

SB 2933

RELATING TO MAKING AN
APPROPRIATION FOR A FEDERAL
INSPECTION STATION AT
KONA INTERNATIONAL AIRPORT
AT KONA



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

Testimony by:
FORD N. FUCHIGAMI
DIRECTOR

Deputy Directors
JADE T. BUTAY
ROSS M. HIGASHI
EDWIN H. SNIFFEN
DARRELL T. YOUNG

IN REPLY REFER TO:

February 4, 2016
2:45 PM
State Capitol, Room 229

**S.B. 2933
RELATING TO MAKING AN APPROPRIATION FOR A
FEDERAL INSPECTION STATION AT KONA INTERNATIONAL AIRPORT**

Senate Committee on Transportation and Energy

The Department of Transportation (DOT) strongly **supports** S.B. 2933 as part of the Administration's Package. The DOT has determined general obligation bonds to be the most appropriate funding stream to carry out its intent.

The United States Department of Homeland Security, Customs and Border Protection (CBP), requires a Federal Inspection Station (FIS) for all certificated United States of America (U.S.) airports designated as a point of entry into the U.S. for all international arriving visitors pursuant to Title 19, Code of Federal Regulations, section 162.6 which provides, "All persons, baggage, and merchandise arriving in the Customs territory of the United States from places outside thereof are liable to inspection and search by a Customs officer." In addition, CBP requires that each FIS must meet airport technical design and construction standards in order to comply with operational requirements and security regulations.

The re-establishment of the FIS at the Kona International Airport at Keahole (KOA) will provide a secondary international entry point to Hawaii, allowing international passengers to directly arrive at KOA, without having to connect from the Honolulu International Airport (HNL) on Oahu. This will provide an option for the international traveler, decrease airfare costs, and reduce congestion during daily peak hours and travel seasons at the HNL FIS.

We have experienced the return of international traffic since the economic downturn in 2009 in which international traffic to Hawaii has grown by more than 1 million passengers or 59% since then. The forecasted upward trend in international passenger growth would further contribute to the current congestion at the HNL FIS. In addition, the FIS at KOA would also serve as a second point of entry to Hawaii, should an unforeseen event shutdown at the HNL FIS.

Testimony of the Department of Transportation
S. B. No. 2933
February 4, 2016
Page 2

The expected increase of international travelers to KOA as a result of re-opening the KOA FIS will bolster the tourism industry and Hawaii's overall economy in terms of increased visitor's spending and the creation of additional job opportunities for the State of Hawaii.

The cost to construct the KOA FIS is estimated to be \$50 million. If this project were financed with Airport Revenue Bonds, all airlines operating at KOA, and most international flights at HNL would experience a material increase in operational costs due to the debt service associated with the KOA FIS. This would create an inequitable situation, wherein many airlines that do not utilize or benefit from the facility would be subsidizing the majority of the costs.

Currently, KOA's terminal rental rate is \$45/sq. ft. We have obtained the airline's support to utilize a combination of Airport Revenue Bonds and Passenger Facility Charges for the Terminal Modernization Program at KOA, a program estimated to cost \$70M, since it benefits multiple airlines. This will result in a terminal rental rate of \$67/sq. ft. when that program is completed in 2018. However, if Airport Revenue, rather than General Obligation (GO) bonds were to finance this KOA FIS project, it would result in a terminal rental rate of \$99/sq. ft., or another 48% increase to the terminal rental rate for KOA.

Prior to the closing of the KOA FIS in October 2010, Japan Airlines (JAL) deplaned 71,000 passengers at KOA in FY 2010 (one flight per day) per the Official Airline Guide. At that time, the Hawaii Tourism Authority reported that the Japan visitor's spending was \$2.4 billion for 1.5 million visitors, or roughly \$1,600 per passenger. Therefore, 71,000 visitors would yield visitor spending amounting to approximately \$113 million annually.

The DOT estimate's the State General Fund will receive annual tax revenues of \$14 million from general excise, transient accommodation, and income taxes. As a result, the payback period on the \$50 million GO bond investment would be less than 4 years.

Thank you for the opportunity to provide testimony.

STATE OF HAWAII
DEPARTMENT OF DEFENSE

TESTIMONY ON SENATE BILL 2933
A BILL MAKING AN APPROPRIATION MAKING AN APPROPRIATION
FOR A FEDERAL INSPECTION STATION AT KONA INTERNATIONAL AIRPORT

PRESENTATION TO THE SENATE COMMITTEE ON TRANSPORTATION AND ENERGY

BY
MAJOR GENERAL ARTHUR J. LOGAN
ADJUTANT GENERAL
AND DIRECTOR OF THE HAWAII EMERGENCY MANAGEMENT AGENCY
February 4, 2016

Chair Inouye, Vice Chair Gabbard, and Members of the Senate Committee on Transportation and Energy.

I am Major General Arthur J. Logan, State Adjutant General and the Director of the Hawaii Emergency Management Agency. I am testifying in **SUPPORT** of Senate Bill 2933.

Kona International Airport could serve as the alternate to Honolulu International Airport if Honolulu is damaged or closed after a major disaster. The addition of federal inspection station will increase the airport's capabilities and improve Kona's value as an alternate airport after a disaster.

Thank you for allowing me to testify in **SUPPORT** of Senate Bill 2933.

DENNIS "FRESH" ONISHI
Council Member
District 3



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HAWAI'I COUNTY COUNCIL

County of Hawai'i
25 Aupuni Street
Hilo, Hawai'i 96720

TESIMONY IN SUPPORT OF SENATE BILL NO. 2933

MAKING AN APPROPRIATION FOR FEDERAL INSPECTION STATION
AT KONA INTERNATIONAL AIRPORT

COMMITTEE ON TRANSPORTATION AND ENERGY

Senator Lorraine R. Inouye, Chair
Senator Mike Gabbard, Vice Chair

Thursday, February 4, 2016, 10:00 a.m.
State Capitol, Conference Room 229

Honorable Chair Inouye,
Vice Chair Gabbard,
And Members of the Committee on Transportation and Energy

Thank you for the opportunity to provide testimony in strong support of SB 2933, which appropriates funds for a federal inspection station at the Kona International Airport.

The approval of funding is necessary to meet the United States Customs and Border Protection technical design standards and will provide the state with a second international port of entry.

Please recommend approval of this bill.



TESTIMONY OF HAWAIIAN AIRLINES

SB 2933 Making an Appropriation for a Federal Inspection Station at Kona International Airport

SENATE COMMITTEE ON TRANSPORTATION and ENERGY

DATE: Thursday, February 4, 2016

TIME: 2:45 pm

PLACE: State Capitol, Room 229

Aloha Chairman Inouye, Vice Chairman Gabbard and members of the Senate Committee on Transportation and Energy,

Hawaiian Airlines supports this measure SB 2933 appropriating funds for the construction of a Federal Inspection Station at Kona International Airport in Keahole.

As you are aware, our airlines has applied three times for the right to provide non-stop daily service from Haneda International Airport in Tokyo to Kona. We are currently in position to be granted the route if American Airlines does not successfully launch its planned service between Tokyo and Los Angeles. A key impediment to our application has been the lack of a Federal Inspection Facility at Kona Airport.

Kona is the second largest travel market between Japan and the US without a nonstop flight. We estimate that such a route would put an additional \$74 million annually into the Hawai'i economy and create 1,400 additional jobs. This benefit can accrue to Hawai'i only if Kona has a station for processing incoming international travelers.

We believe this appropriation is money well spent and we encourage its passage.

Ann Botticelli
SVP Corporate Communications and Public Affairs
Hawaiian Airlines



MAUNA KEA RESORT
HAWAII ISLAND

February 3, 2016

Testimony in Support of SB2933 and HB2404

Members of the Hawaii Legislature:

Mauna Kea Resort is in full support of the Governor's request to appropriate \$50,000,000 or so much thereof as may be necessary for fiscal year 2016-17 and the same sum or so much thereof as may be necessary for fiscal year 2017-2018 for a federal inspection station at Kona International Airport at Keahole on the Island of Hawaii, in order to meet the requirements of title 19, United States Code of Federal Regulations, part 162.

Mauna Kea Resort is home to Mauna Kea Beach Hotel and Hapuna Beach Prince Hotel totaling 602 hotel guest rooms, homes and villas, plus two 18-hole golf courses, tennis and more. Because air travel is the dominant means of arrival for visitors, the Kona Airport is the lifeline for our resort and for our island's visitor industry. Tourism is the island's economic engine and Mauna Kea Resort employs nearly 1,000 people.

Essential to the future growth and viability of our visitor industry is the revival of international arrivals at KOA. We appreciate your consideration of and support for the Governor's request for our airport.

Mahalo for your support.


Craig Anderson
Vice President of Operations, Mauna Kea Resort



February 2, 2016

Testimony in Support of SB2933 and HB2404

Members of the Hawaii Legislature:

The Fairmont Orchid is in full support of the Governor's request to appropriate \$50,000,000 or so much thereof as may be necessary for fiscal year 2016-17 and the same sum or so much thereof as may be necessary for fiscal year 2017-2018 for a federal inspection station at Kona International Airport at Keahole on the Island of Hawaii, in order to meet the requirements of title 19, United States Code of Federal Regulations, part 162.

As a hotel, we are one of the biggest industries and collectively the biggest employers on our island. With air travel and marketing, the number of jobs in the years to come is expected to grow on Hawaii Island, and the Kona International Airport is critical in efforts to increase our tourism industry. Tourism is the largest source of private capital into our islands and we want to ensure that we continue to build on this positive momentum.

Along with the Kohala Coast Resort Association, the Fairmont Orchid is committed to working with the state, county and industry stakeholders to assist with the revival of international arrivals at KOA as it is crucial to the future growth and viability of our visitor industry.

Mahalo for your support.

Sincerely,

A handwritten signature in black ink, appearing to read "Kelley Cosgrove".

Kelley Cosgrove
General Manager

One North Kaniku Drive
Kohala Coast, Hawaii
United States 96743
TEL 808 885 2000
FAX 808 885 1064
orchid@fairmont.com
fairmont.com



February 2, 2016

Testimony in Support of SB2933 and HB2404

Members of the Hawaii Legislature:

The Kohala Coast Resort Association (KCRA) is in full support of the Governor's request to appropriate \$50,000,000 or so much thereof as may be necessary for fiscal year 2016-17 and the same sum or so much thereof as may be necessary for fiscal year 2017-2018 for a federal inspection station at Kona International Airport at Keahole on the Island of Hawaii, in order to meet the requirements of title 19, United States Code of Federal Regulations, part 162.

KCRA is a collection of master-planned resorts and hotels situated north of the airport which represents more than 3,500 hotel accommodations and an equal number of resort residential units. This is about 60 percent of the accommodations available on the Island of Hawai'i. Because air travel is the dominant means of arrival for visitors, KOA is the lifeline for our visitor industry. Tourism is the island's economic engine and our resorts and hotels directly employ close to 6,000 people. The island's restaurants, activities, retail outlets, real estate, property management, transportation organizations and other businesses also heavily rely on tourism.

Essential to the future growth and viability of our visitor industry is the revival of international arrivals at KOA. KCRA is committed to working with the state, county and industry stakeholders to

Mahalo for your support.

Sincerely,
Stephanie Donoho
Administrative Director

Patrick Fitzgerald, Hualalai Resort
Kelley Cosgrove, The Fairmont Orchid, Hawai'i
Debi Bishop, Hilton Waikoloa Village
Rodney Ito, Mauna Lani Bay Hotel & Bungalows
John Tolbert, Waikoloa Beach Marriott Resort & Spa
Craig Anderson, Mauna Kea Resort

Takashi Yamakawa, Mauna Lani Resort
Scott Head, Waikoloa Land Company
Denise Hill, Hualalai Resort
Robert Whitfield, Four Seasons Resort Hualalai
Peter Thoene, Mauna Kea Beach Hotel
and Hapuna Beach Prince Hotel



AIRPORT CONCESSIONAIRES COMMITTEE

Honorable Lorraine Inouye, Chair
Committee on Transportation and Energy
Hawaii State Senate
State of Hawaii

Room 229, 2:45 p.m.

February 4, 2016

Re: SB 2933 Making An Appropriation For Federal
Inspection Station at Kona International Airport

Dear Chair Inouye and Honorable Committee Members:

My name is Peter Fithian and I am the Chair of the Legislative and Governmental Affairs Committee of the Airports Concessionaires Committee.

Our Committee represents the majority of the concession operators at the public airports throughout the State of Hawaii. Members of our group contribute about 50% of the operating revenues of the airports along with the airlines who also contribute about 50%.

Our Committee strongly supports this bill.

The stars now appear to be in alignment where we have: 1) the airlines waiting to fly into Kona and 2) the Obama administration willing to proceed and staff the facility if construction goes forth. Thus with your help our DOT just needs to build the facility in Kona.

Depending on the outcome of the Presidential election we may not have this opportunity again for quite a while.

Please let's not lose this opportunity that will be a boom and enhancement not only to our economy but also to one of neighbor islands in need of our support.

Finally the improvements will pay for themselves in 2 to 3 years from the estimated additional spending of \$113 million for the estimated 71,000 more visitors.

Please support the passage of this important bill. Thank you for allowing us to testify on this bill.

AIRLINES COMMITTEE OF HAWAII



Honolulu International Airport
300 Rodgers Blvd., #62
Honolulu, Hawaii 96819-1832
Phone (808) 838-0011
Fax (808) 838-0231

February 4, 2016

Honorable Lorraine Inouye, Chair
Honorable Mike Gabbard, Vice Chair
Senate Committee on Transportation and Energy

**Re: SB 2933 – MAKING AN APPROPRIATION FOR A FEDERAL INSPECTION
STATION AT KONA INTERNATIONAL AIRPORT – SUPPORT**
Conference Room 229 – 2:45 PM

Aloha Chair Inouye, Vice Chair Gabbard, and Members of the Committee:

The Airlines Committee of Hawaii* (ACH), which is made up of 20 signatory air carriers that underwrite the State Airport System, appreciates the opportunity to offer testimony supporting SB 2933.

This measure appropriates funds for a federal inspection station at Kona international airport at Keahole on the island of Hawaii. During peak flight arrival times, high volumes within a short time frame at the Honolulu International Airport frequently results in passengers waiting on the airplane because of congestion in the immigration facility. A second international entry point would alleviate gate holds and passenger processing times by Customs and Border Protection in the Federal Inspection Service facility.

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

Sincerely,

Blaine Miyasato
ACH Co-chair

Matthew Shelby
ACH Co-chair

**ACH members are Air Canada, Air New Zealand, Air Pacific, Alaska Airlines, All Nippon Airways, Aloha Air Cargo, American Airlines, China Airlines, Delta Air Lines, Federal Express, go!, Hawaiian Airlines, Island Air, Japan Airlines, Korean Air, Philippine Airlines, Qantas Airways, United Airlines, United Parcel Service, US Airways, and Westjet.*