Hawaii Harbors Project, has the following goals and objectives:

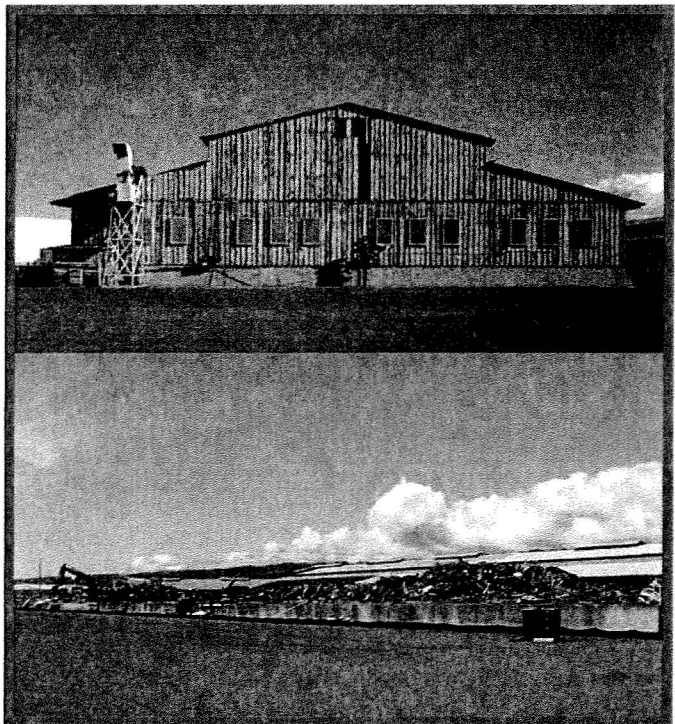
- Expedite development projects that will provide short term relief by maximizing efficiencies at existing facilities;
- Acquire and quickly upgrade expansion areas; and
- Plan and execute major long-term redevelopment projects such as the former Kapalama Military Reservation.

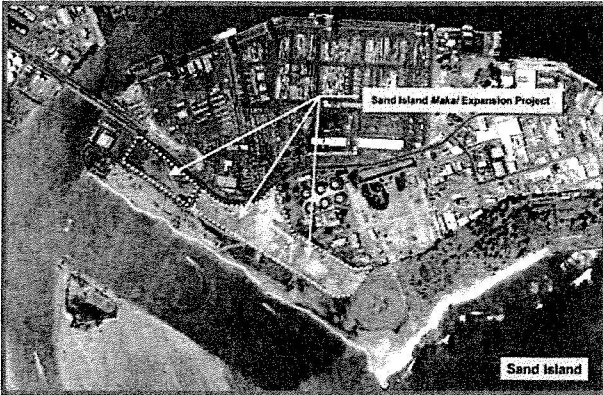
Clearly, the need to improve harbor infrastructure has gained considerable support and attention. The maritime community has formed a proactive coalition of members from the marine transportation industry to develop priorities for future port development and to assist the Department of Transportation, Harbors Division, to obtain mandates, approvals and financing of port improvements.

The Economic Momentum Commission (EMC) was established in 2005 with the goal of developing an action plan to sustain the state's economic momentum. The EMC promoted projects that could be achieved within a six-year period of time to address identified challenges. Improvement of the state's commercial harbor system surfaced as one of the Commission's top challenges for prioritized focus and attention.

2005 ACCOMPLISHMENTS

In cooperation with the Department of Transportation, Airports Division, a dilapidated warehouse in the Kapalama Military Reservation was demolished and an acre of adjacent land was acquired from the Department of Land and Natural Resources (DLNR) to Provide an expansion area of approximately 4 acres for cargo container yard operations.





Approximately 30 acres of land adjacent to the major cargo terminals on Sand Island were acquired from the DLNR for cargo container yard expansion. Pre-development land entitlements and approvals were pursued. The property will be leased to major shipping companies for cargo handling operations. Construction of site work is targeted to begin in the second quarter of 2006.

At Piers 1 and 2, Honolulu Harbor, design funds were released and design of improvements is underway, consisting of demolition of a warehouse shed, relocation of existing overhead lines that impede cargo operations and new lighting to provide a cargo yard expansion area of approximately 5.7 acres.



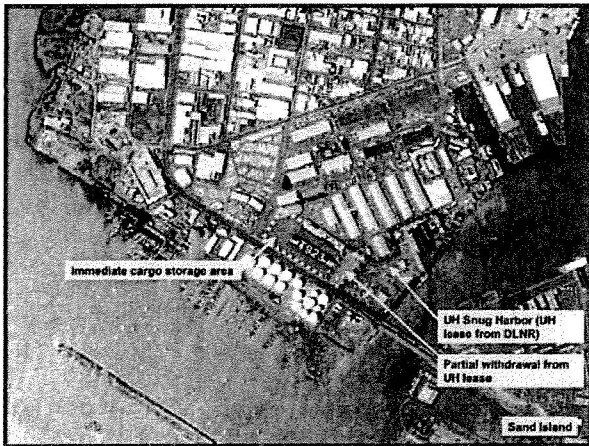
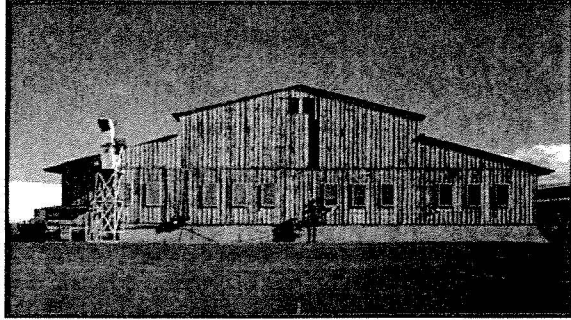
At Kapalama Military Reservation, \$1 million in planning funds was released by the Governor to establish a development plan for a new cargo container terminal. Three requests for qualified consultants were issued for this state-owned property which is approximately 70 acres in size. A national solicitation was made for a consultant with expertise in port terminal development and cargo operations. The work will also include financial proformas and a

business plan for development. A consultant was also sought to complete a historic review and documentation of this former military site used during World War II and the Vietnam War. Lastly, a general engineering consultant will be brought into the project, focusing on infrastructure, environmental, surveying and subdivision work. The selections are expected to be completed by the first quarter of 2006.

2006 ACCOMPLISHMENTS

Many of the projects started in April 2005 have been completed or are well underway. The following has been accomplished to date:

- The 4-acre parcel cleared at Kapalama Military Reservation is now being utilized for cargo and new vehicle storage.
- An area of approximately 30 acres of land adjacent to the major cargo terminals on Sand Island was approved for acquisition by the DLNR for cargo container yard expansion. Governor Lingle signed the Executive Order vesting use rights to DOT-H in August 2006.

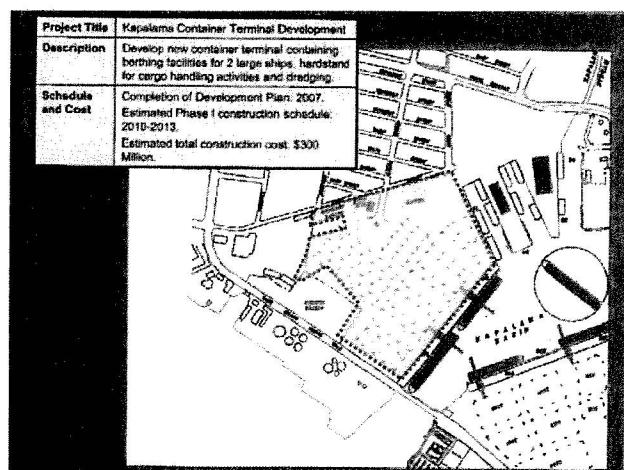


- An 8-year lease was negotiated and executed with Matson for a 9.6 acre portion of the Sand Island Expansion Area. Matson will be constructing site improvements in the first quarter of 2007.

- At Piers 1 and 2, Honolulu Harbor, \$2.7 million in design and construction funds were released for the demolition of the CFS#2 warehouse shed, relocation of existing overhead lines that impede cargo operations and new lighting to provide a cargo yard expansion area of approximately 5.7 acres. Bids for construction were opened in October 2006 and construction is expected to commence January 2007.
- Relocation of LCL cargo processing at CFS#2 was necessary to expand the foreign cargo yard at Piers 1 and 2. A warehouse at Kapalama Military Reservation was cleared of month-to-month permittees and leased to Island Movers, Inc. who assumed the LCL ("less than container load") cargo processing for NYK Lines.

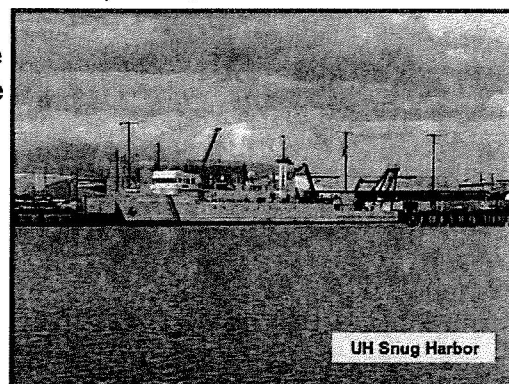


- A 5-year lease to Island Movers for its core facility at Kapalama Military Reservation was also negotiated and executed to ensure facilities for the LCL cargo processing.
- Facilitation of the arbitration proceedings for the re-opening of lease rent for Hawaii Stevedores, Inc. at Pier 35 was successfully completed.
- Property descriptions were drafted for the land parcels at Piers 1 and 2 that were included in Act 165, Session Laws of Hawaii 2006, for the return of these lands to DOT-Harbors and the Foreign Trade Zone No. 9 from the Kakaako Community Development District.
- Secured tenant reservations for all parcels at the Fishing Village, Pier 38.
- Initiated the development planning for the new Kapalama Container Terminal (redevelopment of the former Kapalama Military Reservation). A total of \$1 million in planning funds was appropriated by the Legislature and released by the Governor to establish a development plan for a new cargo container terminal consisting of an area approximately 70 acres in size. Three major contracts were procured and executed.



The work completed to date include:

- JWD Group has completed development options and is currently at work on financing scenarios for redevelopment;
- Belt Collins Hawaii, Ltd. is completing an assessment of the UH Marine Center facilities at the KMR harbor front for the relocation to new facilities. Cost estimates are also being prepared to identify the cost of the new facilities and relocation costs.
- Fung Associates is working with the State Historic Preservation Division, DLNR, to perform a historic architectural survey of KMR in preparation for demolition and redevelopment.

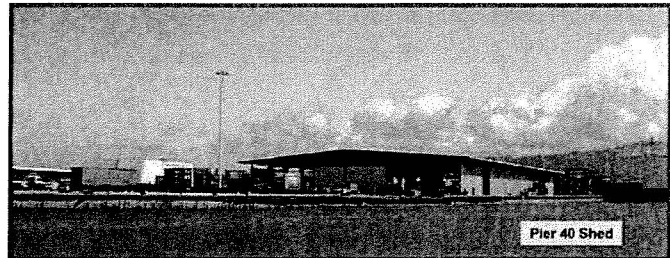


- Planning, design and construction were initiated in September 2006 to demolish a warehouse shed at Pier 40 and provide for expansion area on the former Daishowa property to permit Young Brothers to expand its Honolulu inter-island barge operations. These actions must be completed by April 30, 2007 to meet conditions specified in a Settlement Agreement between DOT and Young Brothers before the Public Utilities Commission regarding the continuation of LCL cargo service by Young Brothers.

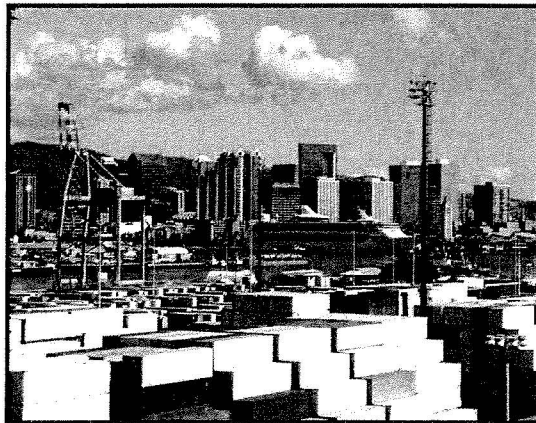


Piers 39-40
35.4 acres

Daishowa property
3.9 acres



Pier 40 Shed

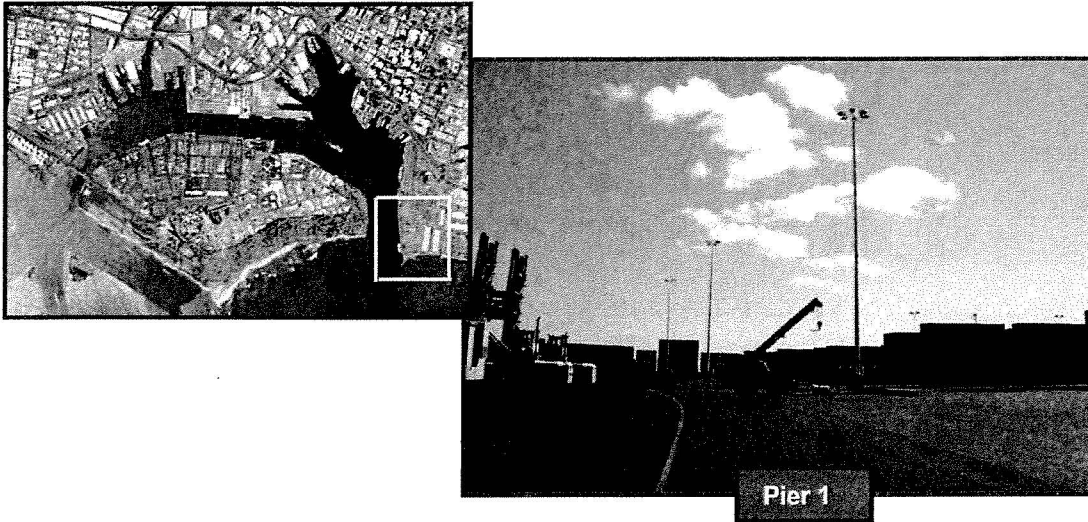


2007 ACCOMPLISHMENTS

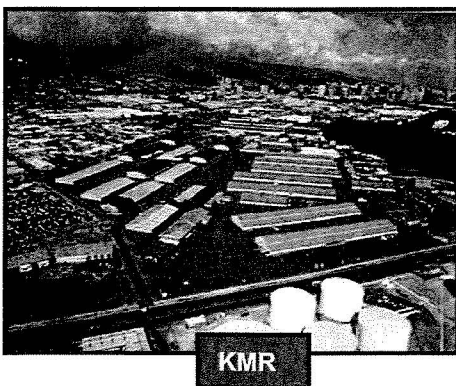
The ATDC is authorized under its enabling statute, HRS Chapter 206-J, to plan, develop or redevelop lands located seaward of Nimitz Highway between Pier 4 and the Honolulu International Airport.

In 2007, the Legislature recognized the expedited accomplishments of the ATDC/DOT-H partnership and supported the concept of providing continued additional infrastructure development support to the DOT-H as evidenced by the passage of Act 127, Session Laws of Hawaii 2007, which formalized the partnership between the DOT and ATDC for Honolulu Harbor.

- An 8-year lease was negotiated and executed with Matson for a 9.6 acre portion of the Sand Island Expansion Area. Matson completed construction of site improvements and is fully utilizing the site as of November 2007.
- At Piers 1 and 2, Honolulu Harbor, \$2.7 million in design and construction funds were released for the demolition of the CFS#2 warehouse shed, and new lighting was installed to provide a cargo yard expansion area of approximately 5.7 acres. Construction was completed in Fiscal Year 2008.



- Property descriptions were drafted for the land parcels at Piers 1 and 2 that were included in Act 165, Session Laws of Hawaii 2006, for the return of these lands to DOT-Harbors and the Foreign Trade Zone No. 9 (FTZ) from the Kakaako Community Development District. The Board of Land and Natural Resources (BLNR) granted final approval in December 2007 to revert the lands to DOT-Harbors and FTZ. Executive Orders conveying the lands to DOT-Harbors and FTZ are to be completed in Fiscal Year 2008.



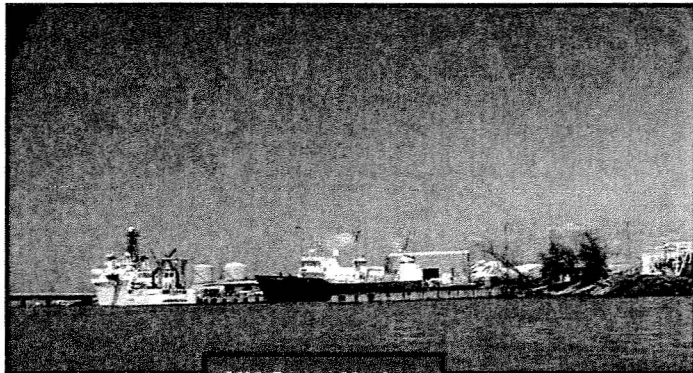
KMR



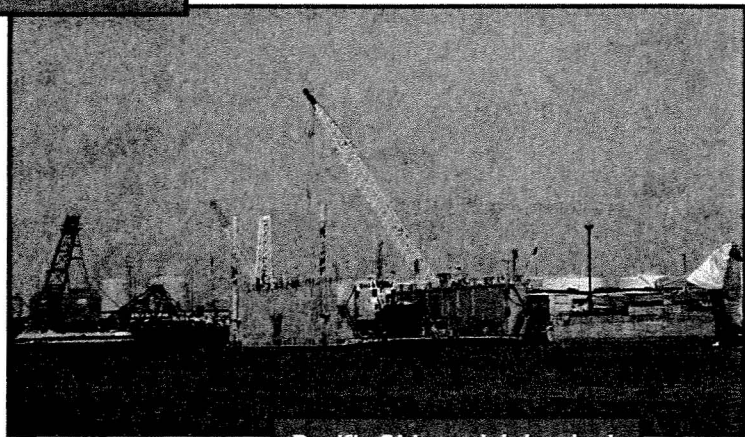
Development Plan for KMR

- Completion of the development plan for the new Kapalama Container Terminal (redevelopment of the former Kapalama Military Reservation, KMR). A total of \$1 million in planning funds was appropriated by the Legislature and released by the Governor to establish a development plan for the new cargo container terminal consisting of approximately 70 acres.

- Three major contracts were procured and executed. The work completed to date include:
 - JWD Group has completed the development plan and order of magnitude costs.
 - Belt Collins, Hawaii, Ltd. has completed a facilities assessment of the UH Marine Center facilities at the KMR harbor front and will be working on the relocation facility plan in 2008.
 - Fung Associates completed the historical architectural survey of KMR, which has been accepted by the State Historic Preservation Division.
- A warehouse shed at Pier 40 was demolished to provide expansion area for Young Brothers to load cargo at its Honolulu inter-island barge operations site.
- An agreement in principle was reached with the University of Hawaii for the relocation of the UH Marine Center from KMR. Relocation of the UH Marine Center is essential to start construction of the new Kapalama Container Terminal. Planning of new facilities was initiated in 2007.



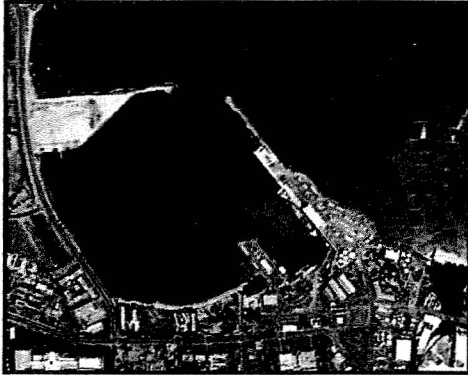
UH Snug Harbor



Pacific Shipyards' dry-dock

- Relocation of Matson rolling stock operations from Pier 29 to Pier 2 clears the way for the relocation of Pacific Shipyards to Piers 27-28. Planning of new facilities was initiated in 2007.
- A Request for Proposals (RFP) is issued for the redevelopment of the Keehi Industrial Lots area, a run-down 20-acre site off Sand Island Access Road, to an industrial park for maritime or maritime-related purposes.

While improvement projects in Honolulu Harbor are underway by the ATDC-DOT team, serious concerns abound regarding the other ports in the commercial harbor system, particularly Kahului Harbor and Kawaihae Harbor. Kahului Harbor is at capacity at this time, and Kawaihae Harbor requires additional terminal improvements and earthquake damage repair.



Kahului Harbor, Maui



Honolulu Harbor, Oahu

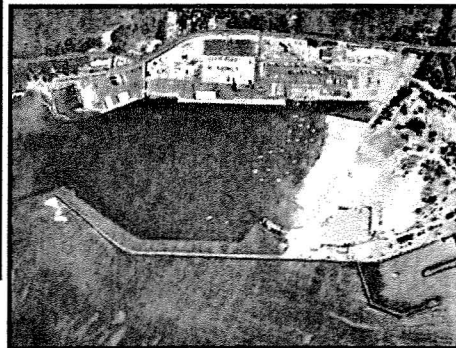


Kalaeloa Barbers Point Harbor, Oahu

In the fall of 2007, the DOT-H and the Hawaii Harbors Users Group (HHUG), comprised of major representatives from the Hawaii maritime industry, participated in a planning endeavor and reached consensus on a list of harbor improvement projects statewide that are critical for implementation on a priority basis. The DOT-H and HHUG, along with the support and assistance of various state departments and the Legislature, compiled a proposed harbors modernization plan that includes financing of projects by revenue bonds. One component of the plan proposes to expand ATDC's jurisdiction in Honolulu Harbor to a statewide jurisdiction. The plan has initially received favorable response and will be introduced as a measure for consideration before the Legislature in 2008.



Hilo Harbor, Hawaii



Kawaihae Harbor, Hawaii



Nawiliwili Harbor, Kauai



Maui County Farm Bureau

*An Affiliate of the American Farm Bureau Federation and Hawaii Farm Bureau Federation
Serving Maui's Farmers and Ranchers*

TESTIMONY

SB 3277, SD2 HD1 RELATING TO HARBORS

HEARING BEFORE THE COMMITTEE ON FINANCE

Chair Oshiro and Committee Members:

My name is Warren Watanabe, Executive Director of the Maui County Farm Bureau, a non-profit general agriculture organization and an affiliate of the Hawaii Farm Bureau Federation.

Maui County Farm Bureau, on behalf of its member farmers, ranchers and agricultural organizations **strongly supports SB3227** authorizing the financing of much needed harbor improvements.

Maui's exponential growth without corresponding upgrades at the harbor has left Maui struggling to meet shipping needs. The upgrades proposed are critical and needed.

We respectfully request your support of this Bill for timely harbor improvements. Thank you.



**The Chamber of
Commerce of Hawaii**

Since 1850

**Testimony to the House Committee on Finance
Wednesday, March 26, 2008 at 10:00 a.m.
Conference Room 308, Hawaii State Capitol**

RE: SENATE BILL 3227 SD2 HD1 RELATING TO HARBORS

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

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 requests that Senate Bill 3227 SD2 HD1, 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 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.



Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair
Committee on Finance
State Capitol, Honolulu, Hawaii 96813

HEARING Wednesday, March 26, 2008
 10:00 am
 Conference Room 308

RE: SB3227, SD2, HD1, Relating to Harbors

Chair Oshiro, Vice Chair Lee, and members of the Committee:

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 SB3227, SD2, HD1, 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 SB3227, SD2, HD1. Thank you for your consideration and for the opportunity to comment on this measure.

President

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.

ance Tanaka
esoro Hawaii Corporation

Steve Golden
The Gas Company

Eric Yoshizawa
Ameron Hawaii

George Stewart
Hawaiian Cement

SB 3227 SD2 HD1 RELATING TO HARBORS

GARY NORTH CHAIRMAN HAWAII HARBORS USERS GROUP

MARCH 26, 2008

Chair Oshiro and Members of the House Committee on

Finance:

I am Gary North, testifying on behalf of the Hawaii Harbors Users Group (HHUG), on SB 3227 SD2 HD1, "A BILL FOR AN ACT RELATING TO HARBORS." 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.

In addition, with the need for a development oriented focus along with innovative financing initiatives to meet the anticipated harbor infrastructure funding requirements, we believe that the designation of a Harbor Modernization Group 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.