

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

IN REPLY REFER TO:

March 12, 2008

**TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION**

**SENATE BILL NO. 3227, SD2**

**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 DOT 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 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:

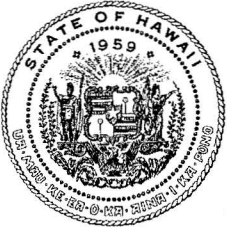
1. Extend the jurisdiction of ATDC over Honolulu Harbor to a statewide jurisdiction to implement the HMP;
2. Establish a Harbors Modernization Group within ATDC with the jurisdiction over specified harbor projects;
3. Increase the membership of the ATDC Board to a total of 13 members by adding the Director 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 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 reflects July 1, 2030 as the effective date of the legislation. The Department respectfully requests that the effective date be revised to "upon the bill's approval" to allow for immediate implementation of the HMP initiatives. Your full support of this bill will enable the timely delivery of critically needed harbor improvements that will benefit the entire state.



**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 Transportation  
and  
Committee on Water, Land, Ocean Resources & Hawaiian Affairs  
Wednesday, March 12, 2008  
10:45 a.m.  
State Capitol, Conference Room 309

in consideration of  
SB 3227, SD2  
RELATING TO HARBORS.

Chair Souki, Chair Ito and Members of the joint committees on Transportation and Water, Land, Ocean Resources & Hawaiian Affairs.

The Aloha Tower Development Corporation (ATDC) supports Senate Bill 3227, SD2. 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, 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. We do note the need for an effective date of July 1, 2008 to allow the immediate commencement of the harbor improvement projects within the desired time frame, within the targeted completion period. 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:

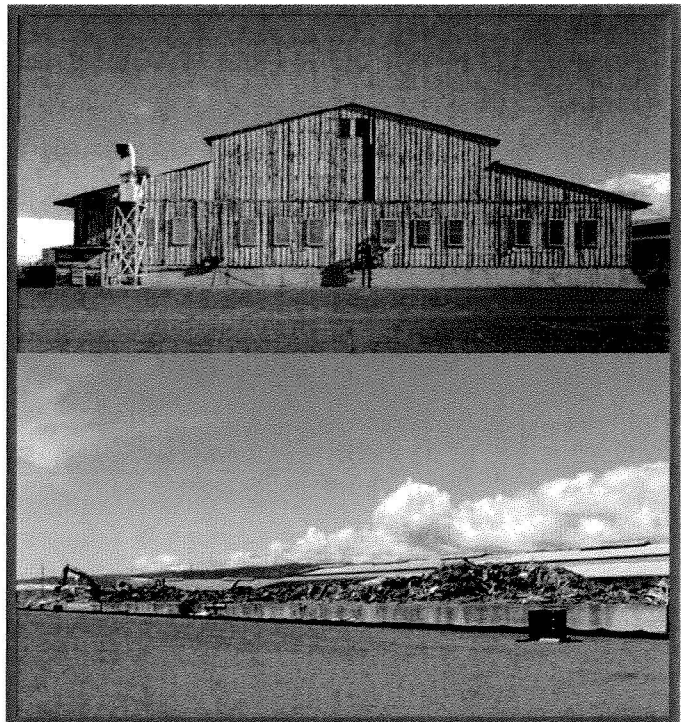
- Expedite development projects that will provide short term relief by maximizing efficiencies at existing facilities;
- Acquire and quickly upgrade expansion areas; and
- Plan and execute major long-term redevelopment projects such as the former Kapalama Military Reservation.

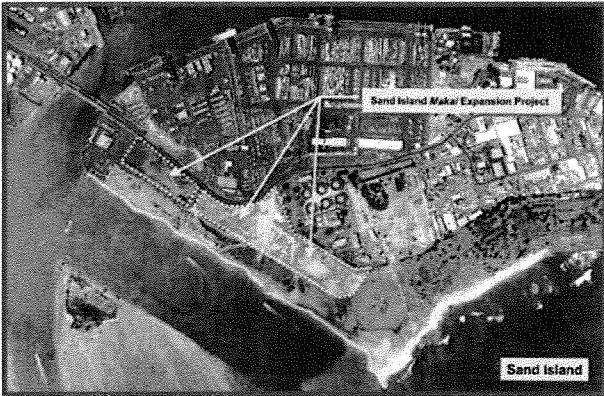
Clearly, the need to improve harbor infrastructure has gained considerable support and attention. The maritime community has formed a proactive coalition of members from the marine transportation industry to develop priorities for future port development and to assist the Department of Transportation,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



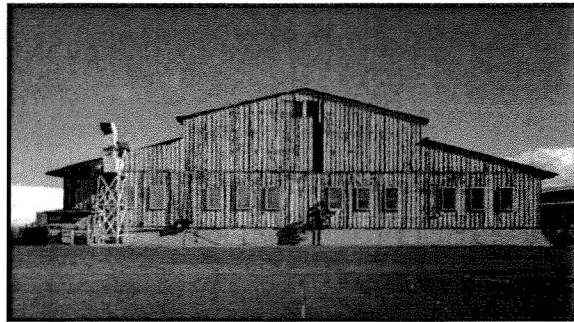
At Kapalama Military Reservation, \$1 million in planning funds was released by the Governor to establish a development plan for a new cargo container terminal. Three requests for qualified consultants were issued for this state-owned property which is approximately 70 acres in size. A national solicitation 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

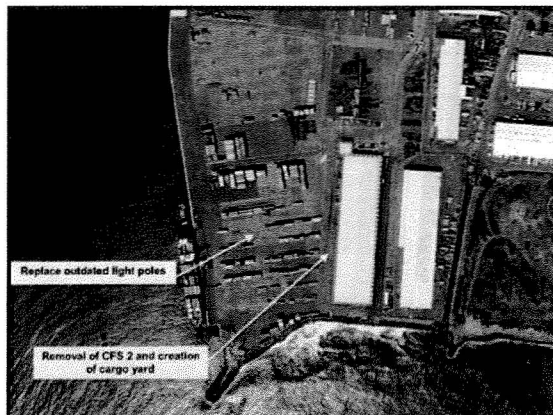
Many of the projects started in April 2005 have been completed or are well underway. The following has been accomplished to date:

- 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.



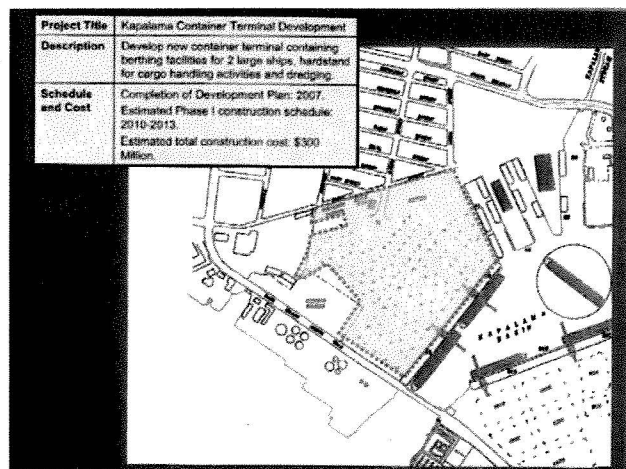
- An 8-year lease was negotiated and executed with Matson for a 9.6 acre portion of the Sand Island Expansion Area. Matson will be constructing site improvements in the first quarter of 2007.

- 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.



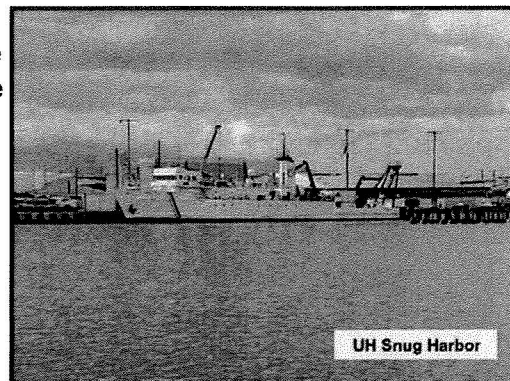


- A 5-year lease to Island Movers for its core facility at Kapalama Military Reservation was also negotiated and executed to ensure facilities for the LCL cargo processing.
- Facilitation of the arbitration proceedings for the re-opening of lease rent for Hawaii Stevedores, Inc. at Pier 35 was successfully 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.

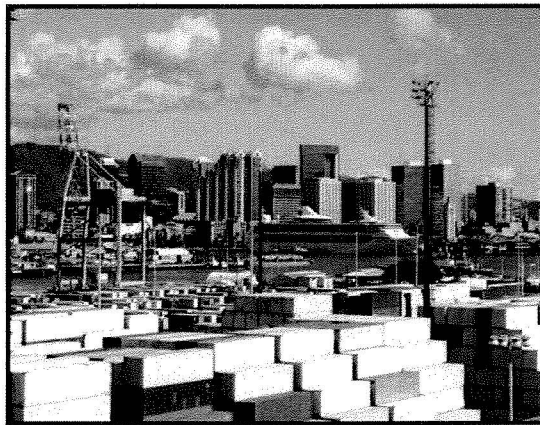
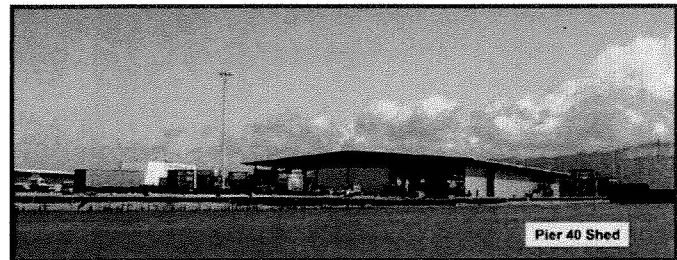
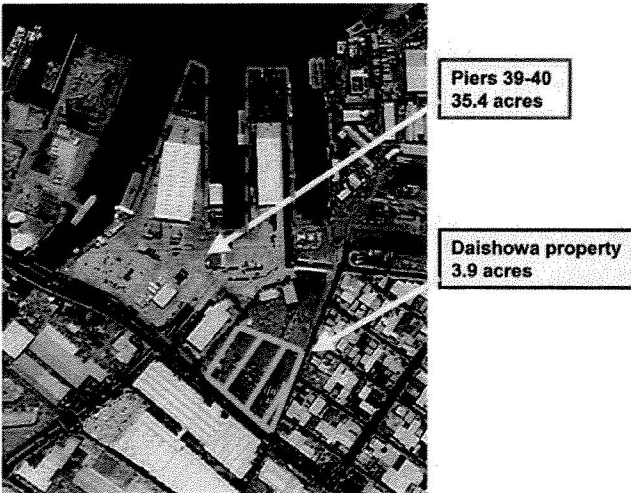


The work completed to date include:

- 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.

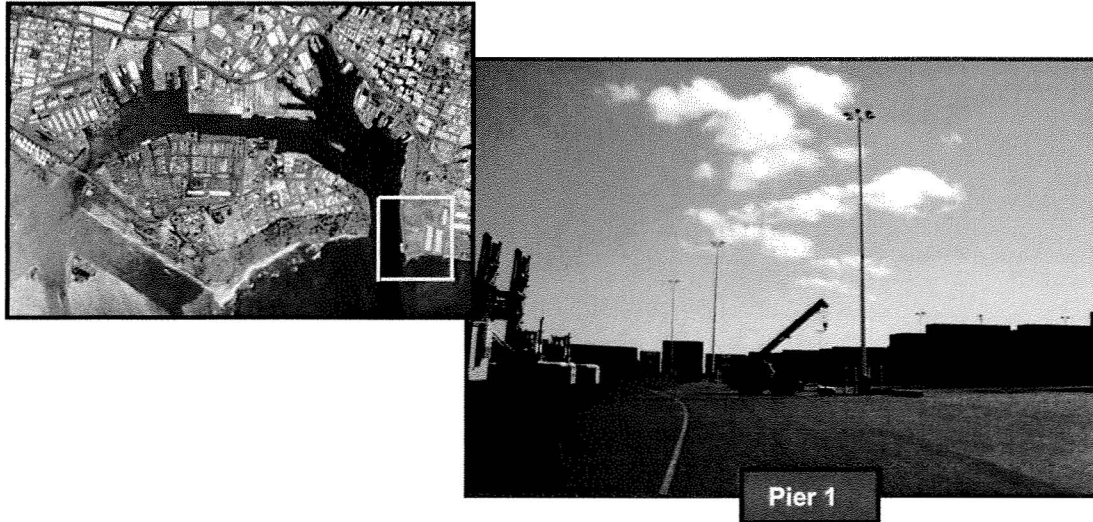


## 2007 ACCOMPLISHMENTS

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.

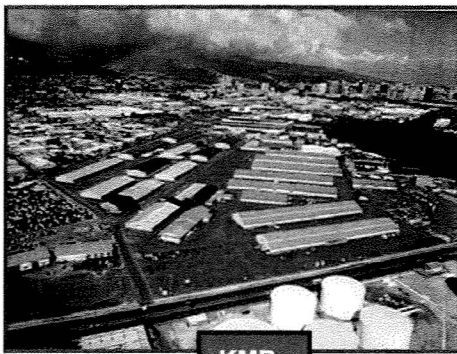
In 2007, the Legislature recognized the expedited accomplishments of the ATDC/DOT-H partnership and supported the concept of providing continued additional infrastructure development support to the DOT-H as evidenced by the passage of Act 127, Session Laws of Hawaii 2007, which formalized the partnership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



Pier 1

- 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.



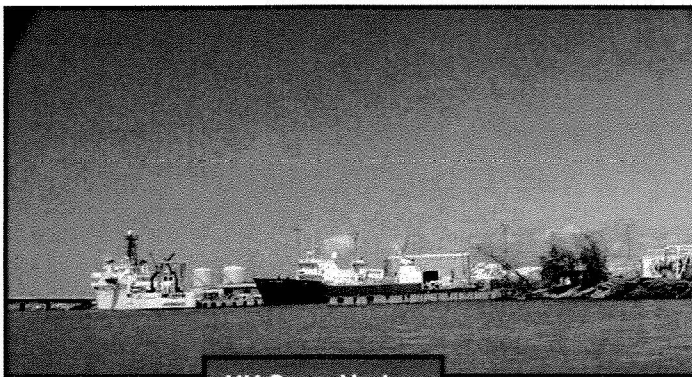
KMR



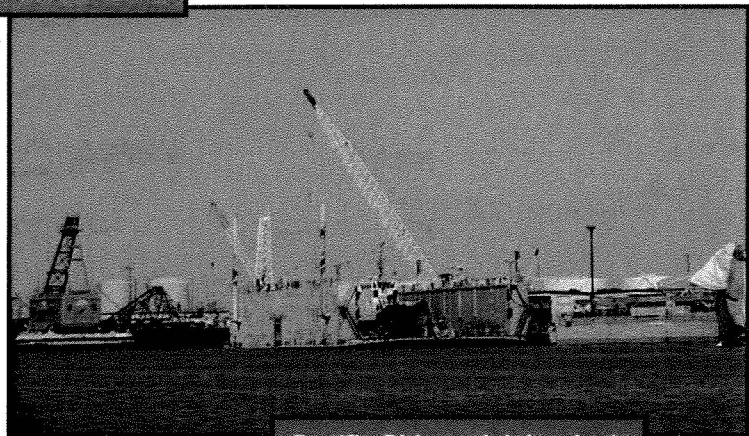
Development Plan for KMR

- 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

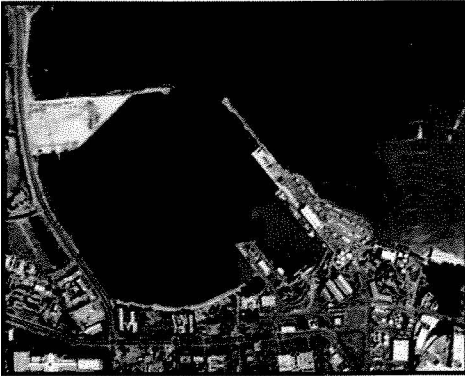


Pacific Shipyards' dry-dock

- Relocation of Matson rolling stock operations from Pier 29 to Pier 2 clears the way for the relocation of Pacific Shipyard 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.



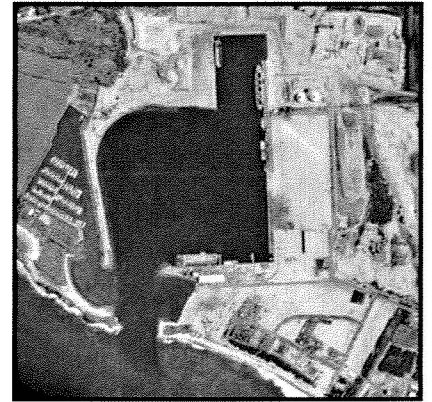
While improvement projects in Honolulu Harbor are underway by the ATDC-DOT team, serious concerns abound regarding the other ports in the commercial harbor system, particularly Kahului Harbor and Kawaihae Harbor. Kahului Harbor is at capacity at this time, and Kawaihae Harbor requires additional terminal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



**Kahului Harbor, Maui**



**Honolulu Harbor, Oahu**

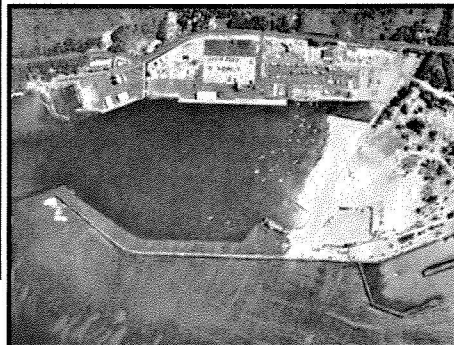


**Kalaheo Barbers Point Harbor, Oahu**

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**

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  
KAHOOLAWE 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 – Relating To Harbors**

**BEFORE THE HOUSE COMMITTEES ON  
TRANSPORTATION and  
WATER, LAND, OCEAN RESOURCES, AND HAWAIIAN AFFAIRS**

**March 12, 2008**

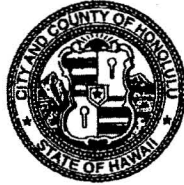
Senate Bill 3227, Senate Draft 2 among other things, proposes to expand the formal partnership for the development of Honolulu Harbor between the Aloha Tower Development Corporation (ATDC) and the Department of Transportation (DOT) Harbors Division to a statewide jurisdiction for the implementation of the commercial harbors modernization plan. The Department of Land and Natural Resources (Department) 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.

Part II of Senate Bill 3227, Senate Draft 2 relates to the Hana Harbor. The Department has no qualms if DOT is willing to take over jurisdictional and administrative authority over Hana Harbor, as called for in this Part. Further, the Department would be agreeable to continue to maintain the Hana Harbor Small Boat Ramp facility.

DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813  
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MUFI HANNEMANN  
MAYOR



HENRY ENG, FAICP  
DIRECTOR

DAVID K. TANQUE  
DEPUTY DIRECTOR

March 12, 2008

The Honorable Joseph M. Souki, Chair  
and Members of the Committee on Transportation

The Honorable Ken Ito, Chair  
and Members of the Committee on Water, Land,  
Ocean Resources and Hawaiian Affairs  
House of Representatives  
State Capitol  
Honolulu, Hawaii 96813

Dear Chairs Souki, Ito and Members:

**Subject: SENATE BILL 3227 SD2  
Relating to Harbors**

The Department of Planning and Permitting reiterates its **recommendation for an amendment** to the provisions of Senate Bill 3227 SD2, which expands the authority of the Aloha Tower Development Corporation, ATDC, to assist in the development of the statewide harbors modernization plan.

We believe that there is an omission in the section on membership on the harbor modernization group in that the Mayor of the City and County is not included along with Mayors of the other Counties, particularly since the two largest harbors, Kalaeloa and Honolulu harbors are included in this effort.

Accordingly, we respectfully request that Senate Bill 3227 SD2 be amended to correct this omission and to include the City and County on an equal basis with the other Counties. Thank you for this opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read "Henry Eng".

Henry Eng, FAICP Director  
Department of Planning and Permitting

HE:jmf  
sb3227sd2-mh.doc

The Twenty-Fourth Legislature  
Regular Session of 2008

**HOUSE OF REPRESENTATIVES**

Committee on Transportation

Rep. Joseph M. Souki, Chair

Rep. Scott Y. Nishimoto, Vice Chair

Committee on Water, Land, Ocean Resources & Hawaiian Affairs

Rep. Ken Ito, Chair

Rep. Jon Riki Karamatsu, Vice Chair

State Capitol, Conference Room 309  
Wednesday, March 12, 2008; 10:45 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 3227, SD2  
RELATING TO HARBORS**

The ILWU Local 142 supports S.B. 3227, SD2, which expands the authority of the Aloha Tower Development Corporation to assist in the development of the statewide harbors modernization plan, authorizes the Department of Transportation to issue revenue bonds to finance the harbor improvements, and transfers Hana Harbor, excluding its small boat ramp facility, to DOT.

The ILWU represents longshoremen and women who work daily at the major ports in Hawaii. They are well aware of the huge problem of congestion at all these ports and the need for major harbor improvements. These improvements are required for a number of reasons.

First, harbor improvements are needed to accommodate the growing impact of cargo, fuel and cruise ship requirements. From the Superferry to the profusion of goods coming to Hawaii through the ports, harbor usage has increased and will continue to increase.

Second, Hawaii needs to stay competitive to promote a growing economy. Harbor improvements statewide will allow commerce on all islands to flourish.

Third, congestion on the waterfront leads to inefficiencies, but most importantly, it potentially leads to accidents and injuries. Workers on the docks are subject to hazards resulting from physical conditions that could be improved and problems that could be avoided. Congestion is an accident waiting to happen.

For these reasons, the ILWU supports S.B. 3227, SD2 as a vehicle to begin planning for harbor improvements that will meet Hawaii's future needs. Thank you for the opportunity to share our views and concerns.



## **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 RELATING TO HARBORS**

#### HEARING BEFORE THE COMMITTEE ON TRANSPORTATION AND COMMITTEE ON WATER, LAND, OCEAN RESOURCES AND HAWAIIAN AFFAIRS

Chair Souki, Chair Ito 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 as amended** 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.

# 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

## **SB 3227 SD2 RELATING TO HARBORS**

### **GARY NORTH CHAIRMAN HAWAII HARBORS USERS GROUP**

**MARCH 12, 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 SB 3227 SD2, "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.





**The Chamber of  
Commerce of Hawaii**

Since 1850

**Testimony to the House Committees on Transportation and Water, Land, Ocean  
Resources and Hawaiian Affairs  
Wednesday, March 12, 2008 at 10:45 a.m.  
Conference Room 309, Hawaii State Capitol**

**RE: SENATE BILL 3227 SD2 RELATING TO HARBORS**

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 Senate Bill 3227 SD2, 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. 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 SB 3227 SD2  
March 12, 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.

**nishimoto2-Bryce**

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**From:** RawcoHI@cs.com  
**Sent:** Tuesday, March 11, 2008 1:37 PM  
**To:** TRNtestimony  
**Subject:** Testimony in support of SB3227 SD2 and proposing an amendment

Testimony in support of SB 3227 with a suggested amendment.

House Committee on Transportation  
and  
House Committee on Water, land, Ocean Resources & Hawaiian Affairs

State Capitol, Room 309 at 1045, Wednesday, 12 March 2008

Chair Souki, Chair Ito and Respected Members of the Committees;

I speak today in support of this bill, SB 3227 SD2 and I ask for an amendment to this bill as written to include the saving of the many small businesses that have operated from Kewalo Basin for the past fifty years.

My name is Reg White. I have been operating passenger tour and excursion vessels from Kewalo Basin since 1974. I work for a company that has been operating from Kewalo Basin since 1957. For the past 17 years the Basin has been under the disastrous control of HCDA. During that time they have demonstrated that they have neither experience nor expertise in operating and maintaining a harbor. The tenants have paid a surplus above operating expenses each year for the 17 years, but under HCDA none of this has been reinvested into maintaining the harbor facilities and so the place shows a great amount of deterioration. This is entirely due to neglect of their responsibilities on the part of HCDA. Now we reach the critical point where we must do something to provide a responsible and experienced management for the Basin and its future. We truly need this bill amended in order to protect our ability to continue operations from Kewalo Basin. The health of this basin is important to Honolulu Harbor too. As you already know, the 2030 master plan shows that Honolulu Harbor is already reaching capacity and will by the end of this year have to start finding overflow space for many of the smaller commercial vessels calling there. This seems to be best served under DOBOR, presently a division of DLNR. I urge you to amend this bill, SB 3227 SD2, so that it will give Kewalo Basin, the waters, the submerged lands and that adjacent fast land not deeded to OHA, to DOBOR for operation, development and maintenance. The inclusion of the fast lands from Ala Moana Blvd makai to the ocean and from Ala Moana Park Ewa to the OHA lands, or to the boundary of Ahui St/Ward Ave Extension, as it may apply, will ensure that the boating enterprises can be assured access for passengers, shoppers, tourists, and trades people, and so that complementary businesses may locate in the immediate vicinity to serve the commercial boating industry of Hawaii and to increase the revenue flow into the harbor's operating fund so that required maintenance may be carried out.

Please bear in mind that last legislative session you were kind enough to place \$5 million dollars into the DOT fund to be used on CIP projects in Kewalo Basin. Marion Higa issued an opinion that DOT could not use this money to improve Kewalo Basin as the basin belonged to HCDA, not DOT. That money was not spent and is still lying in the DOT budget marked for Kewalo Basin. These funds should be transferred to DOBOR along with the responsibility of the Basin.

Please add this amendment and pass this bill so we can get the job done.

Thank you ,

Reg White  
Vice president, project development  
Paradise Cruise, Ltd.

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