



EXECUTIVE CHAMBERS  
HONOLULU

DAVID Y. IGE  
GOVERNOR

Testimony of **Ford Fuchigami**  
Administrative Director, Office of the Governor

Before the  
**House Committee on Finance**  
March 28, 2018  
3:00 p.m., Conference Room 308

In consideration of  
**Senate Bill No. 2996 SD3 HD1**  
**RELATING TO AN AIRPORTS CORPORATION**

Chair Luke, Vice Chair Cullen, and committee members:

Thank you for the opportunity to provide comments in **Strong Support of Senate Bill 2996 SD3 HD1** which would create a Hawai'i Airports Corporation (HAC).

The Office of the Governor (GOV) appreciates the intent of this bill to provide an independent corporation that would serve the public interest, in allowing for quicker decision making and a streamlined process for budgeting and procurement like other airports of leading global destinations.

The GOV respectfully urges your consideration of the general provisions and powers of this bill by enhancing the leadership of this corporation with adequate resources and clarifying the roles and responsibilities of a Chief Executive Officer and Chief Financial Officer while providing accountability, transparency and continued Federal oversight. We would also request the effective date of July 1, 2018 so that the GOV can begin the process of transition without further delay.

This would allow the HAC to develop more efficient internal processes and give it authority over its own procurements, but still maintain the higher-level policies of the State Procurement Code and Rules.

The GOV defers specific comments to testimony submitted separately by the Department of Transportation.

Thank you for your attention and we will be available to answer your questions, should you have any at this time.



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

March 28, 2018  
3:00 p.m.  
State Capitol, Room 308

**S.B. 2996, S.D. 3, H.D.1  
RELATING TO AN AIRPORTS CORPORATION**

House Committee on Finance

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The Department of Transportation (DOT) **strongly supports** the establishment of the Hawaii Airports Corporation within the DOT for administrative purposes. While the DOT prefers the language in S.B. 2996, S.D.1, the DOT hopes you consider one change regarding the suggested timelines embedded in the H.D.1 of this bill for the betterment of the State, the transition and the effective date for the Act, under Sections 14 and 25, should be July 1, 2018.

At present, responsibility for development, management and operation of the State's airports system is distributed among several State departments. Distributed responsibility and involvement by multiple state agencies, sometimes with conflicting goals and priorities, results in delayed decision-making and inefficiency. Such delays have stalled the airport system capital programs, resulting in lost economic contribution and jobs, and insufficient capacity to meet future airline needs.

Unlike some other departments of State government, the airports are self-sustaining businesses, which must operate with a strong commercial and customer service focus, and be able to adjust to economic opportunities and market conditions. A Hawaii Airports Corporation would be a single-purpose entity with capabilities and attributes necessary to improve efficiency and implement airport industry best practices in all aspects of operation.

An independent Corporation with a dedicated decision-making board meeting throughout the year would provide management continuity and enable capital program decisions to be more responsive to meet consumer and stakeholder demands. 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.

The DOT requests that the Hawaii Airport Corporation shall have its own Chief Procurement Officer (CPO) jurisdiction within HRS Chapter 103D, and the Chief Executive Officer shall delegate procurement authority to the corporation's CPO with full authority to develop and implement procedures for the timely and efficient procurement of professional services; planning, engineering, and construction services; and such other services and material as may be required for the development, management, and operation of the airport system, consistent with accepted standards of probity, transparency, and accountability for a public body. This would allow the Hawaii Airport Corporation to develop more efficient internal processes and give it authority over its own procurements, but still maintain the higher level policies of the State Procurement Code and Rules.

DOT 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 and we urge your favorable consideration of this measure.

DAVID Y. IGE  
GOVERNOR



SARAH ALLEN  
ADMINISTRATOR  
MARA SMITH  
ASSISTANT ADMINISTRATOR

**STATE OF HAWAII  
STATE PROCUREMENT OFFICE**

P.O. Box 119  
Honolulu, Hawaii 96810-0119  
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TESTIMONY  
OF  
SARAH ALLEN, ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEES  
ON  
FINANCE

Wednesday, March 28, 2018, 3:00 p.m.

SENATE BILL 2996, SD3, HD1  
RELATING TO AN AIRPORTS CORPORATION

Chair Luke, Vice Chair Cullen, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 2996, SD3, HD1. The State Procurement Office (SPO) supports the intent of the bill and wants to provide the following comments on the bill's amendments.

The Procurement Code already provides flexibility in the procurement process, however, in order to achieve an agile procurement environment, the corporation should recruit a Chief Procurement Officer as well as a team of highly-qualified procurements specialists. A procurement team that engages in each airport process to find efficiencies, cost savings and reduces time due to decreasing administrative, additional burdensome internal policies will allow for procurements to become more agile over time.

The SPO therefore recommends bringing in the language in previous version: SB 2996, SD3 that states: "***A chief procurement officer position shall be created to oversee a centralized set of procurement professionals to conduct procurement;***"

It is important for the Corporation to be able to show their efforts made towards becoming a learning organization and actively attempting to create a flexible and efficient procuring environment before considering an exempt business model. The SPO is excited to work with the Department of Transportation to assist in finding efficiencies in their process. A baseline should be noted so that if, after a period of concerted effort, there has not been adequate progress, that alternative models be revisited at that time.

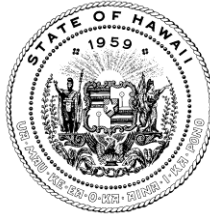
The Code offers protection of the procurement officer as well as the vendor with a fair protest process and is a single source of public procurement policy to be applied equally and uniformly, while providing fairness, open completion, a level playing field, government disclosure and

transparency in the procurement and contracting process vital to good government. Deviation from the Code increases the likelihood of unethical practices.

Public procurement's primary objective is to provide everyone equal opportunity to compete for government contracts, to prevent favoritism, collusion, or fraud in awarding of contracts. The National Association of State Procurement Officials state: "Businesses suffer when there is inconsistency in procurement laws and regulations. Complex, arcane procurement rules of numerous jurisdictions discourage competition by raising the costs to businesses to understand and comply with these different rules. Higher costs are recovered through the prices offered by a smaller pool of competitors, resulting in unnecessarily inflated costs to state and local governments."

Thank you.

DAVID Y. IGE  
GOVERNOR OF  
HAWAII



**STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

**Testimony of  
SUZANNE D. CASE  
Chairperson**

**Before the House Committee on  
FINANCE**

**Wednesday, March 28, 2018  
3:00pm  
State Capitol, Conference Room 308**

**In consideration of  
SENATE BILL 2996, SENATE DRAFT 3, HOUSE DRAFT 1  
RELATING TO AN AIRPORTS CORPORATION**

Senate Bill 2996, Senate Draft 3, House Draft 1 proposes to authorize the establishment of the Hawaii Airports Corporation within the Department of Transportation (DOT) for administrative purposes, and sets out appointment of members to the board of directors and powers and duties of the Hawaii Airport Corporation. The measure also proposes to transfer the aeronautics functions of DOT to the Hawaii Airports Corporation by the established transfer completion date agreed upon by Hawaii Airports Corporation, the Director of Transportation, and the Governor, which shall be no later than July 1, 2021. **The Department of Land and Natural Resources (Department) offers the following comments:**

The Department notes that DOT lands are public trust lands under executive orders recommended by the Board of Land and Natural Resources and approved by the Governor. Any lands no longer needed for airport purposes should be returned to the public trust administered by the Department.

Thank you for the opportunity to comment on this measure.

**SUZANNE D. CASE**  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

**ROBERT K. MASUDA**  
FIRST DEPUTY

**JEFFREY T. PEARSON, P.E.**  
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



**SB2996 SD3 HD1**  
**RELATING TO AN AIRPORTS CORPORATION**  
House Committee on Finance

March 28, 2018

3:00 p.m.

Room 308

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The Office of Hawaiian Affairs (OHA) offers the following **COMMENTS** on SB2996 SD3 HD1, which would establish the Hawai'i Airport Corporation (Corporation) to exercise consolidated jurisdiction over the State's airports and airport lands.

While OHA takes no position on the creation of a Corporation authority for airports, OHA appreciates the amendments made to this measure, which address our previous significant concerns regarding language that would have explicitly exempted the Corporation and Corporation-held lands from Hawai'i Revised Statutes (HRS) Chapter 171, with no alternative safeguards for the disposition of the Corporation's lands.

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. The vast majority 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). 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, previous drafts of this bill would have circumvented 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, and 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. An exemption 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 long-term lessees that can and has in the past led to the alienation of public lands. **The exemption of the Corporation and its lands from Chapter 171, particularly without alternative safeguards for land dispositions, may have threatened a range of Native Hawaiian interests in our limited public land base.**

Accordingly, OHA greatly appreciates the inclusion of express safeguards for land dispositions in SB2996 SD3 HD1, specifically relating to procedural requirements for the sale, gift, or exchange of Corporation-held lands, and the requirement that any leases, subleases, or permits issued for Corporation lands be issued in accordance with publicly-vetted administrative rules. **OHA would like to emphasize that these amendments reflect and satisfy OHA's previous concerns regarding the protection of Native Hawaiian rights related to "ceded" lands, other public lands, and the public land trust.**

Mahalo for the opportunity to testify on this measure.



Council Chair  
Mike White

Vice-Chair  
Robert Carroll

Presiding Officer Pro Tempore  
Stacy Crivello

Councilmembers  
Alika Atay  
Elle Cochran  
Don S. Guzman  
Riki Hokama  
Kelly T. King  
Yuki Lei K. Sugimura



**COUNTY COUNCIL**  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
[www.MauiCounty.us](http://www.MauiCounty.us)

March 27, 2018

TO: The Honorable Sylvia Luke, Chair  
House Committee on Finance

FROM: Mike White  
Council Chair

A handwritten signature in black ink, appearing to be "Mike White", is written over the printed name and title.

SUBJECT: **HEARING OF MARCH 28, 2018; TESTIMONY IN SUPPORT OF SB 2996, SD3, HD1, RELATING TO AN AIRPORTS CORPORATION**

Thank you for the opportunity to testify in **support** of this important measure. The purpose of this measure is to establish the Hawaii Airports Corporation, which shall assume all of the authority, powers, functions, duties, and responsibilities of the Department of Transportation related to aeronautics and airports.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

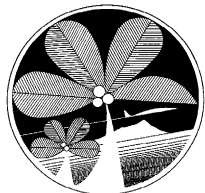
I **support** this measure for the following reasons:

1. The planning, design, and construction of critical modernization projects for our airports have fallen behind as a result of numerous layers of government regulation and changes in administrations. Compounding the situation is the State Department of Transportation's vast jurisdiction, which includes oversight of not only airports but also harbors and roadways.
2. The purpose of the Hawaii Airports Corporation is to provide consistent leadership with a clear, singular focus on maintaining, completing critical upgrade projects, and overseeing long-term planning, at all 15 statewide airports.
3. The Kahului Airport is the second busiest airport in the state, serving an average of 7,000 passengers daily, and hosting over a dozen airlines. For these passengers, many of whom are visitors, Kahului Airport is their first and last impression of Hawaii. Therefore, it is vital for us to make the present and future structural and aesthetic improvements necessary to maintain and grow our tourism-based economy.

For the foregoing reasons, I strongly **support** this measure.

ocs:proj:legis:18legis:18testimony:sb2996\_sd3\_hd1\_paf18-120\_jgk

## AIRLINES COMMITTEE OF HAWAI'I



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

March 28, 2018

Representative Sylvia Luke, Chair  
Representative Ty Cullen, Vice Chair  
House Committee on Finance

**Re: SB 2996 SD3 HD1 - RELATING TO AN AIRPORTS CORPORATION – SUPPORT INTENT, REQUEST AMENDMENTS**  
Conference Room 308 – 3:00 PM; **Agenda #2**

Aloha Chair Luke, Vice Chair Cullen and members of the committee:

The Airlines Committee of Hawai'i (ACH), which is comprised of the 21 signatory air carriers that underwrite the State Airport System, appreciates the opportunity to offer testimony supporting the intent of SB 2996 SD3 HD1, which authorizes the establishment of the Hawai'i Airports Corporation (HAC). However, we have serious concerns with several of the provisions in the HD1.

First, we respectfully request that you consider reinstating the exemption from the state procurement code. As with other airport authorities and corporations around the United States, it is crucial for the HAC to have the ability to implement independent procurement policies that serve both to protect the public interest and at the same time deliver procurement systems better suited to the unique needs of an airport enterprise operating in a competitive commercial environment. The current procedures impose undue delay and process complexity and as a consequence, have delayed needed airport capital projects, with negative impacts on job creation and economic development.

Second, we ask that you consider reinserting \$3,000,000 from the airport revenue fund to effect the transfer.

Third, we request that "12" is reinserted as the number of specially qualified personnel that the Corporation's chief executive officer is authorized to fill by appointment (page 18, line 16). The requirement for exempt positions is to enable the Corporation to create a fully capable management team, drawn from national talent pools and existing staff on merit. This is critical to reposition the Airports system as a globally competitive, commercially focused enterprise. These exempt positions will provide enhanced and new capability in areas of performance, consistent with industry best practices. Exempt positions would likely include, for example, Chief Operating Officer, Chief Financial Officer, Chief Commercial Officer, Chief Guest Experience Officer, Chief Development Officer, Chief Information Officer, Chief HR Officer, Chief Maintenance Officer, Chief of Operations, Director of Business Development, Director of Air Service Marketing, Director of Public Information and Communication, Director of Planning and Engineering, Director of Environmental Affairs and Director of Homeland Security.

Fourth, we are asking for your consideration in amending the effective date of the Act to July 1, 2018 and amending Section 14 (a) to “within 90 days of the effective date of the Act”, the Governor shall designate a representative to facilitate the transition. We are concerned that a six month delay for the Act to take effect will delay readiness for the Transfer Completion date and may create a period of “limbo” and “decision paralysis” that may impose new delays. There are so many important capital programs and other initiatives underway or planned for the Airport system.

An independent airport corporation will provide a long term vision for the airports and be able to execute critical capital improvement programs in a timely and efficient manner. Hawai'i is one of only three states that operate airports. Most U.S. airports are operated by authorities or corporations or a hybrid of the same. It is proven that airport authorities can develop and implement policies and procedures designed to deliver uniquely complex airport capital programs more effectively, while retaining full public transparency and accountability.

The airports are self-sustaining, unlike other State departments and authorities. No State general funds are used today for Hawai'i's airports and the HAC will not require any. It will be fully funded by user fees and underwritten by the airlines serving the State's airport system.

Hawai'i's airports are inferior to other airports serving leading travel destinations. An airports corporation will increase responsiveness to consumer needs, commercial opportunities and economic demands through dedicated expert airport leadership, management continuity and year-round decision-making, consistent with industry best practices.

The HAC will be a highly regulated and scrutinized organization. It will be reviewed and certified by the Federal Aviation Administration (FAA). The FAA also imposes many regulatory requirements on airports and consistently monitors compliance. The HD1 requires the State Auditor to conduct an audit of the airports corporation every two years, beginning in 2022. The Corporation will have an audit requirement under federal law. In particular, the Single Audit Act requires that non-federal entities that expend more than \$750,000 in federal awards must complete annual audits. In the fiscal year ending June 30, 2016, the Hawai'i DOT Airports Division had a total of more than \$20,000,000 in federal expenditures. The 2017 single audit was filed with the Hawai'i Office of the Auditor.

Thank you for the opportunity to provide comments. We ask for your favorable consideration in passing SB 2996 SD3 HD1 with our requested amendments.

Sincerely,

Blaine Miyasato  
ACH Co-chair

Matthew Shelby  
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, Southwest Airlines, United Airlines, United Parcel Service, Virgin America and WestJet.*



**SanHi**

GOVERNMENT STRATEGIES  
A LIMITED LIABILITY LAW PARTNERSHIP

DATE: March 27, 2018

TO: Representative Sylvia Luke  
Chair, Committee on Finance

*Submitted Via Capitol Website*

RE: **S.B. 2996, S.D.3, H.D.1 Relating to An Airports Corporation**  
**Hearing Date: Wednesday, March 28, 2018 at 3:00 p.m.**  
**Conference Room: 308**

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Dear Chair Luke and Members of the Committee on Finance:

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 **offers comments on** S.B. 2996 S.D.3 H.D.1 which would authorize the establishment of the Hawaii Airports 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.

Enterprise notes that extensive amendments were made to the H.D.1 version of S.B. 2996, and does not have any comments on those amendments. However, Enterprise supports the passage of S.B. 2996 S.D.3 H.D.1 to continue the discussion of an airport corporation.

Thank you for the opportunity to submit this testimony.



**TESTIMONY TO THE COMMITTEE ON FINANCE**

Wednesday, March 28, 2018, 3:00 p.m.

State Capitol, Conference Room 308

**TO: The Honorable Sylvia Luke, Chair  
The Honorable Ty J.K. Cullen, Vice Chair  
Members of the Committee**

**PROVIDING COMMENTS ON SB2996 SD3, HD1 RELATING TO AIRPORTS CORPORATION**

I am Peter Ho, Chairman, President and CEO of Bank of Hawaii, and appreciate the opportunity to offer this testimony on SB2996 SD3, HD1 relating to the establishment of an airport corporation. As stated in the bill, its purpose is to establish the Hawaii airports corporation, which shall assume all of the authority, powers, functions, duties and responsibilities of the Department of Transportation related to aeronautics and airports, including responsibility for the development, management, operation and maintenance of the State's airports. While we support the intent of the bill, we are opposed to the removal of the Corporation's exemption to the procurement code. This was a fundamental aspect of the measure allowing the Corporation the flexibility and framework required to conduct its operations in an efficient manner and streamline its processes.

We appreciate and support the Committee's initiative and efforts toward addressing this long-standing issue. I believe all parties involved share the common goal of having an international airport truly befitting of our global destination and one of which we can all be proud. A highly functioning and well-designed airport is critical to our State's future, and should include facilities that ably meet the divergent needs of our casual, business and international travelers. Each year, we continue to see increased traffic at all of our airports and the daily demands on infrastructure have only heightened the sense of urgency to transform the airport system. Additionally, along with the transformation can come new economic development and revenue-generating opportunities across the network.

Our airports cannot remain underappreciated assets and deserve the focus and attention being provided by the legislature. Hawaii is one of only three states with a state-operated airport. Other states operate under authorities or corporations, or a combination thereof. The airport corporation, which can be led by a board with the requisite professional expertise, can provide the important oversight and management structure needed to help ensure projects are undertaken and completed in an efficient and cost-effective manner.

I respectfully encourage your consideration to reinstate the procurement code exemption for the Airports Corporation. Again, thank you for the opportunity to testify on this matter.

A handwritten signature in black ink, appearing to read 'Peter Ho'.

# ***SAH - Subcontractors Association of Hawaii***

***1188 Bishop St., Ste. 1003\*\*Honolulu, Hawaii 96813-2938***

***Phone: (808) 537-5619 ✦ Fax: (808) 533-2739***

March 28, 2018

Testimony To: House Committee on Finance  
Representative Sylvia Luke, Chair

Presented By: Tim Lyons, President

Subject: S.B. 2996, SD 3, HD 1 – RELATNG TO AN AIRPORTS CORPORATION.

Chair Luke and Members of the Joint Committee:

I am Tim Lyons, President of the Subcontractors Association of Hawaii. The SAH represents the following nine separate and distinct contracting trade organizations.

HAWAII FLOORING ASSOCIATION

ROOFING CONTRACTORS ASSOCIATION OF HAWAII

HAWAII WALL AND CEILING INDUSTRIES ASSOCIATION

ELECTRICAL CONTRACTORS ASSOCIAETION OF HAWAII

TILE CONTRACTORS PROMOTIONAL PROGRAM

PLUMBING AND MECHANICAL CONTRACTORS ASSOCIATION OF HAWAII

SHEETMETAL CONTRACTORS ASSOCIATION OF HAWAII

PAINTING AND DECORATING CONTRACTORS ASSOCIATION

PACIFIC INSULATION CONTRACTORS ASSOCIATION

We have not actually taken a position on the establishment of an airport corporation however, we do know, that based on the testimony that we heard last year and this, it sounds like an idea that is headed in the right direction.

The reason that we are testifying however, is that we are in strong support of the language that subjects the Airport Corporation to the Procurement Code. In the alternative we have supported prior language which specifically provides for the listing of subcontractors as an exception to the blanket exemption from the provisions of Chapter 103D, the Procurement Code. No matter what other revisions this Committee may make to the bill we urge you to insert this language or, in the alternative to retain the applicability of the full procurement code to the Airport Corporation.

The Procurement Code was put into place in order to avoid irregularities in the expenditure of public money. It serves a good purpose. We have heard few accusations tying the operational aspects of the procurement code and the other woes of the airport together. We see no reason for a blanket exemption. However, if that is deemed necessary then we believe, at a minimum, that the part of the Procurement Code which mandates subcontractor listing must be retained. The current version of this bill does that.

Subcontractor listing is a proven method of doing business and it has benefited the State and the Counties with more efficient bidding and less protests. It needs to be retained.

With that proviso or as mentioned above with a total inclusion of the Procurement Code we can conceptually envision a future for this bill.

Thank you for the opportunity to testify.



## AIRPORT CONCESSIONAIRES COMMITTEE

Honorable Sylvia Luke, Chair  
Committee on Finance  
Hawaii House of Representatives

Hearing: March 28, 2018; 3:00pm, Room 308

Re: S.B. 2996, HD1 – Relating To An Airport Corporation

Dear Chair Luke and Honorable Members of the Finance Committee:

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 have historically on average contributed 50% to 75% of the operating revenues for Hawaii's airport system which as you know is special funded.

Our Committee supports this bill . We are pleased with changes made by the House of Representatives TRN/LAB joint Committee seeking to address our concerns expressed in our testimony and communications. We are pleased that the concepts in support our changes were included and still reviewing some of the actual wording and waiting feedback from our members.

We respectfully urge you to continue to support the bill and keep it moving forward. It is in our opinion this bill is an important big step in the right direction to improving our public airports .

This bill is important since we all know, change for the better is not going to happen unless changes are made. Let's please seek to bring about such change. It's been too long and the inefficiencies and delays and loss of revenues must be improved upon . While nothing is perfect, we believe the Airport Corporation is a big step in the right direction .

Such a corporation would in our opinion result in increases to airport revenues and also save airport operation costs.

The current approval process is simply too long and results in delays/reviews each step of the way such as at times with the Department of Accounting and General Services, Department of Budget and Finance, Department of Land and Natural Resources, Department of Attorney General and/or other State Departments



As a result it's not unusual for final approvals to take 9 months , 12 months, 18 months and at times longer before a final approval is granted. Such approvals typically are granted in about 3-4 months in the private-business sector.

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 not like typical other government agencies and are more like a business. Airports are an important economic hub and needs to run and operate in a business fashion quickly and efficiently. Unfortunately, such has not been the case under the present arrangement set up. There are simply too many steps with each Department having their own set of priorities and thus what may be a "top priority" for the DOT is understandably not a top priority for other Departments. Thus, delays after delays.

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

As an example, the current process is such that before agreements allowing for tenant improvements can take place, necessary approvals must first be obtained from several State agencies which results in delays and higher construction costs to the tenants and also for airport projects by the DOT which airport projects our members financially support along with many others.

There 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 loss of revenues and higher costs.

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

Thank you for allowing us to testify.



**Testimony to the House Committee on Finance  
Wednesday, March 28, 2018 at 3:00 P.M.  
Conference Room 308, State Capitol**

**RE: SENATE BILL 2996 SD3 HD1 RELATING TO AN AIRPORTS CORPORATION**

Chairs Luke, Vice Chairs Cullen, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports the intent of SB 2996 SD 3 HD1**, which would authorize the establishment of the Hawaii Airport Corporation ("Corporation") within the Department of Transportation (DOT) for administrative purposes. The bill sets out appointment of members to the board of directors and powers and duties of the Corporation and transfers the aeronautics functions of DOT to it.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ 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.

Our prior testimony for this legislation has been in support of the transfer of DOT's aeronautical functions to the Corporation; however, an amendment in the HD 1 is cause for concern. While we can appreciate the Legislature's reluctance in providing the Corporation with an exemption from the Procurement Code, the need for such an exemption is a result of capital project delays and cost overruns that have plagued the modernization of Hawaii's airports for years. Without the exemption from the procurement code, these issues are likely to continue.

While the establishment of a Hawaii Airport Corporation would also allow for increased transparency and accountability; create a more competitive tourism industry; make for a better flying experience; and transfer all employees of the state to the corporation without loss of salary, seniority and benefits, we believe the procurement exemption is a critical component of the Corporation's ability to be successful and would humbly request that this provision to be restored.

Thank you for the opportunity to testify.

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# GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

Uploaded via Capitol Website

March 28, 2018

TO: HONORABLE SYLVIA LUKE, CHAIR, HONORABLE TY CULLEN, & MEMBERS OF THE HOUSE COMMITTEE ON FINANCE

SUBJECT: **S.B. 2996, SD3, HD1, RELATING TO AN AIRPORT CORPORATION.**

Authorizes establishment of the Hawaii Airports Corporation within the Department of Transportation for administrative purposes. Sets out appointment of members to the board of directors and powers and duties of the Hawaii Airports Corporation. Transfers aeronautics functions of the Department of Transportation to the Hawaii Airports Corporation by the established transfer completion date agreed upon by the Hawaii Airports Corporation, the Director of Transportation, and the Governor, which shall be no later than 12/31/2021. Effective 7/1/2050. (HD1)

HEARING

DATE: Wednesday, March 28, 2018  
TIME: 3:00 PM  
PLACE: Capitol Room 308

Dear Chair Luke, Vice Chair Cullen and Members of the Committee,

The General Contractors Association of Hawaii (GCA) is an organization comprised of over five hundred general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is the largest construction association in the State of Hawaii. The GCA's mission is to represent its members in all matters related to the construction industry, while improving the quality of construction and protecting the public interest.

**The GCA's earlier concerns regarding the S.B. 2996, SD3 and the language that allowed an overall exemption to Chapter 103D, HRS, commonly known as the State Procurement Code, is no longer at issue due to the reinstatement of Chapter 103D, HRS in the HD1 version.** GCA understands the intent of forming this Airport Corporation, and supports the concept under the guidance of the procurement code. While GCA understands the intent of the Airport Corporation, it does not agree that an exemption from Chapter 103D, HRS – could expedite the awarding of contracts and the avoidance of bid protests. GCA supports the HD1 version of the bill and would object to a pure exemption from Chapter 103D, HRS, which could lead to the inability of interested contractors having the opportunity to fairly bid on projects affecting the airport.

Thank you for this opportunity to **share our support of the HD1 version** of this measure.



**HAWAI'I LODGING & TOURISM**  
**A S S O C I A T I O N**

Testimony of

Mufi Hannemann  
President & CEO  
Hawai'i Lodging & Tourism Association

Committee on Finance  
March 28, 2018

Senate Bill 2996, S.D.3, H.D. 1: Relating to an Airports Corporation

Chair Luke, Vice Chair Cullen, and members of the committee:

Thank you for the opportunity to testify. The Hawai'i Lodging & Tourism Association, the state's largest private sector visitor industry organization, **strongly supports** Senate Bill 2996, S.D. 3, H.D. 1, which would establish a Hawai'i airports corporation. Passage of this legislation has been one of the HLTA's major objectives.

Our state's airports provide the first and last impressions to our visitors and are a cornerstone of our tourism industry. Given their importance, we endorse the establishment of an airports corporation. This entity would direct a laser-like focus on the operations, goals, and improvements of our airports, and would enable quicker, more efficient changes and improvements. A semi-independent entity devoted exclusively to airport operations and maintenance, a practice adopted in many other jurisdictions, would, we believe, improve the service, infrastructure, and overall development of airports statewide and be better equipped to respond promptly to air travel demands with higher standards of comfort, convenience, and customer service. It would also provide better transparency and public accountability by engaging stakeholders and affected parties in the decision-making process.

As proposed, we understand that sorely needed improvements would not come from the state's coffers or taxpayers; rather, they will be funded by the airlines and concessionaires that use the airports, coupled with existing passenger facility fees already included in airfares. In short, the HLTA enthusiastically supports an airport corporation as the over-arching entity to manage our airports.

The original measure has been amended, and that change omits the corporation's exemption from the state procurement code. While we recognize the need to ensure financial openness and accountability, we have serious reservations about the speed with which necessary work can be achieved if this corporation is required to follow the procurement code. As is the case with other quasi-independent state entities, the Legislature and executive branch possess the means and opportunity for oversight of these organizations. We argue that the airports corporation should be granted the flexibility to operate outside the code in the early stages of its formation, and we request that the procurement code exemption be restored to the measure's language.

There is so much at stake in keeping our airport infrastructure at the forefront of our public priorities and we urge your favorable consideration of this measure.

Mahalo.

Sincerely,



Mufi Hannemann  
President & CEO



Gregg Nelson  
Chairman of the Board



Glenn Vergara  
Chairperson Elect



Michael Jokovich  
Vice Chairperson



Bonnie Kiyabu  
Oahu Chapter Chairperson



Angela Nolan  
Maui Chapter Chairperson



Steve Yannarell  
Hawai'i Island Chapter Chairperson



Jim Braman  
Kaua'i Chapter Chairperson

**The following is a list of hotels represented by the Hawai'i Lodging & Tourism Association:**

Aqua-Aston Hospitality, LLC  
Castle Resorts & Hotels  
Colony Capital, LLC  
Halekulani Corporation  
Hawaiian Hotels & Resorts, LLC  
Highgate Hotels  
Hilton Grand Vacations  
InterContinental Hotels Group  
Ko Olina Resort  
Kyo-ya Company LLC  
Kyo-ya Management Company, Ltd.  
Lucky Hotels U.S.A. Co., Ltd.  
Marriott International, Inc.  
Outrigger Enterprises Group  
Prince Resorts Hawaii, Inc.  
Pulama Lana`i  
Sasada International, LLC

Aina Nalu Lahaina by Outrigger  
Airport Honolulu Hotel  
Ala Moana Hotel  
Alohilani Resort Waikiki Beach  
Ambassador Hotel Waikiki  
Andaz Maui at Wailea Resort  
Aqua Aloha Surf Waikiki  
Aqua Bamboo & Spa  
Aqua Kauai Beach Resort  
Aqua Oasis  
Aqua Pacific Monarch  
Aqua Palms Waikiki  
Aqua Park Shore Waikiki  
Aqua Skyline at Island Colony  
Aqua White Sands Hotel  
Aston at Papakea Resort  
Aston at Poipu Kai

Aston at the Executive Centre Hotel  
Aston at the Maui Banyan  
Aston at the Waikiki Banyan  
Aston at The Whaler on Kaanapali Beach  
Aston Islander on the Beach  
Aston Kaanapali Shores  
Aston Kona by the Sea  
Aston Mahana at Kaanapali  
Aston Maui Hill  
Aston Maui Kaanapali Villas  
Aston Shores at Waikoloa  
Aston Waikiki Beach Hotel  
Aston Waikiki Beach Tower  
Aston Waikiki Beachside Hotel  
Aston Waikiki Circle Hotel  
Aston Waikiki Sunset  
Aston Waikoloa Colony Villas  
Aulani, a Disney Resort & Spa  
Best Western Pioneer Inn  
Best Western The Plaza Hotel  
Breakers Hotel  
Coconut Waikiki Hotel  
Courtyard by Marriott Kaua'i at Coconut Beach  
Courtyard by Marriott King Kamehameha's Kona Beach  
Courtyard by Marriott Waikiki Beach  
Courtyard Oahu North Shore  
Doubletree by Hilton Alana Waikiki Hotel  
Embassy Suites by Hilton Oahu Kapolei  
Embassy Suites Hotel - Waikiki Beach Walk  
Ewa Hotel Waikiki - A Lite Hotel  
Fairmont Orchid Hawaii  
Four Seasons Resort Lana`i  
Four Seasons Resort Maui  
Four Seasons Resort O'ahu at Ko Olina  
Grand Hyatt Kauai Resort & Spa  
Grand Naniiloa Hotel  
Grand Wailea  
Hale Koa Hotel  
Halekulani  
Hampton Inn & Suites, Kapolei  
Hapuna Beach Prince Hotel  
Hilton Garden Inn Kauai Wailua Bay  
Hilton Garden Inn Waikiki Beach  
Hilton Grand Vacations at Waikoloa Beach Resort  
Hilton Grand Vacations Club  
Hilton Hawaiian Village Waikiki Beach Resort  
Hilton Waikiki Beach  
Hilton Waikoloa Village Resort & Spa

Hokulani Waikiki by Hilton Grand Vacations Club  
Holiday Inn Express Waikiki  
Holiday Inn Waikiki Beachcomber Resort  
Honua Kai Resort & Spa  
Hotel Coral Reef Resort  
Hotel Renew by Aston  
Hotel Wailea Maui  
Hyatt Centric Waikiki Beach  
Hyatt Place Waikiki Beach  
Hyatt Regency Maui Resort & Spa  
Hyatt Regency Waikiki Beach Resort & Spa  
Ilikai Hotel and Luxury Suites  
Ilima Hotel  
Ka`anapali Beach Club  
Ka`anapali Beach Hotel  
Kahana Falls  
Kauai Marriott Resort & Beach Club  
Kiahuna Plantation Resort by Castle Resorts  
Ko`a Kea Hotel & Resort  
Kona Coast Resort  
Lawai Beach Resort  
Lotus Honolulu at Diamond Head  
Luana Waikiki Hotel and Suites  
Marriott's Kauai Lagoons, Kalanipu'u  
Marriott's Ko Olina Beach Club  
Marriott's Maui Ocean Club  
Marriott's Waiohai Beach Club  
Maui Beach Hotel  
Maui Coast Hotel  
Maui Condo & Home, LLC  
Maui Eldorado Kaanapali by Outrigger  
Mauna Kea Resort  
Mauna Lani Resort  
Mauna Loa Village IOA  
Moana Surfrider, A Westin Resort & Spa  
Montage Kapalua Bay  
Napili Kai Beach Resort  
OHANA Waikiki East by Outrigger  
OHANA Waikiki Malia  
Ohia Waikiki Hotel  
Outrigger Kiahuna Plantation  
Outrigger Napili Shores  
Outrigger Palms at Wailea  
Outrigger Reef Waikiki Beach Resort  
Outrigger Regency on Beachwalk  
Outrigger Royal Sea Cliff  
Outrigger Waikiki Beach Resort  
Pacific Marina Inn

Pagoda Hotel  
Pearl Hotel Waikiki  
Plantation Hale Suites  
Prince Waikiki  
Queen Kapiolani  
Raintree - Kona Reef Raintree Vacation Club  
Ramada Plaza Waikiki  
Royal Grove Hotel  
Royal Kahana Maui by Outrigger  
Royal Kona Resort  
Royal Lahaina Resort  
Sheraton Kauai Resort  
Sheraton Kona Resort & Spa at Keauhou Bay  
Sheraton Maui Resort and Spa  
Sheraton Princess Kaiulani  
Sheraton Waikiki Resort  
Shoreline Hotel Waikiki  
St. Regis Princeville Resort  
Stay Hotel Waikiki  
The Cliffs at Princeville  
The Club at Kukui`ula  
The Fairmont Kea Lani, Maui  
The Imperial Hawaii Resort At Waikiki  
The Kahala Hotel & Resort  
The Laylow, Autograph Collection

The MODERN Honolulu  
The New Otani Kaimana Beach Hotel  
The Point at Poipu, Diamond Resorts International  
The Ritz-Carlton Residences, Waikiki Beach  
The Ritz-Carlton, Kapalua  
The Royal Hawaiian, A Luxury Collection Resort  
The Surfjack Hotel & Swim Club  
The Westin Maui Resort & Spa  
The Westin Princeville Ocean Resort Villas  
Travaasa Hana  
Trump International Hotel Waikiki  
Turtle Bay Resort  
Vive Hotel Waikiki  
Waikiki Beach Marriott Resort & Spa  
Waikiki Grand Hotel  
Waikiki Parc Hotel  
Waikiki Resort Hotel  
Waikiki Sand Villa Hotel  
Waikiki Shore  
Waikoloa Beach Marriott Resort & Spa  
Wailea Beach Marriott Resort & Spa  
Waipouli Beach Resort & Spa by Outrigger  
Westin Ka'anapali Ocean Resort Villas  
Wyndham at Waikiki Beach Walk  
Wyndham Vacation Resorts Royal Garden at Waikiki



# Maui Hotel & Lodging

ASSOCIATION

Testimony of

**Lisa H. Paulson**

Executive Director

Maui Hotel & Lodging Association

on

SB 2996 SD3 HD1

**Relating To An Airport Corporation**

COMMITTEE ON FINANCE

**Wednesday, March 28, 2018, 3:00 pm**

**Conference Room 308**

Dear Chair Luke, Vice Chair Cullen and Members of the Committee,

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry. Our membership includes 185 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 strong support with comments** of **SB 2996 SD3 HD1**, which authorizes the establishment of the Hawaii Airports Corporation within the Department of Transportation for administrative purposes. Sets out appointment of members to the board of directors and powers and duties of the Hawaii Airports Corporation. Transfers the aeronautics functions of Department of Transportation to the Hawaii Airports Corporation by the established transfer completion date agreed upon by the Hawaii Airports Corporation, the Director of Transportation, and the Governor, which shall be no later than 12/31/2021.

MHLA supports the intent of the bill to establish the Hawai'i Airports Corporation, but we respectfully request legislators reconsider reinstating the procurement exemption, which will give the HAC the full flexibility it needs and is vital to the success of this initiative.

The State procurement process is complex and takes too long to allow Hawai'i's airports to be competitive. Several factors - including distributed responsibility among multiple agencies and lack of single point responsibility for airport procurement - all contribute to making Hawai'i's airports less than world-class. An Airport Corporation procurement system would aim to simplify the process, consistent with the best procurement practices at other US public-sector airports

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 oversee our airport's planning, management, marketing and development.

Thank you for the opportunity to testify.

1727-B Wili Pa Loop • Wailuku, HI 96793 • 808/244-8625 • 808/244-3094 fax • [info@mauihla.org](mailto:info@mauihla.org)





**The following is a list of members represented by Maui Hotel & Lodging Association:**

**Property Members**

Andaz Maui  
Aston at the Whaler on Kā'anapali Beach  
Aston Kā'anapali Shores  
Aston Mahana at Kā'anapali  
Best Western Pioneer Inn  
Destination Maui Vacation Rentals  
Destination Residences Hawai'i  
Fairmont Kea Lani, Maui  
Four Seasons Resort Lāna'i  
The Lodge at Koele, A Four Season Resort  
Four Seasons Resort Maui at Wailea  
Grand Wailea Resort  
Hana Kai Maui Resort  
Honua Kai Resort & Spa  
Hotel Molokai

Hotel Wailea Maui  
Hyatt Regency Maui Resort & Spa  
Hyatt Residence Club, Kā'anapali Beach  
Kā'anapali Beach Club  
Kā'anapali Beach Hotel  
Kahana Falls  
Lāhaina Shores, Classic Resorts  
Mana Kai Maui  
Marriott's Maui Ocean Club  
Maui Beach Hotel  
Maui Coast Hotel  
Maui Condo & Home, LLC  
Maui Eldorado Kā'anapali by Outrigger  
Mauihan Hotel, The  
Montage Kapalua Bay

Napili Kai Beach Resort  
Napili Shores Resort by Outrigger  
Plantation Inn  
Residence Inn Maui Wailea  
Ritz-Carlton Kapalua  
Royal Lāhaina Resort  
Sheraton Maui Resort & Spa  
Travaasa Hana  
Wailea Beach Marriott Resort & Spa  
Wailea Point  
Westin Kā'anapali Ocean Resort Villas  
Westin Maui Resort & Spa  
Westin Nanea Ocean Villas  
Maui Beach Ocean View Rentals, LLC

**Allied Members**

21st. Century Group  
A&B Properties  
AA Oceanfront Rentals & Sales  
Activities & Attractions Assn. of HI  
Airbnb, Inc.  
Akina Tours & Transportation  
Alaska Airlines  
Ali'i Linen Service  
Allana Buick & Bers, Inc.  
Aloha Visitor Guides  
Aloha Waste Systems, Inc.  
Altres, Inc.  
American Airlines  
American Hotel Register  
American Resort Development Association  
Andaz Beach Crew  
Anheuser-Busch Sales of HI  
Aqualani Recreation  
Aubrey Hord Photography LLC  
Bank of Hawai'i  
BELFOR Property Restoration  
Bev Gannon Restaurants  
Blue Hawaiian Helicopters  
Carlsmith Ball  
Castaway Construction & Restoration  
Central Pacific Bank  
Chrysalis Events Hawai'i  
Clean Island Breathing LLC  
Cleaners Warehouse  
Condominium Rentals Hawai'i  
Doctors on Call  
Dorvin D. Leis Co., Inc.  
Embassy Carpets  
ENPRO Environmental  
Enterprise|Alamo|National Car Rental  
Eskimo Candy Inc.  
Expedia Local Experts  
Expeditions  
Ferguson Enterprises, Inc.  
First Hawaiian Bank  
Ganir & Co. Pacific Rim Commercial Svc.  
Gilbert & Associates, LLC  
Happy Valley Service  
Hawai'i Care & Cleaning  
Hawai'i Energy  
Hawai'i Executive Transportation Service  
Hawai'i Pacific Solar  
Hawai'i Petroleum Inc.  
Haynes Publishing Group

Heidi & Cook LLC  
He-Man Landscaping & Tree Services  
HFM Foodservice  
HMSA  
Home Maid Bakery  
Honua Kai Condominium Association  
Integrated Business Solutions of Hawai'i  
Island Movers  
Johnson Controls, Inc.  
Kā'anapali Beach Resort Association  
Kā'anapali Golf Courses  
Kā'anapali Operations Association Inc.  
Kahului Carpet & Drapery Products Inc.  
Kapalua Golf and Tennis  
Kōkua 'Āina Energy Partners, LLC  
KONE Elevators & Escalators  
Landmark Hotels Group  
Layton Construction Company, LLC  
Maui Chemical and Paper Products, Inc.  
Maui Disposal Co., Inc.  
Maui Dive Shop  
Maui Electric Company  
Maui Linen Supply, LLC  
Maui Ocean Center  
Maui Printing Company  
Maui Soda & Ice Works, Ltd.  
Maui Windows & Doors, LLC  
MD Restoration Maui  
Meadow Gold Dairies  
Munekiyō Hiraga  
Native Hawaiian Hospitality Association  
NETT Distribution, LLC  
Next Level Entertainment, LLC  
Oahu Publications, Inc.  
Old Lāhaina Lū'au  
Pacific Biodiesel Logistics  
Pacific Dream Photography  
Pacific Media Group  
Pi'iholo Ranch Zipline  
Pono Communications, LLC  
Premier Restoration Hawai'i  
ProService Hawai'i  
Pūlama Lāna'i  
PWC Hawai'i Corporation  
Pyramid Insurance Centre, Ltd.  
Queen Ka'ahumanu Shopping Center  
Ruth's Chris Steak House  
Securitas Security Services USA  
SGS Hawai'i Inc. Landscape Management  
Soleil Management Hawai'i

Spectrum  
Standard Parking  
Sun Fresh Hawai'i LLC  
Surfing Goat Dairy  
The Beast & Spoon LLC  
The Orchid Lei Company  
The Outlets of Maui  
The Shops at Wailea  
ThyssenKrupp Elevator Americas  
TravelClick  
Trilogy Excursions  
Tri-Star Restaurant Group  
TS Restaurants  
University of Hawai'i Maui College  
VIP Foodservice  
VivoAquatics  
Wailea Golf, LLC  
Wailea Resort Association  
Wash Laundry Systems  
Whalers Village Fine Shops & Restaurants  
Where Hawai'i, Morris Visitor Publications  
Xclusive Staffing  
Xerox Corp Maui  
Young Brothers, LTD.  
Hawaii AgriTourism Association  
Hawaiian Airlines  
Hospitality Advisors  
Maui Chamber of Commerce  
West Maui Taxpayer's Association



March 26, 2018

Representative Sylvia Luke, Chair  
Representative Ty J.K. Cullen, Vice Chair  
House Committee on Finance  
Hawaii State Capitol

### **Testimony in Support of SB2996 SD3 HD1**

Dear Representative Luke, Representative Cullen and Members of the House Committee on Finance:

The Kohala Coast Resort Association (KCRA) supports the intention of SB2996 SD3 HD1 to establish the Hawai'i Airports Corporation, but we respectfully request legislators reconsider reinstating the procurement exemption, which give the HAC the full flexibility it needs and is vital to the success of this initiative. The State procurement process is complex and takes too long to allow Hawai'i's airports to be competitive. Several factors - including distributed responsibility among multiple agencies and lack of single point responsibility for airport procurement - all contribute to making Hawai'i's airports less than world-class. An Airport Corporation procurement system would aim to simplify the process, consistent with the best procurement practices at other US public-sector airports.

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 approximately 35 percent of the accommodations available on the Island of Hawai'i. KCRA member properties annually pay more than \$20 million in TAT and \$20 million in GET.

We sincerely encourage your support of this measure, retaining the exemption to state procurement policies.

Sincerely,

A handwritten signature in black ink that reads "Stephanie P. Donoho". The signature is written in a cursive, flowing style.

Stephanie Donoho  
Administrative Director

**SB-2996-HD-1**

Submitted on: 3/26/2018 5:38:06 PM

Testimony for FIN on 3/28/2018 3:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Gregg Nelson	Napili Kai Beach Resort	Support	No

Comments:

Dear House Finance Chair and Committee Members,

I reside on Maui and am unable to testify before you in person on my support of Bill SB2996 SD3 HD1. I am the general manager of a resort on Maui and all 160 of my staff members feel the same as I that this bill is extremely important to the visitor industry as it finally addresses the challenge of improving the condition and appearance of our state-wide airport facilities through a streamlined procurement system. Though we support this bill, we respectfully ask that you reinstate the procurment exemption. This is something the Airport Corporation must have if it is to be successful and effective. Thank you for your consideration.

Mahalo

Gregg Nelson

General Manager

Napili Kai Beach Resort



Testimony for  
House Committee on Finance  
Wednesday, March 28, 2018, 3:00 p.m. Room 308

Representative Sylvia Luke, Chair  
Representative Ty J. K. Cullen, Vice Chair

**SB 2996 SD3 HD1 Relating to an Airports Corporation**

Dear Chair Luke, and Members of the Committees:

This testimony is in **STRONG SUPPORT** of SB 2996 SD3 HD1 to authorize the establishment of the Hawaiʻi Airports Corporation within the Department of Transportation (DOT). The bill provides the structure, governance, functions, and a transfer date of not later than July 1, 2021 from DOT.

I am Lynn McCrory, Senior Vice President of Government Affairs for Pulama Lanai. Pulama Lanai is the entity that was set up by Larry Ellison to work with the community and government as we move the island of Lanai toward sustainability.

The DOT – Airports division is a multi-million dollar entity that should have a Board that can actively provide the policies and guidance and decision making that is required of airports ranging from a world class airport that is the Daniel K. Inouye Airport, to a commercial airport the size of the Lānaʻi Airport. Any corporation the size of DOT – Airports, along with many of the mainland airports, function very well with this corporation structure. DOT – Airports having only a five month option to provide decisions as to what is needed on a twelve month basis, along with all of the other departments in the State, results in not having the optimal operational efficiency and function. Decisions can need to be made on a daily basis.

If we want to continue to attract new industries to Hawaiʻi, they have to get here easily and safely. New and existing industries want airports that work efficiently, with flexibility, and that support their business decisions for being in Hawaiʻi.

We humbly ask that you SUPPORT SB2561 SD3 HD1. Mahalo!

Me ke aloha pumehana  
With warm aloha,

Lynn P. McCrory  
Senior Vice President of Government Affairs

**SB-2996-HD-1**

Submitted on: 3/27/2018 1:36:14 PM

Testimony for FIN on 3/28/2018 3:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
John C. Cross	Kau Valley Farms	Support	No

Comments:

**Wednesday, March 28, 2018, 3:00 pm**  
State Capitol, Conference Room 308

House Committee on Finance

To: Representative Sylvia Luke, Chair  
Representative Ty Cullen, Vice Chair

From: Ray Vara  
President & CEO

**Re: Comments on SB 2996 SD 3, HD1 -- Relating to Airports Corporation**

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I am Ray Vara, President and CEO of Hawai'i Pacific Health. Hawai'i Pacific Health is a not-for-profit health care system comprised of Kapi'olani, Pali Momi, Straub and Wilcox with 70 locations statewide serving Hawai'i and the Pacific Region.

The purpose of SB 2996 SD 3, HD1 is to establish the Hawaii airports corporation (Corporation), which shall assume all of the authority, powers, functions, duties and responsibilities of the Department of Transportation related to aeronautics and airports, including responsibility for the development, management, operation and maintenance of the State's airports. While we support the intent of the bill, we oppose the removal of the Corporation's exemption to the procurement code. This was a fundamental aspect of the measure allowing the Corporation the flexibility and framework required to conduct its operations in an efficient manner and streamline its processes.

A highly functioning and well-designed airport is critical to our State's economic future and ultimately the quality of life of all Hawai'i's residents. Hawai'i is blessed to be a destination of choice for millions of visitors every year, which supports our island's economic base and provides an opportunity to introduce the aloha spirit to millions across the world. The importance of the visitor industry and the benefits it provides to our community is something we do not take for granted.

At Hawai'i Pacific Health, we recognize the close interrelations between the income security of our patients and their health and well-being. As a non-profit health care delivery system we are therefore also invested in assuring that Hawai'i sustains its economic viability as it income security is a key component supporting the general health of our communities.

Our airports are the gateway to the visitor experience in Hawai'i and leave an enduring first and last impression for all of our visitors. Given their importance to the total visitor

experience, our airports need an operational structure to best enable their ability to enhance the visitor experience.

Despite our State's tourism infrastructure being a model in many areas, Hawaii still remains one of only three states with an airport operated by the State. Other states operate under authorities or corporations, or a combination thereby allowing their airports to adapt to the demands of a highly dynamic visitor industry. Given the complexity and market sensitivity in the tourism industry, it is important that our airports also be given the operational flexibility to reach their fullest potential.

The creation of an airport corporation - led by a board with the requisite professional expertise – will ensure that the airport will be provided with the operational flexibility and structure it needs to meet the demands of today and the future.

I respectfully encourage this Committee's consideration to reinstate the procurement code exemption for the Airports Corporation.

Thank you for the opportunity to provide testimony on this matter.



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**Testimony to the House Committee on Finance**  
**Wednesday, March 28, 2018**  
**11:00 am**  
**State Capitol, Room 308**

**RE: SB 2996 HD1 – Relating to an Airports Corporation**

Chair Luke, Vice-Chair Cullen, & members of the Committee:

My name is Gladys Quinto-Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-HAWAII is in **strong support** of S.B. 2996, SD 3, HD 1, which would authorize the establishment of the Hawaii Airport Corporation within the department of transportation for administrative purposes. The bill sets out appointment of members to the board of directors and powers and duties of the Hawaii Airport Corporation, and transfers the aeronautics functions of DOT to the Hawaii airport authority.

We understand that the Airports Division 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

The proposed bill would address the problems encountered in the recently completed Hawaiian Airlines Hangar. The Honolulu Star Advertiser reported, "The new Hawaiian Air hangar was originally expected to cost about \$85 million, including change orders, but the final cost was about \$120 million. Hawaiian Air identified 3,688 "issues" on the hangar project after the airline took control of the unfinished facility. Airline officials said about two-thirds of the problems involved incomplete work that the contractor had marked as finished and the state had already paid for." (October 17, 2017).





One of the compelling arguments to create an Airport Corporation is that currently, Airports does not use any tax payer funds. All funds used in the airport operations are derived from user fees and assessments within the Airport properties. Having the users more involved in the oversight of airport improvements, would provide more provide more accountability in how the fees and assessments are being spent. 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 on Airport properties which are state owned lands.

We are in **strong support** of S.B. 2996, SD 3, HD 1, and appreciate the opportunity to provide our input on this important legislation.



**MAUI**  
CHAMBER OF COMMERCE  
VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON FINANCE  
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 308  
WEDNESDAY, MARCH 28, 2018 AT 3:00 P.M.**

To The Honorable Sylvia Luke, Chair;  
The Honorable Ty J.K. Cullen, Vice Chair; and  
Members of the Committee on Finance;

**TESTIMONY IN SUPPORT OF SB2996 RELATING TO AN AIRPORTS CORPORATION**

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce, serving in this role for over a decade. Thank you for the opportunity to testify.

We are in strong support of SB2996, which authorizes the establishment of the Hawaii Airports Corporation. 98% of visitors arrive via the airport system and two critical airports – Honolulu (HNL) and Kahului (OGG) – were named among the Top 10 Worst Airports in America. Our airports are our visitors first and last impression and they must reflect our brand, deliver quality experiences and promote Hawaii, not hold us back. Tourism supports 175,000 jobs in the state and it is critical that we support this industry. We believe the establishment of the Hawaii Airports Corporation will be extremely beneficial as it will help to make improvements quickly and efficiently and increase transparency and accountability. The establishment of the Hawaii Airports Corporation will also mean that airport updates will have no expense to local tax payers with no public dollars used and employees will all be transferred without loss of salary, seniority and benefits. We ask that you please pass this measure so that our airports can get the modifications they so desperately need to support our visitor industry

Mahalo for your consideration of our testimony and we hope you will support this bill.

Sincerely,

Pamela Tumpap  
President



March 28, 2018

## COMMENTS ON SENATE BILL 2996, SD 3, HD 1 RELATING TO AN AIRPORTS CORPORATION

Aloha Chair Luke, Vice Chair Cullen, and members of the House Committee on Finance,

I am Ann Botticelli, Senior Vice-President of Corporate Communications and Public Affairs at Hawaiian Airlines. Hawaiian Airlines is the largest user of the state airport system and, as a result, the largest individual contributor to the operating budget of our state's 15 airports.

The State Legislature is to be applauded for endorsing substantial change in the way we approach the operation of our airports. The advancement of this legislation through the Senate and now the House demonstrates tremendous and much appreciated leadership.

Hawaiian Airlines, as a member of the Airlines Committee of Hawai'i (ACH), fully supports the testimony submitted by ACH. However, we want to underscore that we would support a return to the language proposed in earlier drafts which exempts the Hawai'i Airports Corporation from Chapter 103D, HRS. We have read the testimony objecting to the exemption, and we understand that the fear expressed by general contractors and subcontractors stems from past experience. Nobody, most of all our group of airline users, supports favoritism in the awarding of important contracts. As a major user of the airport system, Hawaiian Airline would be resolute in ensuring such a practice does not occur.

Other opponents of S.B. 2996, SD 3, HD 1 believe that an Airports Corporation will obscure accountability for the expenditure of funds. Delays that increase the cost of projects suggest that, in fact, accountability is absent in the current system. On the contrary, an Airports Corporation would create a CEO management structure that operates year-round to oversee and manage the private money that is dedicated to improving the guest experience at our state's airports. And, in fact, it will deliver much more transparency than the current system provides.

Few disagree that our airports are in need of an upgrade. A decade ago, the Airlines Committee of Hawaii (ACH) endorsed plans for a wholesale modernization of Honolulu's airport, to begin with the construction of a new Mauka Concourse. The first enabling project of those plans was to be the construction of a new cargo and maintenance facility. That facility was finally completed last October, several years behind schedule.

The establishment of a Hawai'i Airports Corporation represents Hawai'i's best chance at creating the world-class airport system that our guests experience elsewhere and we all deserve here in our Islands. Mahalo for letting us offer our comments on this important piece of legislation for our state.

**SB-2996-HD-1**

Submitted on: 3/24/2018 11:06:52 AM

Testimony for FIN on 3/28/2018 3:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Margaret Murchie	Individual	Support	No

Comments:

Our airport is a disgrace and getting worse. Obviously from past performance, dot cannot handle management of construction & design & basic maintenance. The new orange walls enroute to baggage area are embarrassing and show that whomever is in charge has very poor taste. Buckets on stairway still there! Decrepit bathrooms. Allowing main contractor to "self insure" incredibly, at best, naive. Taxpayers have to pay again for their errors in judgement with lease credits to Hawaiian Air, fooling the public into thinking we are not footing the bill. We need to see improvement now. Please Don't wait to have this transition & incur even more expense with poor planning. I feel sick every time I arrive to yellow tape and cones everywhere with confusing signage. No carts in parking area for locals. Car Rentals should be offsite like every other airport. Food concessions getting better but need better selection & oversight. We don't need to reinvent the wheel. Airport signage is ugly but at least they changed verbiage to "arrivals and departures" from confusing "baggage & ticketing", which caused an even more dangerous merge for drivers having to figure that one out. Changing the name of the airport was also an error. It reminds some of us as a less than honorable man. Millions spent foolishly. Let's get some professionals in there ASAP. For all the money we have spent on that place over the years, padding pockets, we should have moving sidewalks and super luxe appointments rather than gray concrete, dying landscaping, faulty AC. Please don't wait. Talk to experienced, tasteful people. Like Kelly Sanders who made the ugly Sheraton look Good. Please don't wait another year. We cannot afford to make any more mistakes

**SB-2996-HD-1**

Submitted on: 3/26/2018 3:26:21 PM

Testimony for FIN on 3/28/2018 3:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Michael Kaleikini	Individual	Support	No

Comments:

As a lifetime resident of Hawai'i and a frequent air traveler, I support the intent of bill SB2996 HD3 SD1 to establish the Hawai'i Airports Corporation. However, I respectfully request legislators to reconsider reinstating the procurement exemption. The procurement exemption will provide the HAC the full flexibility it needs to the success of this initiative.

Hawai'i's procurement process is complex. It takes too long to allow Hawai'i's airports to be competitive. An Airport Corporation procurement system would aim to simplify the process, consistent with the best procurement practices at many other US public-sector airports.

Mahalo for the opportunity to provide testimony. Mike.

**SB-2996-HD-1**

Submitted on: 3/27/2018 11:51:18 AM

Testimony for FIN on 3/28/2018 3:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Gordon Takaki	Individual	Support	No

Comments:

I strongly support SB2996, however, I ask that you reconsider reinstating the procurement exemption.

The proposed amendment could severely compromise the benefits of the Hawaii Airports Corporation. The State procurement process is complex and takes too long to allow Hawaii's airports to be competitive. Several factors, including distributed responsibility among multiple agencies and the lack of a single point of responsibility, all contribute to making Hawaii's airports less than world-class.

The original intent of the bill would aim to simplify the process, consistent with the best procurement practices at other US public sector airports.

Douglas Meller  
2615 Aaliamanu Place  
Honolulu, Hawaii 96813  
douglasmeller@gmail.com

## **Testimony Opposing SB 2996, HD 1, Relating to an Airports Corporation**

Submitted to House Committee on Finance  
3 PM, March 28, 2018 Hearing in Conference Room 308

SB 2996, HD 1 is unlikely to accomplish what is desired by the agencies and organizations which support it. Instead of enacting flawed, ineffective legislation, I request that you replace the current contents of this bill with a mandate and appropriation for the Legislative Auditor to:

- study “best-practices” for airport funding, operation, and management and
- recommend appropriate Constitutional and statutory amendments to adapt “best practices” for Hawaii’s unique situation.

Last year, HDOT alleged that “State-imposed constraints to Airport operating budgets and staffing have resulted in progressive deterioration of the quality of terminal facilities . . . below the standard of other airports serving leading global destinations.” I agree. Unfortunately, without a Constitutional amendment:

- The proposed Airports Corporation can not appropriate airport funds. Moreover, the State Constitution does not allow the Legislature to authorize carte-blanche “Expenditures in excess of appropriations” as proposed on p. 22 of SB 2996, HD 1.
- Legislative appropriations, budget provisos, and legislation such as SB 2515, SD 2 will impose “constraints” on airport expenditures and staffing.
- Unencumbered airport appropriations will lapse as quickly as other state appropriations.

Because the board and chief executive officer of the proposed Airport Corporation will control use of public lands and funds, it would seem reasonable to require that they file public financial disclosure statements under §84-17, Hawaii Revised Statutes. However, SB 2996, HD 1 would not require public financial disclosures.

Last year, HDOT alleged that “Distributed responsibility and involvement by multiple agencies, sometimes with conflicting goals and priorities, results in delay to [airport] decision-making, inefficiency and reduced effectiveness.” I agree. Unfortunately, SB 2996, HD 1 fails to address and may even worsen airports conflicts with state and federal agencies which need additional funding, staffing, and airport space for their airport-related functions. At a minimum, the Legislature should assign a statutory mandate for the proposed Airports Corporation to cooperate with and assist the State DOA, DLNR, and DOH to control introduction of noxious

non-native plants, animals, and diseases. Perhaps the proposed Airports Corporation should also have statutory responsibility to collect user fees assessed by the DOA, DLNR, and DOH to fund their airport-related functions. Finally, because several underfunded federal agencies need to screen embarking and/or disembarking passengers, the proposed Airports Corporation needs clear statutory authority to use airport funds to “purchase” sufficient federal employees to reduce delays for airport passengers.

Before establishing a new semi-autonomous Airports Corporation, I also suggest that the Legislature ask the Legislative Auditor to reconsider potentially problematic “airport financial and property considerations”. For example:

- Is it necessary or prudent for the state to allow tax exemptions for (and forego general fund revenues from) airport-related concessions operating outside of airports while using the state general fund to compensate OHA for its “share” of revenues arising from private use of ceded lands within airports? SB 2996, HD 1 does not address this question.
- Should the Airports Corporation have unfettered discretion over when to favor or subsidize commercial enterprises with either non-bid leases or below-market leases of public property? It seems reasonable for the statute creating an Airports Corporation to incorporate a transparent process and reasonable criteria for lease of airport property. Unfortunately, SB 2996, HD 1 would not accomplish this.

Thank you for the opportunity to share my concerns.



**SB-2996-HD-1**

Submitted on: 3/27/2018 1:32:21 PM

Testimony for FIN on 3/28/2018 3:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Loren Tsugawa	Individual	Comments	No

Comments:

1. I support the intent of the bill to establish the Hawai'i Airports Corporation, but I respectfully request legislators reconsider reinstating the procurement exemption, which give the HAC the full flexibility it needs and is vital to the success of this initiative.
2. The State procurement process is complex and takes too long to allow Hawai'i's airports to be competitive. Several factors - including distributed responsibility among multiple agencies and lack of single point responsibility for airport procurement - all contribute to making Hawai'i's airports less than world-class.
3. An Airport Corporation procurement system would aim to simplify the process, consistent with the best procurement practices at other US public-sector airports.

**SB-2996-HD-1**

Submitted on: 3/27/2018 3:44:01 PM

Testimony for FIN on 3/28/2018 3:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
cheryl	Individual	Comments	No

Comments:

and returns the name of the airport to Honolulu International Airport???



Hawai'i Convention Center  
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815  
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**kelepa'i** fax 808 973 2253  
**kahua pa'a** web [hawaii-tourism-authority.org](http://hawaii-tourism-authority.org)

**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  
**SB2996 SD3 HD1**  
**Relating to an Airports Corporation**  
House Committee on Finance  
Wednesday, March 28, 2018  
3:00 p.m.  
Conference Room 308

**LATE**

Chair Luke, Vice-Chair Cullen and Committee Members:

The Hawai'i Tourism Authority (HTA) offers the following **testimony in support** of SB2996 SD3 HD1, which authorizes the establishment of the Hawai'i airports corporation within the Department of Transportation to develop, manage and operate the State's airport facilities.

Without commenting on the precise structure of the airports corporation, HTA supports the creation of a separate entity that is tasked with focusing on issues affecting airlines and travelers and maintaining and improving the airports. The State's airports, in addition to welcoming visitors to the islands, serve Hawai'i residents and their families, provide employment for thousands of residents and are a key source of revenue for many businesses. An airports corporation, which would oversee capital improvements and other airport enhancements, will help to ensure that the Hawai'i airport system is a world-class facility. Developing the focal points of the State's most essential transportation option will improve Hawai'i's appeal as a destination and location. HTA supports the investment in the State, our infrastructure and Hawai'i's visitor industry.

Mahalo for the opportunity to offer this testimony.



**LATE**

**Testimony to the House Committee on Finance**

**Wednesday, March 28, 2018**

**3:00 P.M.**

**Conference Room 308**

**RE: RELATING TO AN AIRPORTS CORPORATION – SB 2996 SD3 HD1**

Chair Luke, Vice Chair Cullen and Members of the Committee:

My name is Gary Kai and I am the Executive Director of the Hawaii Business Roundtable. The Hawaii Business Roundtable supports Senate Bill 2996 SD3 HD1, relating to the establishment of an Airports Corporation.

The Hawaii Business Roundtable supports our Visitor Industry and believes that a world class airport system is a necessary and vital element of our visitor infrastructure. We concur with the legislation that “coordinated planning and development of the State's air transportation system and infrastructure would be achieved more effectively by establishing and giving a separate state entity overall jurisdiction and responsibility for aeronautics and the State's airports.”

The Hawaii's Visitor Industry continues to contribute to the creation of jobs and economic growth. It is a vital component of Hawaii's economy and we must all do what we can to protect it from increasing competition on a global level. Our competition provides its customers with world class airports that deliver exemplary customer experiences and comfort, while maintaining a high level of efficiency.

An Airports Corporation will be able deliver timely improvements and innovations that will be required in our rapidly changing world. We believe that Airports Corporation with a Board, with the necessary professional expertise can provide the oversight and structure needed to create a world class operation. We recommend that the Committee consider reinstating the procurement exemption which would simplify the process, allowing the Corporation the ability to act expeditiously and responsibly, as it moves forward to create the world class airport system we all need and deserve.

Thank you very much for the opportunity to testify.

Gary K. Kai, Executive Director  
Hawaii Business Roundtable



**TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
TWENTY-NINTH LEGISLATURE, 2018**

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**ON THE FOLLOWING MEASURE:**

S.B. NO. 2996, S.D. 3, H.D. 1, RELATING TO AN AIRPORTS CORPORATION.

**BEFORE THE:**

HOUSE COMMITTEE ON FINANCE

**LATE**

**DATE:** Wednesday, March 28, 2018      **TIME:** 3:00 p.m.

**LOCATION:** State Capitol, Room 308

**TESTIFIER(S):** Russell A. Suzuki, Acting Attorney General, or  
Charleen M. Aina, Deputy Attorney General

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Chair Luke and Members of the Committee:

This bill establishes the Hawaii Airports Corporation as an agency of the State, to which the functions, powers, and responsibilities of the Department of Transportation ("DOT") for the management and operations of the State's airports, and matters relating to airports and aeronautics generally are to be transferred, by December 31, 2021.

The Department of the Attorney General provides the following comments and suggested revisions.

1. The references to "concessions" and "chapter 102," the "Concessions on Public Property" law, throughout the bill is not necessary. The provisions of chapter 102 apply to all state agencies. Chapter 102 defines a "concession" as a "grant to a person of the privilege to conduct [certain] operations . . . in or on buildings or land under the jurisdiction of [a] government agency." The references to "airports," "airline and aircraft operations," and "airport operation of concessions" in chapter 102 are made without reference to a particular state agency, and will apply to the DOT prior to the transfer this bill effects, and to the Corporation after that transfer.

2. At page 5, lines 14-18, revise the first clause of subsection (b) to read:  
nine voting members, who shall be appointed by the governor pursuant to section 26-34; provided that three members each shall be selected from lists of at least three persons nominated by the speaker of the house of representatives, and three members each shall be selected from lists of at least three persons nominated by the president of the senate; and

We suggest these changes to provide the Governor with a meaningful choice in filling each of the three seats for which the Speaker and the President, respectively, are allowed to make nominations.

3. To make clear that the head of the Hawaii Airports Corporation is its Board or Directors, not its Chief Executive Officer, revise line 9 at page 7 to read:

(h) The board of directors of the airports corporation shall appoint a single

4. Because the Chief Executive Officer of the Corporation is to serve as its chief procurement officer, see page 9, lines 6-7, and page 19, lines 12-15, delete “and a chief procurement officer” at page 18, lines 9-10.

5. At page 44, end the sentence after “2005” and delete the proviso in lines 2-7. The Corporation will be a state agency and as such, will be required, just as DOT is presently required, to satisfy the reporting requirements in section 5 of Act 178, Session Laws of Hawaii 2006. Note also that Act 178’s reporting requirement applies to receipts state agencies collect from the use of public land trust lands, i.e., lands transferred to the State by the United States by section 5 of the Admission Act, and not from the use of “public lands.”

6. Because the revisions to section 261-7, Hawaii Revised Statutes (HRS), made in section 11 at page 44, lines 8-21, pages 45-48, and page 49, lines 1-6, of the bill, can only take effect after the obligations described in section 25 of the bill are satisfied, and that may not occur for another twenty years, we suggest that this Committee delete section 11, and renumber the subsequent sections of the bill accordingly. The State is contractually obligated to retain the residual methodology that is included in section 261-7 to set airport rates, rentals, fees, and charges, until the outstanding obligations are satisfied, but nothing requires this Legislature to prescribe a methodology that is to be used thereafter.

7. At page 49, insert “board of directors or the” between “the” and “chief executive officer” at the beginning of line 19, and add “depending upon which of the two is authorized to act under the new chapter added to the Hawaii Revised Statutes in section 2 of this Act” before the period at the end of line 19.

8. At page 50, line 3, insert “board of directors” in quotes followed by “or” between “phrase” and “chief executive officer” and add “depending upon which of the two is authorized to act under the new chapter added to the Hawaii Revised Statutes in section 2 of this Act;” after the comma at the end of line 4.

9. The last sentence of section 16 at pages 59, lines 19-20, and 60, lines 1-2 seems to relieve the DOT of the obligations imposed on it by the second sentence of section 16, by transferring them to the Corporation if they are not satisfied before the transfer completion date. To demarcate the two entities’ responsibilities more clearly, the Committee should consider rewording section 16 as follows (and provide funding for DOT to satisfy those obligations after the transfer completion date):

SECTION 16. This Act does not affect rights and duties that matured, penalties that were incurred, and proceedings that were begun before its effective date. The department of transportation shall be responsible for any and all obligations, including any accounts payable, accrued paid time off, debt, capital leases and other obligation, incurred before the transfer completion date by the department or its airports division in connection with the department's exercise of the authority and performance of its duties and responsibilities conferred upon it or its director by chapters 261, 261D, and 362, Hawaii Revised Statutes, unless the Hawaii airports corporation assumes any of those obligations prior to the transfer completion date. All collective bargaining disputes or claims against the department grounded in an act or omission, or an event that occurred prior to the transfer completion date shall remain the responsibility of the department of transportation. All liabilities arising out of the Hawaii airports corporation's exercise of the authority and performance of the duties and responsibilities conferred upon it by chapters 261, 261D, and 262, Hawaii Revised Statutes, after the effective date of this Act, shall be the responsibility of the corporation. The assumption by the airports corporation of the bonds, notes, or other obligations of the department of transportation relating to the State’s airport system shall be subject to the terms and provisions of any certificate, indenture, or resolution securing those bonds, notes, or other obligations.

10. Section 25 at page 65, lines 11-13, needs to be reworded as follows, irrespective of whether section 11 of the bill is deleted, as we suggest in paragraph 6 above, or retained in its present form:

SECTION 25. This Act shall take effect on July 1, 2050; provided that no amendment to section 261-7, Hawaii Revised Statutes (Supp. 2017), shall be made in this Act or any other act, until the currently outstanding obligations described in paragraphs (1), (2), and (3) below are satisfied and discharged:

We also have serious concerns about the provision in section 14 of the S.D. 3 and H.D. 1 of S.B. No. 2996, which postpones the date the Governor may appoint members to the Corporation's board of directors until October 1, 2019. Even if the bill is effective sooner, without a board of directors, the Corporation will exist in name only. Without a board, the Corporation will not be able to establish the transfer completion date "as soon as feasible," see section 14 at page 57, lines 5-6, or expend any of the FY 2019-2020 appropriation the Corporation is authorized to use to effect the transfer. Without a board, the Corporation will also be without a chief executive officer, and the other executive officers and specially qualified employees the chief executive officer is authorized to hire, to provide the expert airport leadership, consistent with industry best practices the bill seeks to secure for the State.

Postponing the appointment of members to the Corporation's board until October 1, 2019, will also leave the DOT and the Corporation with only 27 months, rather than the three years we believe is the minimum time needed, to complete the transfer of functions, powers, and responsibilities contemplated by his bill.

Thank you for the opportunity to testify on this bill.