



SB658 SD1
RELATING TO AN AIRPORT CORPORATION
Senate Committee on Ways and Means

February 24, 2017

9:30 a.m.

Room 211

The Office of Hawaiian Affairs (OHA) **OPPOSES** SB658 SD1, which would establish the Hawai'i Airport Corporation (Corporation) to exercise consolidated jurisdiction over the State's airports and airport lands, and exempt the Corporation from critical laws protecting Native Hawaiian rights and interests in public and "ceded" lands.

OHA has significant concerns regarding language in this measure that would explicitly exempt the Corporation and Corporation-held lands from Hawai'i Revised Statutes (HRS) Chapter 171.

Under Article 11, section 1 of the Hawai'i State Constitution and HRS Chapter 171, the State holds in trust approximately 1.3 million acres of public lands, including the natural and cultural resources they contain, for the benefit of present and future generations. Much of these lands are "ceded" lands, most of which are also subject to the public land trust created by Article 12 of the Hawai'i State Constitution and the Admission Act section 5(f), which requires that a portion of revenues derived from public land trust lands be dedicated to OHA, for the purpose of bettering the conditions of Native Hawaiians. OHA notes that the trust status of these lands imposes on the State specific fiduciary obligations of due diligence and undivided loyalty, in making the trust corpus productive and maximizing its benefits for the trust's Native Hawaiian and public beneficiaries.

By exempting the proposed Corporation from Chapter 171, this bill would circumvent critical laws that protect Native Hawaiian rights related to "ceded" lands, other public lands, and the public land trust. For example, Chapter 171 contains requirements that legislative approval be obtained prior to the sale or gift of state lands (HRS §171-64.7), or to the exchange of public lands for private lands (HRS §171-50). OHA views these statutory protections as critical to maintaining the ceded lands corpus, as their enactment was a condition precedent to the settlement agreement in the OHA v. Housing and Community Development Corporation of Hawai'i lawsuit, brought in response to the State's actions to sell and otherwise alienate ceded lands. An exemption from these statutory requirements would therefore undermine the long-held understanding between OHA, Native Hawaiians, and the State, regarding the State's moral and legal obligation to maintain the ceded lands corpus. Chapter 171 also contains requirements for leases of public lands, including public auction requirements, limits on lease length and parcel use, and lessee qualifications, all of which are meant to benefit and protect the

interests of Native Hawaiians and the public. Exempting the Corporation from these requirements may invite potential violations of the public trust and public land trust, by foreclosing opportunities to maximize the financial and intangible benefits derived from the trust corpus, and fostering a sense of entitlement in lessees that can and has in the past led to the alienation of public lands. **Accordingly, the wholesale exemption of the Corporation and its lands from Chapter 171 may threaten a range of Native Hawaiian interests in our limited public land base.**

OHA has additional concerns over Section 2 of the measure, which describes the new Corporation as a “body politic and corporate,” a “public instrumentality,” and a “subdivision of the State.” The latter term resembles the term “political subdivisions within the State” in Article VIII of the state constitution describing local government, i.e., the counties. Since the counties are not necessarily subject to the same laws as state agencies, it is unclear whether key state laws would apply to the Corporation, including Act 178, Session Laws of Hawai‘i 2006, which imposes strict public land trust revenue accounting requirements on state departments and agencies that use or manage public lands.

Accordingly, OHA urges the Committee to **HOLD** SB658 SD1, or otherwise ensure that all laws establishing and protecting the rights of OHA and its beneficiaries be made explicitly applicable to the Corporation in its receipt, administration, and disposition of lands that fall under its control. Mahalo for the opportunity to testify on this measure.



**WRITTEN TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-NINTH LEGISLATURE, 2017**

ON THE FOLLOWING MEASURE:

S.B. NO. 658, S.D. 1, RELATING TO AN AIRPORT CORPORATION.

BEFORE THE:

SENATE COMMITTEE ON WAYS AND MEANS

DATE: Friday, February 24, 2017

TIME: 9:30 a.m.

LOCATION: State Capitol, Room 211

TESTIFIER(S): **WRITTEN TESTIMONY ONLY.**

(For more information, contact Michael Q.Y. Lau,
Deputy Attorney General, at 587-2992)

Chair Tokuda and Members of the Committee:

The Department of the Attorney General provides the following comments on this measure.

The purpose of the bill is to establish the Hawai'i airport corporation (the "corporation") to manage state airports. The corporation would be placed within the Department of Transportation for administrative purposes.

Appointments

Subsection (b) on page 5, lines 11-20, of the new section -2 of the new Hawaii Revised Statutes chapter being added by section 2 of the bill provides that the corporation board of directors shall consist of nine members:

Five who are appointed by the Governor;

Two appointed by the Speaker of the House; and

Two appointed by the President of the Senate.

The direct appointments by the House Speaker and Senate President might be challenged as violating the separation of powers doctrine under the Hawai'i Constitution. However, we recognize that the Hawaii Revised Statutes contains examples of executive boards and commissions to which the Legislature appoints members. See, e.g., Elections Commission (Haw. Rev. Stat. § 11-7). Nevertheless, to

obviate a potential challenge, we suggest that wording be added to the bill that provides that the Governor shall appoint all nine members of the board of directors.

Chapter 171

The “shall not be subject to chapter 171” wording in paragraph (19) on page 13, lines 2-3, gives the corporation complete management control over the public lands currently managed by the DOT. This comment and the suggested revisions in this testimony do not address the policy implications of making this change.

It is not clear what the “related thereto” means as used in paragraph (20) on page 13, line 9, paragraph (21) on page 13, line 12, and paragraph (22) on page 14, lines 1-2, of the new section -3 in section 2. If the intent is to relate the actions to the corporation’s management of airports, “related thereto” should be revised to “related to airports controlled by the corporation.”

Paragraph (21) on page 13, lines 10-12, of the new section -3 in section 2, appears redundant to paragraph (19) on page 12, lines 18-21, and page 13, lines 1-3, of the new section -3 in section 2. Accordingly, paragraph (21) should be deleted for clarity.

Paragraph (20) on page 13, line 4, and paragraph (22) on page 13, line 13, of the new section -3 in section 2 uses the term “shall.” If the intent is to make the actions referenced in these paragraphs discretionary, “may” should be used instead of “shall.”

“Airport” as used in paragraph (20) on page 13, line 8, and “streets, roads, roadways, alleys, easements, or other places” as used in paragraph (22), lines 15-16 should be qualified by including “located on land controlled by the corporation.”

Employment

Paragraph (6) on page 8, lines 1-2, of the new section -2 provides that the chief executive officer may appoint “such deputy executive officers as the chief executive officer deems appropriate.” If the intent is that the “deputy executive officers” be exempt from civil service requirements, wording should be added to identify what provision in section 76-16(b), HRS, authorizes the exemption.

Paragraph (11) on page 8, lines 18-20, and page 9, lines 1-2, of the new section -2 provides that the chief executive officer may hire staff and employees to fill positions

that may be provided for in the corporations annual budget, and that the functions and duties of all positions shall be provided for in the bylaws of the corporation. “Staff” would be state employees working for the corporation. Accordingly, it is not clear why the use of the term “staff” is necessary. Moreover, at least some corporation employees will be civil service employees. See e.g., section 10, page 20, lines 16-19, of the bill. The hiring of civil service employees must be based upon merit pursuant to article XVI, section 1 of the Hawai’i Constitution and chapter 76, HRS.

Paragraph (11) on page 11, line 19, of the new section -3 provides that the corporation shall employ staff subject to public employment laws. Accordingly, the employment of “staff” will be subject to chapter 76 and 89, HRS. It is not clear why the term “staff” was used instead of “employees.”

Paragraph (12) on page 12, lines 1-3, of the new section -3 provides that the corporation shall “appoint officers, agents, and employees through the chief executive officer.” If the intent is that the appointment of these persons will be exempt from the civil service requirements, wording should be added to identify what provision in section 76-16(b), HRS, authorizes the exemption..

Section 6 on page 19, lines 1-3, provides that the Revisor of Statutes shall substitute the corporation in chapter 261, HRS, wherever the word “department” appears. Chapter 261, which governs the operation of the statewide airport system, also uses “department of transportation” and this wording should also be substituted for “corporation” for consistency. There is no date provided as to when the substitution will take effect. The transfer from the department to the corporation is scheduled to occur on July 1, 2018. The substitution should not take effect prior to the transfer; if the substitution occurs prior to this time, chapter 261 will not be applicable to the department.

Chapter 261 also uses the term “director” who is defined as the Director of Transportation. However, section 6 provides no substitution for the “director.” If the intent is for the chief executive officer to be substituted for the “director,” wording must be added to this effect and the substitution should not take effect prior to the transfer on July 1, 2018.

Section 10, page 20, line 6, provides that the corporation shall be a successor employer to the State. However, the corporation will be administratively attached to the Department of Transportation and be part of state government. Accordingly, the corporation is not a “successor employer to the State”; the State is the employer both before and after the transfer from the department to the corporation.

Section 10, page 20, lines 9-15, provides that the employees of the corporation shall be considered employees of the State but the corporation shall not be required to comply with the policies of the Department of Human Resources development with regard to approval for creation of new positions, the number of positions, the decision to fill such positions, or the time for filling such position. However, the bill previously stated in paragraph (11) on page 11, line 19, of the new section -3 that the corporation shall employ staff subject to public employment laws. The bill is ambiguous as to what positions will be required to comply with public employment laws.

Section 10, page 20, lines 16-18, provides that all employees who occupy civil service positions who are transferred to the corporation shall retain their civil service status. However, the section goes on to provide at page 21, lines 3-5, that the employee must possess the minimum qualifications and public employment requirements for the position. These employees are current employees, which makes the qualification requirements contradictory.

Section 10, page 21, lines 16-20, provides that the chief executive officer “may prescribe the duties and qualifications to these [exempt] employees” and fix their salaries without regard to chapter 76, HRS. It is not clear whether the intent is to give the chief executive officer the power to revise the exempt employee’s employment requirements after the transfer from the department to the corporation.

Section 10, page 22, lines 6-8, provides that “[t]he corporation shall reimburse the appropriate state agencies for all costs incurred by such designation.” It is unclear what designation is being conferred and why the corporation as a state entity should be required to pay for the costs of the designation.

Section 10, page 22, lines 9-18, provides that the corporation may create new classifications of employees who may be exempt from classified service and without

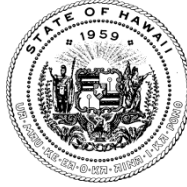
regard to any collective bargaining agreement. If the intent is to exempt these positions from civil service requirements, wording should be added to identify what provision in section 76-16(b), HRS, authorizes the exemption.

We realize that our above employment comments are extensive. We would be happy to work with the Legislature to address these, and any other concerns, related to the bill.

Miscellaneous

There is a typographical error in subsection (a)(32) on page 15, line 19. The first "and" should be deleted.

Thank you for the opportunity to comment on this bill.



Testimony by:
FORD N. FUCHIGAMI
DIRECTOR

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

IN REPLY REFER TO:

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

February 24, 2017
9:30 a.m.
State Capitol, Room 211

S.B. 658, S.D. 1
RELATING TO AN AIRPORT CORPORATION

Senate Committee on Ways and Means

The Department of Transportation (DOT) – Airports Division **supports** S.B.658, S.D.1 with comments, specifically addressing the proposed amendment to delete the power of the corporation to appropriate airport funds.

The DOT is working actively with the Attorney General’s office to come forward with an agreement on this issue and if legally possible, the DOT proposes to restore the original language in S.B. 658 which allows the Airport Corporation to appropriate and allot airport funds. A streamlined approval process would substantially increase effectiveness and enable accelerated delivery of needed capital improvements, with direct benefits to job creation and economic contribution.

At present, responsibility for development, management and operation of the State’s Airports System is distributed among several State departments. Further, key decision-making is vested in the State legislature, which is only in session for part of each year. Distributed responsibility and involvement by multiple agencies, sometimes with conflicting goals and priorities, results in delay to decision-making, inefficiency and reduced effectiveness.

Such delays have stalled the Airport System capital programs, resulting in lost economic contribution and jobs, and insufficient airport capacity to meet future airline needs. At the same time, despite the financial self-sufficiency of the Airport System, State-imposed constraints to Airport operating budgets and staffing have resulted in progressive deterioration of the quality of terminal facilities, which no longer reflect the best of our great State, and are increasingly well below the standard of other airports serving leading global destinations.

Unlike other units of State government, its Airports are self-sustaining businesses, which must operate with a strong commercial and customer service focus, and must be rapidly responsive to opportunities and market conditions. Such a Corporation would create a single-purpose entity, configured with all the powers, capabilities and attributes

necessary to improve efficiency and implement airport industry best practices in all aspects of operation.

An independent Airport Corporation with a dedicated decision-making Board meeting throughout the year would enable capital program decisions to be made more rapidly and commercially important opportunities to be pursued more responsively. Streamlined procedures for budgeting, and procurement, and human resources processes configured to the unique needs of the Airport System would enable the airport enterprise to operate more efficiently. Operating budgets defined by airport needs would enable improvement both to terminal facilities and the quality of services and amenities offered to visitors, consistent with current airport industry standards.

While such an Airport Corporation would be independent of other State departments, it would retain full public accountability via Board appointments, public meetings, and full transparency of all policies and procedures, consistent with public sector standards and best practices. Further, recognizing the unique importance of the Airports System to our island State, DOTA believes that an independent Airport Corporation, operating airports to achieve their full potential, would maximize their contribution to the State economy, improve global access and inter-island mobility, and in so doing strengthen their critical role in sustaining the social and cultural fabric of the State.

Thank you for the opportunity to provide testimony.

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 658, S.D. 1

February 24, 2017
9:30 a.m.
Room 211

RELATING TO AN AIRPORT CORPORATION

Senate Bill No. 658, S.D. 1, proposes to establish the Hawaii Airport Corporation (HAC) which shall be a body politic and corporate, constituting a public instrumentality and a special political subdivision of the State, created for the performance of an essential public and government function, as provided in the bill. The corporation shall be established and operate as a subdivision of the State. To accomplish this, the measure transfers the jurisdiction over aeronautics and airports, including airport functions under the Department of Transportation's (DOT) Airports Division, to the corporation on July 1, 2018. The bill also provides that the HAC shall be administratively attached to DOT.

The Department of Budget and Finance offers the following comments. This measure provides flexibility in two areas of general supervision over aeronautics operations: creation of a separate governing board with a Chief Executive Officer and exemption of the HAC from Chapter 103D, HRS, which governs State procurements. The department acknowledges that State government processes may not offer the flexibility that enterprise-like operations, such as airports, believe are necessary to

support industry best practices. However, we do believe that our State government has proper internal control mechanisms in place to protect all assets under its control and it must maintain some level of accountability for funds that are collected and expended for a public purpose.

Thus, we would like to work with the Governor's Office, the DOT leadership, and airport industry partners to identify functional areas where we can implement more efficient processes to support their enterprise-like operations.

Thank you for your consideration of our comments.



**Testimony to the Senate Committee on Ways and Means
Friday, February 24, 2017 at 9:30 A.M.
Conference Room 211, State Capitol**

RE: SENATE BILL 658 SD1 RELATING TO AN AIRPORT CORPORATION

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 658 SD1, which authorizes the establishment of the Hawaii airport corporation within the department of transportation for administrative purposes on July 1, 2018; sets out appointment of members to the board of directors and powers and duties of the Hawaii airport corporation; transfers the aeronautics functions of DOT to the Hawaii airport authority.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, 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.

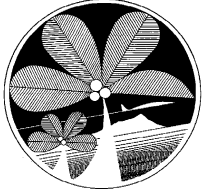
We understand that the Airports Division recently completed a study that recommended restructuring toward a more independent airport authority, similar to port authorities on the mainland. An Airport Corporation would allow for:

- Make improvements quickly and efficiently
- Increase transparency and accountability
- Create a more competitive tourism industry
- Deliver economic benefits across all sectors
- Make flying a better experience
- Foster a better working environment
- Provide year-round oversight and leadership with a five-member board and CEO
- Transfer all employees of the state to the corporation without loss of salary, seniority and benefits

While we support the proposal for the Hawaii Airport Corporation we also would support any policies and procedures that would provide sufficient oversight on the collection and expenditure of the funds raised at Hawaii's airports.

Thank you for the opportunity to testify.

AIRLINES COMMITTEE OF HAWAII



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

February 24, 2017

Honorable Jill Tokuda, Chair
Honorable Donovan Dela Cruz, Vice Chair
Senate Committee on Ways and Means

Re: SB 658 SD1 – RELATING TO AN AIRPORT CORPORATION – SUPPORT
Conference Room 211 – 9:30 AM

Aloha Chair Tokuda, Vice Chair Dela Cruz 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 658 SD1, which authorizes the establishment of the Hawaii Airport Corporation.

We support the concept of SB 658 SD1, however, would like to offer the following comments for the Committee's consideration:

- 1) The original bill was amended to delete the power of the Corporation to appropriate airport funds. We believe this is a critical issue and hope it may be resolved so the Corporation has the flexibility it needs to achieve its objectives; and
- 2) Respectfully request additional language requiring that at least one member of the board have aviation experience in addition to business and management experience.

SB 658 SD1 addresses the many concerns about Hawaii's airports failing to provide a warm and welcoming experience for visitors by creating a means to efficiently and expeditiously execute much-needed projects at the airports. Experience at other US airports show that airport authorities can develop and implement policies and procedures designed to deliver uniquely complex airport capital programs more effectively and in a more timely fashion, while retaining full public transparency and accountability.

The Hawaii Airport Corporation will be self-sustaining and not require any tax payer dollars; it is fully funded by user fees and underwritten by the airlines serving the State's airport system. The Hawaii Airport Corporation will benefit from consistent leadership that can deliver on a long term vision for the airports.

Thank you for the opportunity to submit testimony.

Sincerely,

Blaine Miyasato
ACH Co-chair

Turner Maynor
ACH Co-chair

**ACH members are Air Canada, Air New Zealand, Alaska Airlines, All Nippon Airways/Air Japan, Aloha Air Cargo, American Airlines, China Airlines, Delta Air Lines, Federal Express, Fiji Airways, Hawaiian Airlines, Island Air, Japan Airlines, Korean Air, Philippine Airlines, Qantas Airways, United Airlines, United Parcel Service, Virgin America and WestJet.*

SanHi Government Strategies

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DATE: February 23, 2017

TO: Senator Jill Tokuda
Chair, Committee on Ways and Means
Submitted Via Capitol Website

RE: **SB 658, S.D.1 Relating to an Airport Corporation**
Hearing Date: Friday, February 24, 2017 at 9:30 a.m.
Conference Room: 211

Dear Chair Tokuda and Members of the Committee on Ways and Means:

We submit this testimony on behalf of Enterprise Holdings, which includes Enterprise Rent-A-Car, Alamo Rent-A-Car, National Car Rental, Enterprise CarShare and Enterprise RideShare (Van Pool).

Enterprise **supports** S.B. 658, S.D.1, which would authorize the establishment of the Hawaii airport corporation within the Department of Transportation. Enterprise believes it is important to establish an independent airport authority to oversee the transformation of our state airports into world class facilities. A single entity with consolidated jurisdiction over the development, management and operation of Hawaii's airports would streamline processes and improve efficiencies. This would greatly benefit travelers to our islands, as well as all businesses that serve the Hawaii hospitality and tourism market.

For these reasons, we support S.B. 658, S.D.1 and respectfully request that the Committee pass this measure. Thank you for the opportunity to submit this testimony.

Gary M. Slovin
Mihoko I. Ito
R. Brian Tsujimura
C. Mike Kido
Tiffany N. Yajima
Matthew W. Tsujimura

February 23, 2017

**Testimony to Ways and Means Committee
Friday, February 24, 2017 at 9:30 A.M. Room 211**

RE: SENATE BILL 658 SD1, RELATING TO AN AIRPORT CORPORATION

Dear Chair Tokuda and members of the Ways and Means Committee,

The Kona-Kohala Chamber of Commerce (KKCC) ***strongly supports*** SB658 SD1, establishes the Hawai'i Airport Corporation within the Department of Transportation for administrative purposes, to be operational on July 1, 2018. Sets out appointment of members to the board of directors and powers and duties of the Hawai'i Airport Corporation. Transfers the aeronautics functions of DOT to the Hawai'i Airport Corporation.

The KKCC is West Hawai'i's leading business organization, representing over 500 businesses. As the largest business organization on Hawai'i Island and fourth largest chamber of commerce in the state, KKCC exists to provide leadership and advocacy for a successful business environment in West Hawai'i.

The Ellison Onizuka Kona International Airport at Keāhole is our gateway to our largest industry. Tourism is Hawai'i Island's economic engine and West Hawai'i is more tourist dependent than anywhere else in the state. This bill would ensure that there is a quicker response time to planning, management, and investment of the airports in the State, which is the first and last thing that visitors see when they come to Hawai'i.

The Kona-Kohala Chamber of Commerce agrees that this bill will support the, "economic well-being of the State."

The positive outcomes of this bill, besides support for the growth of our tourism industry, are the following:

- More jobs that support the ability for local residents to be able to afford to live in our state;
- Beneficial overall economic growth that would increase GE and TAT tax revenue to the state;
- Potential to attract more businesses and sustainable industries;
- Positive growth of international exports;
- Greater potential for return visitors as their start and finish experiences at our airports will be much more positively received.

On behalf of over 500 businesses on Hawai'i Island, I respectfully ask for your support for SB658 SD1.

Mahalo nui loa,



Kirstin Kahaloa, Executive Director
Kona-Kohala Chamber of Commerce

Airport Concessionaires Committee

2969 Mapunapuna Place, Suite 100, Honolulu, HI 97819

Honorable Jill Tokuda, Chair
Committee on Ways and Means
Hawaii State Senate
Hawaii State Capitol

February 24, 2017, 930 a.m., Room 211

Re: S.B. 658, SD1 – Relating To An Airport Corporation

Dear Chair Tokuda, Vice-Chair Dela Cruz and Honorable Committee Members,

My name is Peter Fithian and I am the Legislative Chair for the Airports Concessionaires Committee whose membership consists of the major concession operators at Hawaii's public airports. Airport concessions presently and historically have contributed more than half of the operating revenues for Hawaii's airport system which as you know is special funded.

Our Committee supports this bill and urges you to keep it moving. Many communities, cities and states across the U.S. recognize the clear benefits of a governing/operating body such as the Airport Corporation as proposed in this bill.

Such a corporation would increase airport revenues and also save airport operations costs. The current approval process is simply too long and typically requires approvals and obvious delays/reviews each step of the way such as with the Department of Accounting and General Services and Department of Budget and Finance and other State Departments

As a result it's not unusual for final approvals to take 9 months , 12 months and at times longer before an approval is granted.

Airports are typically viewed as an economic engine of a city and state at which hundreds of jobs are provided with thousands of business transactions involving tourists, residents and many others each day. Airports in that respect are unlike other government agencies. Airports are an important economic hub and needs to run and operate in a business fashion quickly and efficiently. Such has not been the case under the present arrangement.

In our view, the current process is such that has resulted in the airport losing money due to delays in finalizing contracts and gaining necessary approvals.

The current process is such that before tenant improvements can receive necessary approvals much time passes resulting in higher construction costs to the tenants especially in the present construction market . This also applies to airport projects as well which we help to fund.

Their simply has to be a better way to avoid losing money and to also avoid both airport tenants and the airport system being faced with delays in approvals and also higher construction costs.

We respectfully urge you to consider and support an Airport Corporation which is similar to what many other airports across the United States have recognized as having great benefits and also savings to their community and state.

Thank you for allowing us to testify.



TESTIMONY IN SUPPORT OF SB 658 SD1 – RELATING TO AN AIRPORT CORPORATION

Date: Friday, February 24, 2017
Time: 9:30 am
Location: Conference Room 211
Hawaii State Capitol

Aloha Chair Tokuda, Vice-Chair Dela Cruz and members of the Senate Ways & Means committee,

I appreciate the opportunity to affirm Hawaiian Airlines' strong **support** for the creation of an Airport Corporation, which will simplify the process of making badly needed improvements to our Airport infrastructure, improving the travel experience for visitors and locals alike. Hawaiian Airlines and the other airport users whose private money fund airport operations in their entirety are anxious to implement the improved process and efficiency promised by the creation of an Airport Corporation.

The amendments in SB 658, SD 1 reflect concerns raised by the state Attorney General regarding the use of public money. We believe this measure will benefit from a review of states with Constitutions similar to Hawai'i's in which Airport Authorities are in place and functioning well. We encourage the committee to move this measure forward to allow all parties to resolve concerns and enjoy the benefits an Airport Corporation would provide.

Sincerely,

Ann Botticelli
SVP-Corporate Communications and Public Affairs
Hawaiian Airlines



Hawai'i Convention Center
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David Y. Ige
Governor

George D. Szigeti
President and Chief Executive Officer

Statement of
George D. Szigeti
Chief Executive Officer
Hawai'i Tourism Authority
on
SB658 SD1 Relating to an Airport Corporation
Senate Committee on Ways and Means
Friday, February 24, 2017
9:30 a.m.
Conference Room 211

Chair Tokuda, Vice Chair Dela Cruz and Members of the committee:

The Hawai'i Tourism Authority (HTA) offers the following **comments on** SB658 SD1, which would create the Hawaii Airport Corporation within the Department of Transportation to develop, manage, and operate the State's airports and aeronautical facilities.

Improving our airport infrastructure is critical for Hawai'i's tourism industry. Without commenting on the precise structure of the authority, HTA supports the concept of a separate entity tasked with maintaining and improving the airports and focusing on issues affecting airlines and the tourism industry. Such an entity would address the needs of our airport visitors, businesses and airlines in a responsive and timely manner. HTA supports the investment in the state, our infrastructure and Hawai'i's visitor industry.

Mahalo for the opportunity to offer these comments.



LATE

Maui Hotel & Lodging

ASSOCIATION

Testimony of

Lisa H. Paulson

Executive Director

Maui Hotel & Lodging Association

on

SB 658 SD1

Relating To An Airport Corporation

COMMITTEE ON WAYS AND MEANS

Friday, February 24, 2017, 9:30 am

Conference Room 211

Dear Chair Tokuda, Vice Chair Dela Cruz and Members of the Committee,

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry. Our membership includes over 175 property and allied business members in Maui County – all of whom have an interest in the visitor industry. Collectively, MHLA's membership employs over 25,000 residents and represents over 19,000 rooms. The visitor industry is the economic driver for Maui County. We are the largest employer of residents on the Island - directly employing approximately 40% of all residents (indirectly, the percentage increases to 75%).

MHLA is **in support** of SB 658 SD1, which Authorizes the establishment of the Hawaii airport corporation within the department of transportation for administrative purposes on July 1, 2018. Sets out appointment of members to the board of directors and powers and duties of the Hawaii airport corporation. Transfers the aeronautics functions of DOT to the Hawaii airport authority.

MHLA believes that this measure could facilitate the completion of long-needed airport improvement and also create a platform for integrated planning that will greatly benefit the traveling public. These much-needed improvements will be paid for by the airlines and concessionaires that use the airports, together with the existing passenger facility charges already included with every airfare. There will be no expense to local taxpayers with no public tax dollars used.

The first and last impressions of our visitors occur at our airports. The hospitality industry's continued progress is very dependent on the quality of our airports. It is vital that we improve upon the service, infrastructure, and overall development of such a vital entity. We support the airport corporation as a single entity to overlook our airport's planning, management, marketing and development.

We respectfully request you consider passing SB 658 SD1. Thank you for the opportunity to testify.