



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

February 1, 2017
1:15 p.m.
State Capitol, Room 225

S.B. 658
RELATING TO AN AIRPORT CORPORATION.

Senate Committee on Transportation and Energy

The Department of Transportation strongly **supports** this bill to establish an independent authority to develop, manage, and operate the State's airports and aeronautical facilities.

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 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 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, 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.

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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 TRANSPORTATION AND ENERGY
ON
SENATE BILL NO. 658

**February 1, 2017
1:15 p.m.
Room 225**

RELATING TO AN AIRPORT CORPORATION

Senate Bill No. 658 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 has very serious concerns with this measure. We firmly believe that the present statutory structure provides an appropriate balance between development, management, operational flexibility and accountability. Our reading of this bill provides the HAC with two substantial amendments affecting present statutes:

1) creation of a separate governing board; and 2) exemption of the HAC from Chapter 103D, HRS, which governs state procurements. We question the benefits that a separate governing board would bring to improving airport operations. Given the DOT Airports Division procures hundreds of million dollars worth of capital improvement projects and numerous service and professional contracts, we advise caution regarding authorizing the HAC to propose and administer its own procurement program without any oversight by an external entity.



**Testimony to the Senate Committee on Transportation and Energy
Wednesday, February 1, 2017 at 1:15 P.M.
Conference Room 225, State Capitol**

RE: SENATE BILL 658 RELATING TO AN AIRPORT CORPORATION

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

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 658, 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
- Create a more competitive tourism industry
- Deliver economic benefits across all sectors
- Make flying a better experience
- 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 encourage imposing 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.

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 1, 2017 12:08 PM
To: TRE Testimony
Cc: robmoorehawaii@hotmail.com
Subject: Submitted testimony for SB658 on Feb 1, 2017 13:15PM

SB658

Submitted on: 2/1/2017

Testimony for TRE on Feb 1, 2017 13:15PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Robert Moore	GACH	Support	No

Comments: Aloha, The General Aviation Council of Hawaii (GACH) supports the creation of an Airport Authority to help give the stability and professionalism to DOTA needed in Hawaii's Air Transportation system. GACH highly recommends the Senate combine SB 1302 with this bill to ensure all facets of aviation are represented in the Airport Authority. SB 1302 requires professionals from both commercial and general aviation as well as tourism to be members of the authority. One of the main problems we currently have with DOTA is that there is no one with aviation knowledge or recent experience in senior leadership positions within DOTA (only two people in DOTA have pilot certificates). This lack of aviation knowledge has slowed the development of many air transportation policies within the State. I apologize that I could not be present to testify but GACH is available to discuss any questions later. Rob Moore, President The General Aviation Council of Hawaii

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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