

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

IN REPLY REFER TO:

February 6, 2008

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

SENATE BILL NO. 3227

COMMITTEE ON TRANSPORTATION AND INTERNATIONAL AFFAIRS
COMMITTEE ON WATER AND LAND

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:

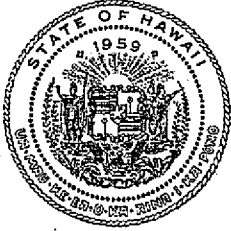
1. Extend the jurisdiction of ATDC over Honolulu Harbor to a statewide jurisdiction to implement the HMP;
2. Establish a Harbors Modernization Group within ATDC with the jurisdiction over specified harbor projects;
3. Increase the membership of the ATDC Board to a total of 13 members by adding the Director 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 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 of this bill.



ALOHA TOWER DEVELOPMENT CORPORATION

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Statement of
Theodore E. Liu
Director

Department of Business, Economic Development and Tourism
before the Joint Committees of
Transportation and International Affairs
and

Water and Land

Wednesday, February 6, 2008
2:30 PM

State Capitol, Conference Room 224

in consideration of
SB 3227

RELATING TO HARBORS.

Chairs English and Hee, and Members of the Joint Committees on Transportation and International Affairs and Water and Land.

The Department of Business, Economic Development and Tourism (DBEDT) and the Aloha Tower Development Corporation (ATDC), an attached agency to DBEDT, strongly support Senate Bill 3227.

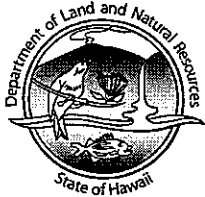
The purpose of the bill is to address the critical need for statewide upgrade and improvement of the State's commercial harbors system on an expedited basis. The overall volume of cargo processed through Hawaii's commercial harbor system has grown to the extent that it has become critical to redevelop 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.

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 – Relating To Harbors

**BEFORE THE SENATE COMMITTEES ON
TRANSPORTATION AND INTERNATIONAL AFFAIRS
and
WATER AND LAND**

February 6, 2008

Senate Bill 3227 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 relates to the Hana Ramp and Wharf. The Department has no qualms if DOT is willing to take over jurisdictional and administrative authority over the previously operational pier portion of the area designated as Hana Ramp and Wharf, as called for in this Part. Further, the Department would be agreeable to continue to maintain that portion of the Hana Ramp that is utilized as a small boat ramp facility.

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 RELATING TO HARBORS

**GARY NORTH
CHAIRMAN
HAWAII HARBORS USERS GROUP**

FEBRUARY 6, 2008

Chair English, Chair Hee, Members of the Senate Committee on Transportation and International Affairs, and Members of the Senate Committee on Water and Land:

I am Gary North, testifying on behalf of the Hawaii Harbors Users Group (HHUG), on SB 3227, "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 Cruise 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.



**The Chamber of
Commerce of Hawaii**

Since 1850

**Testimony to the Senate Committees on Transportation and International Affairs and
Water and Land**

**Wednesday, February 6, 2008; 2:30 a.m.
Conference Room 224, State Capitol**

RE: SENATE BILL 3227 RELATING TO COMMERCIAL HARBORS MODERNIZATION

Chairs English and Hee, Vice Chairs Gabbard and Kokubun, 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, 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 SB 3227
February 6, 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 Farm Bureau
F E D E R A T I O N

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February 6, 2008

TESTIMONY BEFORE THE SENATE COMMITTEES ON
TRANSPORTATION & INTERNATIONAL AFFAIRS
AND
SENATE COMMITTEE ON WATER AND LAND

SENATE BILL 3227

RELATING TO HARBORS

Chairs English and Hee and Members of the Committees:

My name is Alan Takemoto and I am the Executive Director of the Hawaii Farm Bureau Federation.

The Hawaii Farm Bureau supports SB 3227, which expands the authority of the Aloha Tower Development Corporation to assist in the development of the statewide harbors modernization plan; authorizes the DOT to issue revenue bonds to finance the harbor improvements; transfers the pier portion of Hana ramp and wharf to DOT.

The maintenance and expansion of our state harbors are critical to the survival of our agricultural industry as farmers and ranchers move their products, livestock, supplies, and equipment overseas. It is important that they are able to quickly gain access to their goods as soon as possible. As our population has grown tremendously, our harbor infrastructure has remained practically the same. We need to increase our harbors capacity to accommodate more products coming into our state.

Thank you for allowing us to testify in support of this measure.



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 RELATING TO HARBORS

HEARING BEFORE THE COMMITTEE ON TRANSPORTATION AND INTERNATIONAL AFFAIRS and COMMITTEE ON WATER AND LAND

Chair English, Chair Hee 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.



Senator J. Kalani English, Chair
Senator Mike Gabbard, Vice Chair
Committee on Transportation & International Affairs

Senator Clayton Hee, Chair
Senator Russell Kokubun, Vice Chair
Committee on Water & Land

State Capitol, Honolulu, Hawaii 96813

HEARING Wednesday, February 6, 2008
 2:30 pm
 Conference Room 224

RE: SB3227, Relating to Harbors

Chairs English and Hee, Vice Chairs Gabbard and Kokubun 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 SB3227, 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. Thank you for your consideration and for the opportunity to comment on this measure.

President

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The Surfrider Foundation, Maui Chapter



Hearing scheduled for Monday, February 4, 2008 at 2:30 p.m., Conference Room 224

Senator Kalani English, Chair
Senator Mike Gabbard, Vice Chair
Committee on Transportation and International Affairs

SB 3227 RELATING TO COMMERCIAL HARBORS MODERNIZATION

TESTIMONY IN OPPOSITION

The Surfrider Maui Chapter **STRONGLY** objects to SB3227 on the grounds that such a transfer of authority to a quasi public company and gubernatorial appointees gives over harbor planning and financing responsibilities to partisan and special interests. Nowhere in the proposed legislation is any consideration given to resident harbor users or the general public.

State lawmakers who vote for this measure are abdicating themselves from responsibility and in so doing they place the process out of public reach. The taxpayers are losing a voice in this process.

This measure should not pass, and if it does, line item veto should be given to the mayoral representative of each county.

The Surfrider Foundation Maui Chapter further opposes HB 3406 because much of the need for harbor expansion is created by crowding from passenger vessels. Hawaii should exercise fiscal prudence by making needed improvements to freight docking facilities without expanding commercial harbor to accommodate passenger vessels.

Norwegian Cruise Lines has already pulled out of Hawaii, and it is questionable whether the Hawaii Superferry will remain in Hawaii long enough to enjoy the proposed improvements scheduled for completion in 2012.

Surfrider objects to harbor expansions that accommodate private companies unless these companies pay their fair share for improvements on their behalf.

It is objectionable that the improvements will translate into increases to freight services that will be passed along to end consumers, who will, in effect, be subsidizing the harbor expansion to accommodate cruise ships and the Hawai'i Superferry.

Jan Roberson, MPA
Maui Chapter Chair, The Surfrider Foundation
808 298-8254; maui@surfrider.org

The Surfrider Foundation is a 501(c)(3) FEIN 95-3941826