

DAVID Y. IGE  
GOVERNOR



SARAH ALLEN  
ADMINISTRATOR  
MARA SMITH  
ASSISTANT ADMINISTRATOR

**STATE OF HAWAII  
STATE PROCUREMENT OFFICE**

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TESTIMONY  
OF  
SARAH ALLEN, ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE  
ON  
WAYS AND MEANS

February 28, 2018 11:00 a.m.

SENATE BILL 2996, SD 1  
RELATING TO AN AIRPORTS CORPORATION

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committee, thank you for the opportunity to submit testimony on SB 2996, SD 1. The State Procurement Office (SPO) supports the intent of the bill, but questions the exemption language on page 11, SECTION 2, lines 1 through 20, and page 12, lines 1 to 9 and **requests this committee consider providing the Airport Corporation with its own CPO Jurisdiction within the Procurement code, or at least continue procuring under the code up until the Airport has written policies and procedures that have been reviewed by the SPO and approved by the HAC Executive Board.** The following delineates the bill verbiage in question and offers comments:

1. “(6) Shall be exempt from the provisions of chapter 103D,.. ” ,

Total Exemption from Procurement Code for the Airport Corporation (Corporation). The SPO does not believe this to be a prudent action for several reasons. First, the Corporation will not be able to leverage cost efficiencies and economies of scale through state-wide and cooperative contracts, lose ability to participate in pCard program, will distance themselves from HI-EMA team approach, will lose out on cost savings and consistent systems across the Executive (eProcurement system), access to solicitations will be diminished, reducing competition, and the corporation will not be included in any state mall business and set-aside programs. Deviation from the Code increases the likelihood of unethical practices. In addition, all departments in the Executive Branch receive consistent procurement training, which would not be accessible or applicable to an exempt corporation. Finally, the procurement code offers protections to the procurement officer as well as to the vendor with a fair protest process.

Dan Gordon, the former Obama administration head of the Office of Federal Procurement Policy and now associate dean for government procurement law studies at George Washington University Law School, talks<sup>1</sup> to the positive reasons to maintain a fair protest process.

Overall, Gordon finds the bid protest process to be positive for the procurement system, citing several advantages:

- Protests introduce a relatively low-cost form of accountability into acquisition systems by providing disgruntled participants a forum for airing their complaints;
- They can increase potential bidders' confidence in the integrity of the procurement process if the <State> is directly responsive to participants' complaints, leading more players to participate;
- Protests can increase the public's confidence in the integrity of the public procurement process; --The known availability of the protest avenue empowers those in contracting agencies who face pressure to act improperly;
- Protest decisions made public provide a high level of transparency into what is happening in the federal procurement system; and
- Protests provide guidance.

The code is the single source of public procurement policy to be applied equally and uniformly, while providing fairness, open competition, a level playing field, government disclosure and transparency in the procurement and contracting process vital to good government.

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. To legislate that any one entity should be exempt from compliance with both HRS chapter 103D and 103F conveys a sense of disproportionate equality in the law's application.

Exemptions to the code mean that all procurements made with taxpayer monies and airport fees will not have the same oversight, accountability and transparency requirements mandated by those procurements processes provided in the code. It means that there is no requirement for due diligence, proper planning or consideration of protections for the state in contract terms and conditions, nor are there any set requirements to conduct cost and price analysis and market research or post-award contract management. As such, Agencies can choose whether to compete any procurement or go directly to one contractor. As a result, leveraging economies of scale and cost savings efficiencies found in the consistent application of the procurement code are lost. It also means Agencies are not required to adhere to the code's procurement integrity laws.

The National Association of State Procurement Officials state: "Businesses suffer when there is inconsistency in procurement laws and regulations. Complex, arcane procurement rules of

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<sup>1</sup> Clark, Charles, March 12, 2013, Government Executive, "Bid Protests Are Worth Their Costs, Ex-Procurement Chief Says"

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.”

When public bodies, are removed from the state’s procurement code it results in the harm described above. As these entities create their own procurement rules, businesses are forced to track their various practices. Moreover, a public body often can no longer achieve the benefits of aggregation by using another public body’s contract because different state laws and regulations may apply to the various public bodies making compliance more difficult.

Each year new procurement laws are applied to state agencies causing state agency contracts to become more complex and costly, while other public bodies, such as agencies with strong legislative influence, are exempted. Relieving some public bodies from some laws by exempting or excluding them from compliance with a common set of legal requirements creates an imbalance wherein the competitive environment becomes different among the various jurisdictions and the entire procurement process becomes less efficient and costlier for the state and vendors.

2. “(6)(A) The board of directors shall maintain internal policies and procedures....., consistent with the goals of public accountability and public procurement practices.

The desire to be consistent with public procurement practices, naturally delineates this corporation to the already-existing procurement code.

3. “(6) (B) Insofar as practical, and based on specifications developed, adequate and reasonable competition of no fewer than three proposals shall be solicited for each project”.

This verbiage implies that the corporation has the power to communicate to three offerors and have them solicit. This method of procurement radically decreases competition and also reduces any efficiencies to be gained through innovative procurement methods and performance-based contracting. Saying that no fewer than three proposals shall be solicited, does not in of itself support full and open competition. There are times when a procurement may very well be a sole source. There are the majority of times where there will be more than three interested offerors. Full and open competition, transparency and safeguarding of taxpayers monies cannot be all encompassed in this one statement.

In addition, the terms, “as practical”, and “based on specifications developed”, opens the door for less than three proposals to be received per solicitation, allowing the corporation to go around its own rule whenever they please.

4. Page 49, Lines 19-21; Page 50 Lines 1-7, Page 52, Lines 3-8. This section mandates the SPO to enter into a memorandum of understanding to:
  - “Provide administrative support services;

- Expediently transfer or otherwise facilitate the corporation's acquisition or assumption of all powers."

The SPO cannot provide support services for a corporation that is exempt from the procurement code, nor is it the SPO mission to assist in developing alternative procurement processes to the already existing procurement code. Notwithstanding this, the SPO does not have the resources to acquiesce to this mandate.

**Recommendation:**

The SPO recommends the Hawaii Airport Corporation (HAC) become its own CPO Jurisdiction or at least continue procuring under the code up until the Airport has written policies and procedures that have been reviewed by the SPO and approved by the HAC Executive Board. This will 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 current organizational chart for procurement officers, and post-award contract managers does not lead itself to streamlining of procurements and effective actualization of contracts. The DOT Leadership should consider formulating a robust, centralized acquisition center that has the authority, skill and experience to manage complex procurements in all areas, as well as manage the administration and oversight thereto.

To achieve the above recommendations, the SPO suggests the following verbiage to this bill:

The Hawaii airport corporation shall have its own CPO Jurisdiction within HRS103D, and the Chief executive officer shall delegate procurement authority to the corporation chief procurement officer 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 materiel 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;

Add a new Section:

SECTION X. Section 103D-203, Hawaii Revised Statutes, is amended to read as follows:

Chief procurement officers. (a) The chief procurement officer for each of the following state entities shall be:

- (1) The judiciary--the administrative director of the courts;
- (2) The senate--the president of the senate;
- (3) The house of representatives--the speaker of the house of representatives;

(4) The office of Hawaiian affairs--the chairperson of the board;

(5) The University of Hawaii--the president of the University of Hawaii; provided that, except as specified in section 304A-2672(2), for contracts for construction and professional services furnished by licensees under chapter 464, the administrator of the state procurement office of the department of accounting and general services shall serve as the chief procurement officer;

(6) The department of education, excluding the Hawaii public library system--the superintendent of education;

(7) The Hawaii health systems corporation--the chief executive officer of the Hawaii health systems corporation; and

(8) The Hawaii airport corporation – the chief executive officer of the corporation.

~~(8)~~ (9) The remaining departments of the executive branch of the State and all governmental bodies administratively attached to them--the administrator of the state procurement office of the department of accounting and general services.

(b) The chief procurement officers for each of the several counties shall be:

(1) The executive branch--the respective finance directors of the several counties, except as provided in paragraphs (3), (4), and (5);

(2) The legislative branch--the respective chairpersons of the councils of the several counties;

(3) The Honolulu, Kauai, and Maui boards or departments of water supply--the managers and chief engineers of the respective boards or departments of water supply as designated by county charter;

(4) The Hawaii board of water supply--the manager of the board of water supply as designated by county charter; and

(5) The semi-autonomous public transit agency--the director of the agency as designated by county charter; provided that the chief procurement officers designated under paragraphs (1), (2), (3), (4), and (5) shall not exercise their powers or duties over contracting in a manner contrary to the respective county's charter, ordinances, or rules adopted in accordance with chapter 91.

Thank you.



EXECUTIVE CHAMBERS  
HONOLULU

DAVID Y. IGE  
GOVERNOR

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

Before the  
**Senate Committee on Ways and Means**  
February 28, 2018  
11:00 a.m., Conference Room 211

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

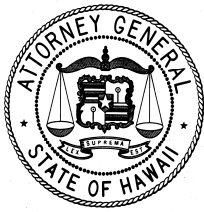
Chair Dela Cruz, Vice Chair Keith-Agaran, and committee members:

Thank you for the opportunity to provide comments in **Strong Support** for **Senate Bill 2996**.

Currently, the responsibility of development, management, and operation of all of the State's airports is distributed amongst several state agencies. This creates unnecessary delays in projects and restricts the airport system from keeping up to the standards of other leading global destinations. An independent corporation would allow for quicker decision making and a streamlined process for budgeting and procurement.

We defer specific comments to testimony submitted separately by the Department of Transportation.

We appreciate your attention and will be available to answer your questions, should you have any at this time.



**WRITTEN 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. 1, RELATING TO AN AIRPORTS CORPORATION.

**BEFORE THE:**

SENATE COMMITTEE ON WAYS AND MEANS

**DATE:** Wednesday, February 28, 2018      **TIME:** 11:00 a.m.

**LOCATION:** State Capitol, Room 211

**TESTIFIER(S):**      **WRITTEN TESTIMONY ONLY**  
(For further information, please contact Charleen M. Aina,  
Deputy Attorney General at 586-1292)

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Chair Dela Cruz and Members of the Committee:

The purpose of S.B. No. 2996 is to establish an Airports Corporation as an agency of the State effective July 1, 2018, to which the functions, powers, and responsibilities of the Department of Transportation ("DOT") relating to the management and operations of the State's airports, and the administration of all activities and matters relating to airports and aeronautics in the State, shall be transferred, no sooner than July 1, 2019, and no later than July 1, 2021. It would add a new chapter to the Hawaii Revised Statutes, to establish the Hawaii Airports Corporation.

The Department of the Attorney General provides the following comments, and recommends substantive revisions, and non-substantive revisions to this bill.

1. The S.D. 1 adds a new paragraph (23), on page 16 at lines 12-17, to § - 3(a) of the new chapter would expressly require the Corporation to continue providing an annual accounting of all receipts it collects from the use of ceded lands, to the Department of Land and Natural Resources pursuant to Act 178, Session Laws of Hawaii 2006. This paragraph could be deleted as unnecessary because Act 178's reporting provisions are applicable to all state agencies that hold title to or manage ceded lands, and needs to be deleted if either S.B. No. 2136 or H.B. No. 1747 is enacted, and expressly or impliedly repeals Act 178.

2. Sections 11 and 13 on page 43, lines 1-19, and on page 50, lines 1-18, must be deleted. The amendments the sections make to chapters 261, 261D and 262, Hawaii Revised Statutes, transfer the authority and responsibility for operating and managing the State's airports and administering aeronautics in Hawaii generally, from DOT, and its director and Airports Division, to the Hawaii Airports Corporation on S.B. No. 2996's effective date. If the sections are left in the bill, the State will be left without any means of implementing chapters 261, 261D and 262 because the Corporation will not be authorized or able to implement these statutes on the first day of its existence. Section 16 directs the Corporation, with the concurrence of the Director of Transportation and the Governor, to establish a transfer completion date or deadline for transferring the functions from DOT to the Corporation, which shall be no sooner than July 1, 2019, and no later than July 1, 2021. See the S.D. 1 at section 16(b) on pages 56 and 57.

Sections 11 and 13 are also unnecessary. The provisions of section 14 conform the wording of chapters 261, 261D and 262, upon the Corporation's assumption of the DOT's, and its Director's and Airports Division's functions and responsibilities, on and after the Transfer Completion Date. See the S.D. 1 at page 50, lines 1-11.

3. In conjunction with the deletions of sections 11 and 13 described in paragraph 2 above, section 12 needs to be re-designated "Section 11," and sections 14 through 27 need to be re-designated "Section 12" through "Section 25."

In addition, the reference to section "16(b)" on page 51, line 4, needs to be changed to "14(b)."

4. At page 50 at line 6, insert "or "department"" between "transportation" and "in."

5. At page 50 at line 9, insert "or "director"" between "transportation" and "in."

6. At page 50 at the end of line 18, insert ", and shall delete the definition of "Director" and definition of "Department" in sections 261-1 and 262-1, Hawaii Revised Statutes."

7. At page 51 at line 7, insert "Hawaii" between "the" and "airports."

8. At page 58 at line 19, insert "completion" between "transfer" and "date."



9. At page 59 at line 4, insert “of transportation” between “department” and the period at the end of the sentence.

We appreciate the opportunity to submit these comments and recommendations for revising S.B. No. 2996, S.D. 1.



**SB2996**  
**RELATING TO AN AIRPORTS CORPORATION**  
Senate Committee on Transportation and Energy

January 31, 2018

1:15 p.m.

Room 225

The Office of Hawaiian Affairs (OHA) **OPPOSES** SB2996, which would establish the Hawai'i Airport Corporation (Corporation) to exercise consolidated jurisdiction over the State's airports and airport lands, and exempt the Corporation from critical laws that protect Native Hawaiian rights and interests in public and "ceded" lands.

While OHA does not have a position on the creation of a Corporation authority for airports, OHA has significant concerns regarding language in this measure that would explicitly exempt the Corporation and Corporation-held lands from Hawai'i Revised Statutes (HRS) Chapter 171.

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

**By exempting the proposed Corporation from Chapter 171, this bill would circumvent critical laws that protect Native Hawaiian rights related to "ceded" lands, other public lands, and the public land trust.** For example, Chapter 171 contains requirements that legislative approval be obtained prior to the sale or gift of state lands (HRS §171-64.7), or to the exchange of public lands for private lands (HRS §171-50). OHA views these statutory protections as critical to maintaining the ceded lands corpus, 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. Exempting the Corporation from these requirements may invite potential violations of the public trust and public land trust, by foreclosing opportunities to maximize the financial and intangible benefits derived from the trust corpus, and fostering a sense of entitlement in lessees that can and has in the past led to the alienation of public lands. **Accordingly, the wholesale exemption of the Corporation and its lands from Chapter 171 may threaten a range of Native Hawaiian interests in our limited public land base.**

Accordingly, OHA urges the Committee to **HOLD** SB2996, or otherwise ensure that all laws establishing and protecting the rights of OHA and its beneficiaries be made explicitly applicable to the Corporation in its receipt, administration, and disposition of lands that fall under its control. Mahalo for the opportunity to testify on this measure.

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)

February 26, 2018

TO: The Honorable Donovan M. Dela Cruz, Chair  
Senate Committee on Ways and Means

FROM: Mike White  
Council Chair 

SUBJECT: **HEARING OF FEBRUARY 28, 2018; TESTIMONY IN SUPPORT OF SB 2996 SD1, RELATING TO AN AIRPORTS CORPORATION**

Thank you for the opportunity to testify in **support** of this important measure. The purpose of this bill is to establish the Hawaii Airports Corporation, which shall assume overall jurisdiction and responsibility for aeronautics and airports, including responsibility for the development, management, operation, and maintenance of the State's airports beginning on July 1, 2019.

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 has 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.

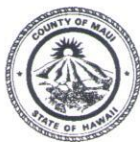
For the foregoing reasons, I strongly **support** this measure.

Council Chair  
Mike White

Vice-Chair  
Robert Carroll

Presiding Officer Pro Tempore  
Stacy Crivello

Councilmembers  
Alika Atay  
Elle Cochran  
Don S. Guzman  
Riki Hokama  
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[www.MauiCounty.us](http://www.MauiCounty.us)

February 26, 2018

TO: Honorable Donovan M. Dela Cruz, Chair  
Senate Committee on Ways and Means

FROM: Robert Carroll *Robert Carroll*  
Councilmember, East Maui

DATE:

SUBJECT: **HEARING OF FEBRUARY 28, 2018; TESTIMONY IN SUPPORT OF SB  
2996 SD 1, RELATING TO AN AIRPORTS CORPORATION**

Thank you for the opportunity to testify on this important measure. The purpose of this legislation is to establish The Hawaii Airports Corporation, which shall assume overall jurisdiction and responsibility for the development, management, operation, and maintenance of the State's airports beginning on July 1, 2019.

I support this measure for the following reasons:

1. The planning, design, and construction of critical modernization projects has 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. 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 **support** this measure.

**Wednesday, February 28, 2018, 11:00am**

State Capitol, Conference Room 211

Senate Committee on Ways and Means

To: Senator Donovan M. Dela Cruz, Chair  
Senator Gilbert S.C. Keith-Agaran, Vice Chair

From: Ray Vara  
President & CEO

**Re: Testimony in Support of SB 2996 SD 1, 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 with over 70 locations statewide including medical centers, clinics, physicians and other caregivers serving Hawai'i and the Pacific Region with high quality, compassionate care. Its four medical centers – Kapi'olani, Pali Momi, Straub and Wilcox – specialize in innovative programs in women's health, pediatric care, cardiovascular services, cancer care, bone and joint services and more. Hawai'i Pacific Health is recognized nationally for its excellence in patient care and the use of electronic health records to improve quality and patient safety.

I write in support of SB 2996 SD 1 relating to the establishment of an airport corporation. The purpose of SB 2996 SD 1 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.

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 its 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 encourage your favorable consideration of SB 2996 SD 1. Thank you for the opportunity to testify.



February 26, 2018

## TESTIMONY IN SUPPORT OF SENATE BILL 2996, SD 1 RELATING TO AN AIRPORT CORPORATION

Aloha Chairman Dela Cruz, Vice Chairman Keith-Agaran and members of the Senate Committee on Ways & Means,

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. We are keenly interested in the passage of S.B. 2996, SD 1. The Airport Corporation structure outlined in this measure will allow for a much more efficient and cost-effective process for badly needed airport renovations.

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 late and \$40 million over budget.

This project is not an exception to the rule. The tortured path of delays and cost overruns experienced by the new cargo and maintenance project merely illustrates the inefficiency an Airport Corporation will fix. The \$40 million that this single project was over budget is money that the private users of the airport could have invested in growing our businesses, resulting in increased jobs, payroll taxes and a host of related benefits.

S.B. 2996, SD 1 will:

- Allow the State to approve lump-sum annual appropriations from the user fee Airport Fund providing the Corporation with the ability to make adjustments as necessary between Legislative sessions. This will keep schedules and costs on track.
- Allow the Corporation to set up a more efficient system for the award of design and construction contracts. This will mitigate, if not eliminate, long and costly construction delays.

Opponents of S.B. 2996, SD 1 believe that an Airport Corporation will obscure accountability for the expenditure of funds. Delays in the tens of millions of dollars suggest that, in fact, accountability is absent in the current system. On the contrary, an Airport 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.

In conclusion, S.B. 2996, SD 1 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. We respectfully request your approval.





## AIRPORT CONCESSIONAIRES COMMITTEE

Honorable Donovan Dela Cruz, Chair  
Committee on Ways and Means  
Hawaii State Senate  
Hawaii State Capitol

February 28, 2018, 11:00 am, Room 211

### REVISED TESTIMONY

Re: S.B. 2996, SD1 – Relating To An Airport Corporation

Dear Chair Dela Cruz and Honorable Committee Members:

On behalf of Airport Concessionaires' Committee I wish to clarify our prior testimony submitted and request for amendment to this bill now before you. My name is Peter Fithian speaking on behalf of the Airport Concessionaires Committee.

Our requested amendment is noted on the attached Exhibit 1 (dated February 27, 2018) which contains hand written changes to our prior requested amendment to you. We respectfully seek an amendment in keeping with attached Exhibit 1 to this testimony with the hand-written changes.

The bill provides for the selection of 4 Board members from each county. The reason for our amendment (attached Exhibit 1) is to allow for the selection of the remaining 5 board members in accordance with the listed disciplines. Added to the list of disciplines is the experience of "non-aviation-airport business" which as a category would include airport concessions among other airport businesses. This is an important discipline that should be listed but is not listed in the current bill. As you know, airport concessions historically have provided 50% to 75% of all airport operating revenues and running a business at

an airport is more complex given all of the additional rules, limitations and security requirements.

We respectfully urge you to support the passage of this bill with the amendment (Exhibit 1) attached to this testimony.

Thank you for allowing us to testify.

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EXHIBIT 1

Feb 22, 2018 --- RE SB 2996, SD1, Relating to Airport Corporation; Proposed Amendment by Airport Concessionaires Committee.

Note: Added language is underlined. *AND/OR  
HAND WRITTEN*

Proposed SD 2 Amendment to Section 2 of SB 2996, SD1

SECTION 2. The Hawaii Revised Statutes is amended by adding a new chapter to be appropriately designated and to read as follows:

**"CHAPTER**

**HAWAII AIRPORTS CORPORATION**

**PART I. GENERAL PROVISIONS**

§ -1 **Definitions.** As used in this chapter:

"Aeronautics" shall have the same meaning as defined in section 261-1.

"Air navigation facility" shall have the same meaning as defined in section 261-1.

"Aircraft" shall have the same meaning as defined in section 261-1.

"Airport" shall have the same meaning as defined in section 261-1.

"Airport revenue" means all moneys paid into the airport revenue fund pursuant to section 261-5(a).

"Airports corporation" or "corporation" means the Hawaii airports corporation established by this chapter.

EXHIBIT 1

"Chief executive officer" means the chief executive officer of the Hawaii airports corporation.

§ -2 **Airports corporation; establishment; board; members; chief executive officer.** (a) There is established the Hawaii airports corporation to develop and implement management structures, policies, and procedures based on airport industry best practices, to efficiently develop, manage, operate, and maintain the State's airports and aeronautical facilities, and to administer the provisions of chapters 261, 261D, and 262. The corporation shall be a body politic and corporate, and an instrumentality and agency of the State, placed within the department of transportation for administrative purposes only, and, as such, shall enjoy the same sovereign immunity available to the State. The corporation shall not be subject to supervision by the department of transportation or its director. Further, the provisions of sections 26-35(a)(1), 26-35(a)(4), 26-35(a)(5), and 26-35(a)(6) shall not apply to the airports corporation.

(b) The powers of the airports corporation shall be vested in and exercised by a board of directors, which shall consist of nine voting members, who shall be appointed by the governor pursuant to section 26-34; provided that there shall be one member who is a resident of each of the counties of Hawaii, Kauai, and Maui and the city and county of Honolulu, ~~one member representing~~

*DELETED*

~~DELETE~~

~~general airport-concession interests and one member~~  
~~representing general aviation interests.~~ All members shall be appointed for terms of four years; provided that the governor shall stagger the initial terms pursuant to section 26-34(a).

Members shall have relevant business and management experience, including experience in one or more of the following disciplines: financial planning, budgeting, hospitality, tourism, commercial development, construction program management, marketing, law, NON-AVIATION-AIRPORT BUSINESS, aviation, or the cultural traditions and practices of Native Hawaiians. It is the intent of the legislature that there shall be, as far as practicable, a wide cross-section of these disciplines represented by the board.

The governor may appoint up to two of the at-large members without regard to the requirement in section 78-1(b) that appointive officers be residents of the State at the time of their appointment; provided that no more than two non-residents shall serve as members of the board at any time.

Notwithstanding subsections 26-34(a) and (b), all members of the board shall continue in office until their respective successors have been appointed and qualified by the senate; provided that no member shall serve more than eight consecutive years.

No board member appointed under this section shall be an officer or employee of the State or a county.

Each board member shall serve without pay and shall be reimbursed for necessary out-of-pocket expenses incurred while attending meetings and otherwise discharging the member's board related responsibilities.



To: Senator Donovan M. Dela Cruz, Chair, Senate Ways and Means Committee  
From: Doug Simons  
Subj: Letter of Support for SB 2996 SD1 Relating to the Formation of the Hawaii Airport Corp.  
Date: February 26, 2018

Aloha Chair Dela Cruz –

It is a pleasure to **support** SB 2996 SD1, which if approved would lead to the consolidation of authority and responsibility for Hawaii's airport systems across the entire state under a new and nimble Hawaii Airport Corporation. While much of the interest and support expressed for this bill to date stems from the tourism industry and entities that are directly involved with airlines and airports, I wish to also convey that the Maunakea Observatories critically rely upon modern airports and their related infrastructure and support systems. We have a fairly steady stream of engineers, scientists, and leaders from Federal agencies worldwide visiting CFHT and the other observatory facilities on Hawaii Island. We also rely upon a modern airfreight system to deliver essential, high-tech components for the observatories, including new instrumentation built internationally. Getting people and components efficiently in/out of Hawaii through our airport system is vital. Maintaining and upgrading Hawaii's airports through the proposed legislation is therefore of great interest to CFHT, a proud member of the Hawaii Island community.

Mahalo,

Dr. Douglas A. Simons  
Executive Director  
Canada-France-Hawaii Telescope Corp.

**SB-2996-SD-1**

Submitted on: 2/23/2018 11:12:44 AM

Testimony for WAM on 2/28/2018 11:00:00 AM

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

Comments:





February 22, 2018

Senator Donovan Dela Cruz, Chair  
Senator Gilbert S.C. Keith-Aragan, Vice Chair  
Senate Ways and Means Committee  
Hawaii State Capitol

**Testimony in Support of SB2996 SD1**

Dear Senator Dela Cruz, Senator Keith-Aragan and Members of the Ways and Means Committee:

The Kohala Coast Resort Association (KCRA) is in full support of SB2996 SD1 establishing the Hawaii Airport Corporation. KCRA has been a partner on numerous improvement projects at the Ellison Onizuka Kona International Airport at Keahole, and was a tenant for more than 15 years. Our Administrative Director serves on the Airport Operations Committee. We believe that establishing a Hawaii Airport Corporation will allow much needed airport improvements, including the completion of Phase 1 of the Terminal Modernization Plan, and the planning, design and building of a new Federal Inspection Station to happen more quickly and efficiently.

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 encourage your support of this measure.

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



# Maui Hotel & Lodging

ASSOCIATION

Testimony of

**Lisa H. Paulson**

Executive Director

Maui Hotel & Lodging Association

on

SB 2996 SD1

**Relating To An Airport Corporation**

COMMITTEE ON WAYS AND MEANS

**Wednesday, February 28, 2018, 11:00 am**

**Conference Room 211**

Dear Chair Dela Cruz, Vice Chair Keith-Agaran 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** of **SB 2996 SD1**, 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 airport corporation. Transfers 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.

MHLA believes that this measure could facilitate the completion of long-needed airport improvement and create a platform for integrated planning that will greatly benefit the traveling public. These much-needed improvements will be paid for by the airlines and concessionaires that use the airports, together with the existing passenger facility charges already included with every airfare. The current governance model is not conducive to maintaining global competitiveness and efficiency for the Airports System. Delays to the capital program, deferral of maintenance and modernization programs resulting from complex State approvals and decision-making processes are limiting capacity to accommodate demand and resulting in airports which fall behind the standards expected of a primary global destination

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.

We respectfully request you consider passing SB 2996 SD1. Thank you for the opportunity to testify.



**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

# *SAH - Subcontractors Association of Hawaii*

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

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

February 28, 2018

Testimony To: Senate Committee on Ways and Means  
Senator Donovan M. Dela Cruz, Chair

Presented By: Tim Lyons, President

Subject: S.B. 2996 – RELATNG TO AN AIRPORTS CORPORATION.

Chair Dela Cruz and Members of the 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 ASSOCIATION 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 in SECTION 2. Subsection -3 (6) (E) on Part 1, page 7, 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 retain this language or, in the alternative to restore 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.

**AMERICAN INSTITUTE OF ARCHITECTS**

February 28, 2018

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

**Re: Senate Bill 2996 SD1      Relating to an Airports Corporation**

Dear Chair Dela Cruz and Members of the Committee

My name is Daniel Chun Government Affairs Commissioner of the American Institute of Architects Hawaii State Council (AIA). This bill proposes the establishment of an Airport Corporation. The proposed Airport Corporation must be subject to appropriate procurement best practices such as HRS Chapter 103D-304 procurement code for design professional services.

Accordingly for SB 2996 SD1, AIA **supports with the following amendment** as new sub-paragraph under Section (6), page 11 stating:

**( ) Professional services contracts for licensees under chapter 464 shall be procured in accordance with chapter 103D-304; whereas all other services may be procured using best value competitive proposals, using insofar as practical, deliverables as a payment method and limiting use of time and materials contracts;**

Thank you for the opportunity to testify on SB 2996 SD1.



**TESTIMONY TO THE COMMITTEE ON WAYS AND MEANS**

**Wednesday, February 28, 2018, 11 a.m.**

**State Capitol, Conference Room 211**

**TO:** The Honorable Donovan M. Dela Cruz, Chair  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair  
Members of the Committee on Ways and Means

**TESTIMONY IN SUPPORT OF SB2996 SD1 RELATING TO AIRPORTS CORPORATION**

I am Peter Ho, Chairman, President and CEO of Bank of Hawaii, testifying in support of SB2996 SD1 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.

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 would 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 encourage your favorable consideration of SB2996 SD1. Thank you for the opportunity to testify.

Respectfully submitted,

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



**President**

Jeffrey K. Kalani, P.E.  
Yogi Kwong Engineers, LLC  
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**President-Elect**

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February 26, 2018

**Senate Committee on Ways and Means**

**Hearing Date: Wednesday, February 28, 2018 at 11 a.m., Conference Room 211**

Subject: **SB2996, SD1 Relating to an Airports Corporation.  
Support with amendments**

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and Committee Members:

The American Council of Engineering Companies of Hawaii (ACECH) represents more than 70 engineering consulting firms with over 1,500 employees throughout Hawaii. ACECH nationally is a strong supporter of long-term investment in modern and efficient infrastructure as a driver of our economy.

This bill proposes the establishment of an Airport Corporation. The proposed Airport Corporation must be subject to appropriate procurement best practices, including Qualification-Based Selection ("QBS"), the nationally recognized model procurement code for the procurement of design professional services. QBS protects taxpayer interests and provides for the selection of the best design professional for each project.

Accordingly, we support SB2996, SD1 with the following amendment:

Adding a new sub-paragraph under Section (6), page 11 which states:

( ) Professional services contracts for licensees under chapter 464 shall be procured in accordance with chapter 103D-304; whereas all other services may be procured using best value competitive proposals, using insofar as practical, deliverables as a payment method and limiting use of time and materials contracts;

Thank you for the opportunity to testify.

Respectfully submitted,  
AMERICAN COUNCIL OF ENGINEERING COMPANIES OF HAWAII





February 27, 2018

**TO:** Senate Committee on Ways & Means  
**FROM:** Blake Parsons, Executive Director  
**SUBJECT:** Support of *S.B. 2996, S.D. 1 - Relating to Airports Corporation*

Chair Dela Cruz and Members of the Committee:

My name is Blake Parsons. I am the Executive Director of the Sheet Metal Contractors Association (SMCA), a trade association that represents signatory sheet metal and air conditioning contractors in Hawaii.

SMCA **supports S.B. 2996, S.D. 1**, provided that Section 3(6)(E) is preserved that requires the listing of subcontractors or that an amendment is included which subjects the Airports Corporation to the State Procurement Code.

The listing of subcontractors encourages competition by ensuring small subcontractors like my members - and thousands of small businesses across our state - have a fair and level playing field when bidding state projects. Removing the listing of subcontractor requirement would incite bid shopping and peddling, and would reduce the pool of subcontractors interested in bidding.

The listing of subcontractors is a central pillar of our State's procurement code and should be upheld as part of the Airports Corporation.

Therefore, we **support S.B. 2996, S.D. 1**, provided that Section 3(6)(E) is included in the final version that requires the listing of subcontractors or that an amendment is included which subjects the Airports Corporation to the State Procurement Code.

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

Mahalo,

A handwritten signature in black ink, appearing to be "Blake Parsons", written over a horizontal line.

Blake Parsons  
Executive Director



ELECTRICAL CONTRACTOR'S ASSOCIATION OF HAWAII

**NECA Hawai'i Chapter**  
1286 Kalani Street, Suite B-203  
Honolulu, Hawai'i 96817  
PH: (808) 847-7306  
FX: (808) 841-8096  
Email: [ecah@ecahi.com](mailto:ecah@ecahi.com)



February 27, 2018

To: Senate Committee on Ways and Means  
Honorable Chairperson Donovan Dela Cruz & Vice Chairman Gilbert Agaran

From: Al Itamoto, Executive Director  
Electrical Contractors Association of Hawaii  
National Electrical Contractors Association, Hawaii Chapter

Subject: SB 2996, SD1 Relating to an Airports Corporation

Notice of Hearing

Date: Wednesday, February 28, 2018  
Time: 11:00 AM  
Place: Conference Room 211  
State Capitol  
415 South Beretania Street

Dear Chair Dela Cruz and Committee members:

The Electrical Contractors Association of Hawaii (ECAH) is a non-profit association representing over 100 electrical contractors doing business in the State of Hawaii. ECAH is the Hawaii Chapter of the National Contractors Association (NECA). ECAH **Supports** the intent and purpose of SB 2996, SD1 that establishes the Hawaii airports corporation which shall assume all the authority, powers, functions, duties and responsibilities of the Department of Transportation related to aeronautics and airports. Our support is dependent on the inclusion of "Subsection 3-(6)", which provides for all bids to include the name and of each person or firm to be engaged by the bidder as a joint contractor or subcontractor in the performance of the contract and the nature and scope of the work to be performed by each unless the bid is for less than 1% of the total bid amount. This will ensure that any unethical activity of bid shopping or bid peddling does not occur. Bid shopping and bid peddling only enriches the bidding contractors and not the State and taxpayers at the expense of the subcontractor.

Over 50 years ago, the California legislature passed the Subcontractor Listing Law to prevent the unfair practice of bid shopping and bid peddling. Their legislature found that the practice of bid shopping and bid peddling often resulted in poor quality of material and workmanship to the detriment of the public and deprived the public of the full benefits of fair competition among prime contractors and subcontractors. Citing that Federal projects do not require the sublisting is not a good reason for the State of Hawaii to follow. The fact is many qualified local contractors refuse to bid of federal projects because it doesn't provide the protection to sub-contractors. This action prevents the procurement agency from receiving the best and most qualified contractors and sub-contractors.

Based on the above, ECAH **Supports** the passage of SB 2996, SD1 as written and encourage this committee to approve this bill.

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



**SanHi**

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 27, 2018

TO: Senator Donovan M. Dela Cruz  
Chair, Committee on Ways and Means  
*Submitted Via Capitol Website*

RE: **S.B. 2996, SD1 Relating to An Airports Corporation**  
**Hearing Date: Wednesday, February 28, 2018 at 11:00am**  
**Conference Room: 211**

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Dear Chair Dela Cruz and Members of the Committee on Ways and Means:

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

Enterprise **supports** S.B. 2996, SD1 which would authorize the establishment of the Hawaii airport corporation within the Department of Transportation. Enterprise believes it is important to establish an independent airport authority to oversee the transformation of our state airports into world class facilities. A single entity with consolidated jurisdiction over the development, management and operation of Hawaii's airports would streamline processes and improve efficiencies. This would greatly benefit travelers to our islands, as well as all businesses that serve the Hawaii hospitality and tourism market.

For these reasons, we support S.B. 2996, SD1 and respectfully request that the Committee pass this measure. Thank you for the opportunity to submit this testimony.



1088 BISHOP STREET #408  
HONOLULU, HI 96813  
PH: (808) 597-1216

GREGG S. SERIKAKU  
EXECUTIVE DIRECTOR

Via Email

February 23, 2018

Senator Donovan M. Dela Cruz, Chair  
Senator Gilbert S.C. Keith-Agaran, Vice-Chair  
Senate Committee on Ways and Means  
The Twenty-Ninth Legislature, Regular Session of 2018

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

**SUBJECT: SB2996 SD1 Relating to Airports Corporation**

My name is Gregg Serikaku. I am the Executive Director of the Plumbing and Mechanical Contractors Association of Hawaii.

We support the intent of SB2996 SD1 with comments.

This bill authorizes the establishment of the Hawaii airports corporation within the department of transportation for administrative purposes to coordinate the planning and development of the State's air transportation system and infrastructure.

We initially had serious concerns about the original form of the bill which exempted the Airport Corporation from the Hawaii Procurement Code HRS 103D, however, we are pleased that the SD1 version reinstates the sublisting requirement, therefore we are now able to support the bills intent.

The sublisting requirement has many benefits:

1. Creates a level bidding environment by compelling all bidders to check the licenses and qualifications of their subcontractors prior to submitting bids, thus allowing only properly qualified subcontractors to be listed.
2. Allows the procurement agencies to more easily review and monitor the subcontractors on the project.
3. Reduces the unethical practice of bid shopping. Bid shopping ultimately results in reduced subcontractor bids, less competition, increased costs, drastically more change orders, and substandard work, etc.

Thank you for this opportunity to provide our comments.

Respectfully yours,

A handwritten signature in black ink that reads "Gregg S. Serikaku".

Gregg S. Serikaku  
Executive Director

**SB-2996-SD-1**

Submitted on: 2/26/2018 10:02:37 PM

Testimony for WAM on 2/28/2018 11:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
De MONT R. D. CONNER	Testifying for Ho'omanapono Political Action Committee (HPAC)	Support	Yes

Comments:

We continue to support this bill. Mahalo.



**Testimony to the Senate Committee on Ways and Means**

**Wednesday, February 28, 2018**

**11:10 a.m.**

**Conference Room 211**

**RE: RELATING TO AN AIRPORTS CORPORATION – SB 2996 SD1**

Chair Dela Cruz, Vice Chair Keith-Agaran 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 SD1, 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 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. An Airports Corporation will be able deliver timely improvements and innovations that will be required in our rapidly changing world. World class airports deliver ever changing customer experiences and comfort while maintaining a high level of efficiency, necessary to maintain costs at a reasonable level for all.

Having an Airports Corporation with a Board and Staff, focused on its customers, will provide us all with 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

**SB-2996-SD-1**

Submitted on: 2/27/2018 9:22:25 AM

Testimony for WAM on 2/28/2018 11:00:00 AM

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

Comments:

Aloha Chair Dela Cruz and the Committee on Ways and Means,

As a lifetime resident of Hawai'i and a long time resident of Hawai'i Island, I strongly support Senate Bill 2996, which would authorize the establishment of the Hawai'i Airports Corporation.

The proposed Airport system would not require any State general funds or tax dollars to pay for costs of the system.

The travel market is increasingly competitive. In order to attract our fair share of visitors, we must modernize our airports as they are essentially the "first impression" that all of our visitors experience.

I've had the opportunity to travel to several airports in the U.S. and abroad. Our Airports are definitely outdated and in need of vast improvements to really showcase our Aloha State.

I believe that an Airport Corporation would provide the fastest and most prudent way to improve our Airport systems.

Thank you very much for considering this testimony in strong support of SB 2996.

Mike Kaleikini.



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

Submitted to Senate Committee on Ways and Means  
11 AM, February 28, 2018 Hearing in Conference Room 211

SB 2996, SD 1 is unlikely to accomplish what is desired by the agencies and organizations which support it. Instead of enacting hasty, 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, SB 2996, SD 1 is unlikely to improve airport planning, procurement, and maintenance. Without a Constitutional amendment, the proposed Airports Corporation can not appropriate airport funds, legislative appropriations and budget provisos will impose “constraints” on airport expenditures and staffing, unencumbered airport appropriations will lapse as quickly as other state appropriations, and the state Procurement Code will frustrate procurement of airport design-build-maintain contracts.

Last year, HDOT also 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, SD 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:

- Should the state continue to subsidize Hawaii airports? Is it necessary or prudent for the state to allow tax exemptions for (and forego general fund revenues from) airport concessions outside of airports? Is it necessary or prudent to use the state general fund to compensate OHA for revenues arising from payment of rent or user fees for private use of ceded lands within airports? Is it necessary or prudent to use the state general fund to compensate the DHHL for revenues arising from private lease of public lands within airports which were formerly leased for cultivation of sugar cane? Unfortunately, SB 2996, SD 1 does not resolve these questions.
- Should the Airports Corporation be authorized to favor or subsidize certain 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 leases of airport property. Unfortunately, SB 2996, SD 1 would not accomplish this.

Thank you for the opportunity to share my concerns.

**SB-2996-SD-1**

Submitted on: 2/23/2018 10:45:49 AM

Testimony for WAM on 2/28/2018 11:00:00 AM

<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 Hawaii Airport Corporation. Being one of 3 states that still oversee airports makes me wonder if this is the right thing to do. One of the benefits of the Airport Corporation is that all Hawaii airports will be able to make improvements on a timely and efficiently bases. Much needed improvements will continue to be paid by the airlines and concessionaires. The Hilo International Airport is an embarrassment and needs to be modernized. Improvements will provide quality construction jobs state-wide. It will also provide guests experiences that visitors will enjoy and share with others.

Please approve SB2996

**SB-2996-SD-1**

Submitted on: 2/23/2018 8:49:38 AM

Testimony for WAM on 2/28/2018 11:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Rhea R. Lee-Moku	Individual	Support	No

Comments:

I support SB2996 and ask that the members of WAM support this bill as well. Esbablishing the Hawaii Airports Corporation will have an immediate and sustained benefit to the residents of Hawaii, who often are customers of the airports, as well as to the visitors to Hawaii. The airport is the first visual sight for most visitors. The HAC will be able to be more nimble in updating and renovating the airports around the state for the benefit of all. I urge you to please support this bill.

Mahalo,

Rhea Lee-Moku