

**TESTIMONY BY:**

JADE T. BUTAY  
DIRECTOR

Deputy Directors  
LYNN A.S. ARAKI-REGAN  
DEREK J. CHOW  
ROSS M. HIGASHI  
EDWIN H. SNIFFEN

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

February 15, 2019  
10:15 a.m.  
State Capitol, Room 211

**S.B. 666 S.D.1**  
**RELATING TO AN AIRPORTS CORPORATION**

Senate Committee on Ways and Means

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The Department of Transportation (DOT) **strongly supports** S.B. 666 S.D.1. The DOT appreciates the amendments and seeks your favorable consideration as to the following recommended revisions:

- (1) Remove Chapter 37D (lines 18-20 on page 19):

Revise the language to read "(b) The corporation shall not be subject to chapters 36, 37, 38, and 40, except for section 36-28.5 and as otherwise provided in this chapter and chapter 261."

Reason: The Airport Corporation will lose the option to issue Certification of Participation bonds once the transfer to the corporation is completed. Such bonds were issued to finance the Airports Division's Energy Performance Savings Contract.

- (2) Remove Chapter 37D, § -11 Exemptions. (lines 1-4 on page 23):

Revise the language to read "The airport revenue fund, passenger facility charge special fund, and rental motor vehicle customer facility charge special fund shall be exempt from chapters 36, 37 and 40."

Reason: Chapter 37D does not apply to such funds.

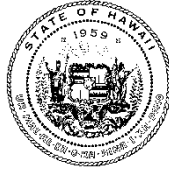
- (3) § -17 Audits (lines 9-11 on page 26):

Revise the language to read "The State Auditor shall conduct management and financial audits of the corporation."

Reason: To allow the State Auditor the discretion of when and how frequent to perform audits.

Thank you for the opportunity to provide testimony.

DAVID Y. IGE  
GOVERNOR



SARAH ALLEN  
ADMINISTRATOR  
BONNIE KAHAKUI  
ASSISTANT ADMINISTRATOR

**STATE OF HAWAII  
STATE PROCUREMENT OFFICE**

P.O. Box 119  
Honolulu, Hawaii 96810-0119  
Tel: (808) 586-0554  
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TESTIMONY  
OF  
SARAH ALLEN, ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE  
ON  
WAYS AND MEANS  
February 15, 2019, 10:15 AM

SB666 SD1  
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 SB666 SD1. The State Procurement Office's (SPO) supports the intent of the bill and is submitting comments relating to the exemption of the Airports Corporation (Corporation) from the Procurement code.

Concerns: This Bill exempts the Corporation from the Procurement Code. However, SPO is concerned that the corporation will write policies and adopt rules with little or no oversight or accountability, thereby leaving the Airports Corporation and the Department of Transportation at risk and liability.

Recommendation: At minimum, the Corporation should continue procuring under the Procurement Code until the Corporation has written policies and procedures. However, it is not sufficient that the Corporation consult with SPO prior to adopting the rules. The written rules and procedures should be reviewed by SPO and approved by the Chief Executive Officer and the Board of Directors.

SPO recommends the using the following verbiage on Section 2, Page 11, lines 14 to 19:

*“(6) Shall be exempt from the provisions of chapter 103D, provided that prior to the implementation of such exemption, the corporation shall be subject to the procurement requirements of 103D. The Corporation shall submit written policies and procedures to be reviewed by the SPO, and approved by the Chief Executive Officer, and the Board of Directors. The rules shall provide, at a minimum for the following:”*

Thank you.



SENATE COMMITTEE ON WAYS AND MEANS  
The Honorable Donovan M. Dela Cruz, Chair  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair

**S.B. NO. 666, S.D. 1, RELATING TO AN AIRPORTS CORPORATION**

Hearing: Friday, February 15, 2019, 10:15 a.m.

The Office of the Auditor has **no position** regarding S.B. No. 666, S.D. 1, which establishes the Hawai'i Airports Corporation and amends the Hawai'i Revised Statutes (HRS) to add a new Chapter relating to the corporation. **However, with respect to proposed Section 17 of the new Chapter, we have concerns about our ability to perform certain of the work and offer other suggestions.**

S.B. No. 666, S.D. 1, establishes the Hawai'i Airports Corporation, which is vested with the responsibility to:

1. Develop and implement management structures, policies, and procedures based on airport industry best practices;
2. Efficiently develop, manage, operate, and maintain the State's airports and aeronautical facilities; and
3. Administer the provisions of Chapters 102, 261, 261D, and 262, HRS, that are applicable to airports and aeronautical facilities.

The bill requires "the auditor [to] conduct management and financial audits of the corporation for fiscal year 2023 and every second year thereafter."

We have strong concerns about our capacity to perform the recurring work required by this bill without additional staff. We currently are statutorily mandated to regularly audit the Office of Hawaiian Affairs, the Hawai'i Tourism Authority, and the Deposit Beverage Container Program; to review departments' special funds, revolving funds, trust funds, and trust accounts; to assess proposed special and revolving funds; and to analyze the State's tax incentives. We also receive requests for audits and other studies each legislative session.

Further, conducting a management and financial audit for fiscal year 2023 may be premature given that the bill allows for the corporation to be established as late as December 31, 2022. Because audits are an historic assessment of an agency's performance, it is necessary to have sufficient historical data to meaningfully assess. The corporation will likely need time to develop and implement the policies, procedures, and processes so that we can assess whether it is carrying out its statutory responsibilities we note above.

Thank you for considering our testimony related to S.B. No. 666, S.D. 1.

DAVID Y. IGE  
GOVERNOR OF  
HAWAII



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

ROBERT K. MASUDA  
FIRST DEPUTY

M. KALEO MANUEL  
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

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

Testimony of  
SUZANNE D. CASE  
Chairperson

Before the Senate Committee on  
WAYS AND MEANS

Friday, February 15, 2019  
10:15 AM  
State Capitol, Conference Room 211

In consideration of  
SENATE BILL 666, SENATE DRAFT 1  
RELATING TO AN AIRPORTS CORPORATION

Senate Bill 666, Senate Draft 1 proposes to authorize the establishment of the Hawaii Airports Corporation (Corporation) within the Department of Transportation (DOT) for administrative purposes. The measure provides for appointment of members to the board of directors and powers and duties of the Corporation, transfers aeronautics functions and the real property assets of DOT to the Corporation by the established transfer completion date agreed upon by the Corporation, the director of DOT, and the Governor, which shall be no later than December 31, 2022, and appropriates funds. Senate Draft 1 of the measure includes amendments regarding the Corporation's board of directors, appointment of a chief executive officer, procurement, exemption from Chapter 37D, Hawaii Revised Statutes (HRS), audit requirements, and the inclusion of definitions of "chief executive officer" and "corporation" in Chapters 261 and 262, HRS. **The Department of Land and Natural Resources (Department) recognizes DOT's desire to place the State's airports under the Corporation.**

The Department notes that any public trust lands held by DOT under Governor's executive order will be deemed to held by the Corporation as of the transfer completion date. Accordingly, no action by the Board of Land and Natural Resources or the Governor would be needed to cancel existing executive orders to DOT and reset aside airport lands to the Corporation.

Thank you for the opportunity to comment on this measure.



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 15, 2019  
10:15 a.m., Conference Room 211

In consideration of  
**Senate Bill No. 666, SD1**  
**RELATING TO AN AIRPORTS CORPORATION**

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

Thank you for the opportunity to provide comments in Support for **Senate Bill 666 SD1** which authorizes establishment of the Hawaii Airports Corporation within the Department of Transportation for administrative purposes and appoints members to the board of directors to assume the authority, powers, functions, duties, and responsibilities for the development, management, operation, and maintenance of the State's airports.

Currently, the responsibility of development, management, operation, and maintenance 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.



**Testimony to the Senate Committee on Ways & Means  
Friday, February 15, 2019 at 10:15 A.M.  
Conference Room 211, State Capitol**

**RE: SENATE BILL 666 SD1 RELATING TO AN AIRPORTS CORPORATION**

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

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 666 SD1, which authorizes the establishment of the Hawaii Airport 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 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 December 31, 2022.

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.

An independent airports corporation would allow for:

- Accelerated implementation of needed airports capital improvement projects
- Increased transparency and accountability
- A more competitive tourism industry
- Delivery of economic benefits across all sectors
- A better travel experience for local residents and visitors
- Year-round oversight and continuity in leadership with a nine-member board and CEO
- All employees of the state's Department of Transportation Airports Division to be transferred to the corporation without loss of salary, seniority and benefits

It is important to note that there are no tax payer dollars used to sustain Hawaii's airports. Funding is solely from airport user fees and federal grants.

Thank you for the opportunity to testify.

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

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

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

February 15, 2019

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

Presented By: Tim Lyons, President

Subject: S.B. 666, SD 1 – RELATNG TO AN AIRPORTS CORPORATION.

Chair Dela Cruz and Members of the Committee:

I am Tim Lyons, President of the Subcontractors Association of Hawaii. We are opposed to this bill as written. 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 are particularly concerned with the exception to the Procurement Code. The Code was put into place in order to ensure that businesses that do business with the government have a fair and orderly manner in order to do that business. Exceptions in to the procurement code only weaken the Code and lead to its eventual demise. We have experienced another exception to the Procurement Code and that was a special one for the University of Hawaii. It was a two (2) year pilot project and at the end of that two (2) year pilot project, the exemption from the Procurement Code for the University of Hawaii was repealed and that is because it was a failure. There were multitudes of problems. We think this bill is headed down in the same direction. The airports for the State of Hawaii are just too important to make that kind of an error.

We are just not sure how the legislature is able to rationalize an exemption from the Procurement Code for the Airports Corporation and distinguish that from any other agency which comes along and wants an exemption from the Code. Most of them want an exemption because they have to play by the rules when it comes to the Procurement Code and playing by the rules is sometimes much more difficult than going about business any old way that you want. Additionally, when you are supporting a private corporation who presumably is going to want to make some amount of profit; if for no other reason than to reinvest in the continuing modernization and repair of its airport, how are they going to justify expenses on the Kapalua Airport versus Honolulu Airport? The revenues will be significantly different and will it be justified from a profit and loss motive?

Based on the above we cannot support the creation of an Airports Corporation as structured in this bill.

Thank you.





February 13, 2019

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

### **Testimony in Support of SB666 SD1**

Dear Senator Dela Cruz, Senator Keith-Agaran and members of the Senate Ways and Means Committee:

The Kohala Coast Resort Association (KCRA) is in full support of SB666 SD1 establishing the Hawaii Airport Corporation. KCRA has been an active partner on numerous 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 for the airport.

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 meet the FAA's 2021 deadline, to happen much more quickly and efficiently.

The state's airport system, from civil service personnel to capital costs, is entirely funded through rates and charges paid for by the airport users and concessionaires. The money collected from the user groups is held in a special fund and, under federal law, cannot be used for purposes outside of the airport. The appropriation and distribution of those funds is managed through the state administrative and legislative process.

This is a critical distinction. The current system, which distributes private funds through a public budgetary process that depends on the convening of a part-time Legislature has proven to be inefficient. As former tenants and members of the AOC, we see those challenges first hand as improvements languish.

We believe SB666 SD1 solves the fundamental problem with the current governance system and will effectively clear the logjam.

This measure provides three important components for relief. All three must be present if we are to truly move our airports forward.

1) Consistent administrative direction. Under the current system, the monies paid by user airlines and concessionaires fund the state DOT-Airports division budget. Improvements plans are drawn up in coordination with the DOT-A personnel, and advanced through departmental plans as part of the Governor's budget. This makes the appointed Director of the state DOT the de-facto head of the Airports and leaves long-term airport improvement plans vulnerable to change with each four-year election cycle.

SB666 SD1, would remove the operation and management of the Airports systems from the election cycle, thereby allowing improvement and modernization plans a smoother and faster path to completion.

2) Lump-sum appropriation. It is rare for any construction project to proceed from plan to completion without any adjustment. Under the current system, once the state Legislature has adjourned such adjustments must wait to be taken up the following session. SB666 SD1 will allow the State to approve lumpsum annual appropriations from the user fee Airport Fund providing the Corporation with the ability to make necessary adjustments between Legislative sessions. This will keep schedules and costs on track.

3) Procurement efficiency. We wholeheartedly support a system that ensures efficiency and equity in the award of design and construction contracts. Over the years, we have encountered instances in which the existing process has driven, rather than prevented, inefficiency and increased costs. SB666 SD1 will 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.

KCRA is a collection of master-planned resorts and hotels situated north of the airport which represents more than 3,500 hotel and timeshare accommodations and an equal number of resort residential units. KCRA member properties annually pay more than \$20 million in TAT and \$20 million in GET.

We encourage your support of this important 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



**SanHi**

GOVERNMENT STRATEGIES  
A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 14, 2019

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

RE: **SB 666 S.D. 1 – Relating to An Airports Corporation**  
**Hearing Date: Friday, February 15, 2019 at 10:15 a.m.**  
**Conference Room: 211**

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Dear Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Senate 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 Commute (Van Pool).

Enterprise **supports** S.B. 666 S.D. 1, which would authorize the establishment of the Hawaii airport corporation within the Department of Transportation. Enterprise believes it is important to establish an independent airport authority to oversee the transformation of our state airports into world class facilities. A single entity with consolidated jurisdiction over the development, management and operation of Hawaii's airports would streamline processes and improve efficiencies. This would greatly benefit travelers to our islands, as well as all businesses that serve the Hawaii hospitality and tourism market.

For these reasons, we support S.B. 666 S.D. 1 and respectfully request that the Committee pass this measure. Thank you for the opportunity to submit this testimony.

**SB-666-SD-1**

Submitted on: 2/13/2019 10:48:53 AM

Testimony for WAM on 2/15/2019 10:15:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jared Watumull	Individual	Support	No

Comments:

Honorable Chair Dela Cruz

and the rest of the Honorable members of the Senate Ways and Means Committee

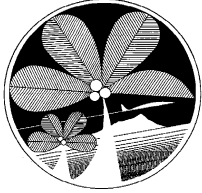
I am writing in support of the SB666. As someone who frequently travels for work and leisure I find it absolutely appalling the current condition of our States airports. Since we market our state as a first class destination we should have first class airports.

I believe an independent airport authority will be able to achieve this goal and bring our states airport up to standard.

Thank you and Aloha.

Jared Watumull

# AIRLINES COMMITTEE OF HAWAII



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

February 15, 2019

Senator Donovan Dela Cruz, Chair  
Senator Gilbert Keith-Agaran, Vice Chair  
Senate Committee on Ways and Means

**Re: SB 666 SD1 - RELATING TO AN AIRPORTS CORPORATION – IN STRONG SUPPORT**  
Conference Room 211 – 10:15 AM

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

The Airlines Committee of Hawaii (ACH), which is comprised of the 19 signatory air carriers that underwrite the State Airport System, appreciates the opportunity to offer testimony in strong support of SB 666 SD1, which authorizes the establishment of the Hawaii Airports Corporation (HAC).

Unlike other State departments and authorities, the airports are self-sustaining. No State general funds are used for Hawaii'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.

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. Hawaii 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.

Hawaii'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.

Thank you for the opportunity to provide testimony. We ask for your favorable consideration of this measure.

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, Japan Airlines, Korean Air, Philippine Airlines, Qantas Airways, Southwest Airlines, United Airlines, United Parcel Service, and WestJet.*



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

GREGG S. SERIKAKU  
EXECUTIVE DIRECTOR

Via Email

February 13, 2019

Senator Donovan M. Dela Cruz, Chair  
Senator Gilbert S.C. Keith-Agaran, Vice-Chair  
Senate Committee on Ways and Means

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

**SUBJECT: SB666 SD1 Relating to Airports Corporation**

My name is Gregg Serikaku, Executive Director for the Plumbing and Mechanical Contractors Association of Hawaii, and our Association represents contractors that perform plumbing, air conditioning, and fire sprinkler work throughout Hawaii and who employ more than 2,500 tradespersons, and administrative and managerial personnel. Although we generally support the intent of establishing a Hawaii Airports Corporation, **we are very concerned with the proposed exemption to HRS 103D, the Hawaii Procurement Code,** particularly as it applies to Invitation For Bids (IFB) on construction projects.

The Hawaii Procurement Code was created to ensure that public funds are expended using a fair, efficient, competitive and transparent process which is designed to identify and eliminate conflicts of interest and other acts of impropriety, and which avoids the intent and appearance of unethical behavior by both the government agencies and contractors. The IFB process (aka competitive low bid) and its requirements have been successfully used by numerous agencies to procure large governmental construction projects and can be used seamlessly within the proposed framework of the Airports Corporation. As such, we do not see the need to exempt the Airports Corporation from the requirements of HRS 103D.

Our airports are critically important to our tourism industry, and steps should be taken to form an airports corporation that oversees and coordinates the development and management of the State's airports under one umbrella organization, however, an exemption from the Hawaii Procurement code is not required to achieve the Airport Corporation's purposes.

Thank you for this opportunity to provide our testimony.

Respectfully yours,

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

Gregg S. Serikaku  
Executive Director

**SB-666-SD-1**

Submitted on: 2/13/2019 10:48:53 AM

Testimony for WAM on 2/15/2019 10:15:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jared Watumull	Individual	Support	No

Comments:

Honorable Chair Dela Cruz

and the rest of the Honorable members of the Senate Ways and Means Committee

I am writing in support of the SB666. As someone who frequently travels for work and leisure I find it absolutely appalling the current condition of our States airports. Since we market our state as a first class destination we should have first class airports.

I believe an independent airport authority will be able to achieve this goal and bring our states airport up to standard.

Thank you and Aloha.

Jared Watumull

**SB-666-SD-1**

Submitted on: 2/13/2019 12:37:41 PM

Testimony for WAM on 2/15/2019 10:15:00 AM

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

Comments:

I support the creation of an independent airport authority. We hope that such an entity will allow for quicker decision making and a streamlined budgeting and procurement process. We hope that it will result in greater flexibility as it deals with challenges and expedites achieving resolution of those problems.





## AIRPORT CONCESSIONAIRES COMMITTEE

Honorable Donovan Dela Cruz, Chair  
Committee on Transportation  
Hawaii State Senate

Hearing: February 15, 2019; 10:15 am, Room 211

Re: S.B. 666, SD1 – Relating To An Airport Corporation

Dear Chair Dela Cruz and Honorable Members of the 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 contributed about 50% to 75% of the operating revenues for Hawaii's airport system which as you know is special funded.

Our Committee **STRONGLY SUPPORTS** this bill.

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. No government agency is always perfect. A new organization structure such as an Airport Corporation will be a big step in the right direction as documented by many public airports across the United States.

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 organization structure. 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.

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.

Finally, we note the Corporation will have a total of 9 voting members. We thank you for including the discipline of "non-aviation-airport business" as the background for a member on the Board of Directors for the Corporation. Unless you otherwise inform us we understand such language will allow for the consideration of someone with a background in airport-concession business to be on the Board. Running a concession business at a public airport has security and many other unique challenges similar businesses off airport do not experience. We note the bill also recognizes the discipline of "aviation" which we understand to be for a person with a background in the airline industry.

Thank you for allowing us to testify.



AMERICAN COUNCIL OF ENGINEERING COMPANIES  
of Hawaii

2018 - 2019

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Sean K. Sugai, P.E.  
Ronald N.S. Ho & Associates, Inc.  
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**President-Elect**

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February 13, 2019

**Senate Committee on Ways and Means**

**Hearing Date: Friday, February 15, 10:15 p.m., Conference Room 211**

**Subject: SUPPORT - SB 666, SD1 Relating to an Airports Corporation**

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

The American Council of Engineering Companies of Hawaii (ACECH) represents 70 engineering consulting firms with over 1,500 employees throughout Hawaii. ACEC nationally is a strong supporter of long-term investment in modern and efficient infrastructure as a driver of our economy. We support the intent of this bill to establish an airport authority that may improve the delivery of needed projects at Hawaii's airports.

Any such Airport Corporation should be subject to appropriate procurement best practices, including Qualifications-Based Selection (QBS), the nationally recognized model procurement code for the procurement of design professional services. QBS protects public interests by providing for the selection of the best qualified design professional for each project, essential for public safety.

Therefore, we support the bill with its language requiring that professional services be procured in accordance with HRS 103D-304.

Please do not hesitate to contact us if you have any questions regarding this letter.

Ginny M. Wright  
ACECH Executive Director  
1253 S Beretania Street, #1609  
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Website: [www.acechawaii.org](http://www.acechawaii.org)



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Testimony Presented Before the  
Senate Committee on Ways and Means  
February 15, 2019 at 10:15 a.m.

By  
Kalbert K. Young  
Vice President for Budget and Finance/Chief Financial Officer  
University of Hawai'i System

### SB 666 SD1 – 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 666 SD1 which among other things, authorizes the establishment of the Hawai'i Airports Corporation within the Department of Transportation for administrative purposes.

The University of Hawai'i (UH) supports SB 666 SD1, and believes the establishment of such a corporation would allow for the airport to operate more effectively and efficiently and enable capital improvements projects to be completed in a more timely manner.

The quality and appearance of our local airports serve as a critical impression on arriving students and families. UH considers the airports and all State facilities as a showcase of Hawai'i. For many visitors arriving into the State, the first impression is experienced at the airport, and this includes UH's non-resident students along with their families and prospective and current faculty members.

Thank you for the opportunity to testify on this important measure.

# IRON WORKERS STABILIZATION FUND

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February 15, 2019

Senate Committee on Ways and Means  
Senate  
State Capitol  
Honolulu, Hawai'i 96813

Re: SB666 SD1 – Relating to an Airports Corporation

*Aloha* Chair Donovan Dela Cruz, Vice-Chair Gilbert Keith-Agaran and members of the Senate Committee on Ways and Means:

We **OPPOSE** the passage of SB666 SD1 as is given the exemption from the Procurement Code generally and the lack of subcontractor listing for construction projects specifically.

The expenditure of public money must be done in a transparent and open way to ensure public confidence in government. The Procurement Code is used to ensure that the public may be assured that their resources are being handle well. In previous years, this matter has arrisen and the wholesale exemption from the Procurement Code was addressed. We ask for that same consideration now.

In addition, we believe that it is in the best interest of the public regarding the expenditure of public resources if it is known at the time of bid whom the prime contractor, subcontractors, and joint contractors are for any construction jobs. If there is no listing, we will find ourselves in a “race-to-the-bottom” situation, where prime contractors will be encouraged to “bid-shop” and seek a lower price from their subcontractors, joint contractors, or to simply replace them with new ones. This will lead to the many “mom and pop” subcontractors going out of business. Further, this would result in the erossion of the number of specialised construction workers that call Hawai'i home.

If this bill does move forward without subjecting the Airport Corporation to the Procurement Code, please consider the introduction of the following language:

"In an invitation for bid for construction shall specify that all bids include the name 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; provided that other construction bids that do not comply with this requirement may be accepted if acceptance is in the best interest of the State and the value of the work to be performed by the joint contractor or subcontractor is equal to or less than one per cent of the total bid amount;"

We oppose this measure until such time that we can ensure protections for the public, for “mom and pop” small businesses, and for the working men and women of Hawai'i.

*Mahalo* for your time and consideration.

**SB-666-SD-1**

Submitted on: 2/13/2019 1:55:38 PM

Testimony for WAM on 2/15/2019 10:15:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Steve Ueda	Individual	Support	No

Comments:

Our airports need an upgrade. I fly to Japan 6 times a year and feel embarrassed when I return to Honolulu airport and walk through our worn airport that seems to be in a constant state of repair.

I believe an airport authority will do better to make our airports into facilities that will match the beauty and pride we have of our home state.

Stephen Ueda



February 13, 2019

The Honorable Donovan M. Dela Cruz  
Chairman, Senate Committee on Ways and Means  
Hawaii State Capitol, Room # 208  
415 S. Beretania Street  
Honolulu, HI 96813

Dear Senator Dela Cruz, and members of the committee:

Thank you for the hearing SB 666, relating to the establishment of the Hawai`i Airports Corporation, and the opportunity to comment. I write on behalf of the Aircraft Owners and Pilots Association (AOPA), the world's largest aviation organization, representing the general aviation interests of over 1,000 members in Hawai`i.

AOPA supports SB 666, legislation that would authorize the establishment of the Hawai`i Airports Corporation within the Department of Transportation. We are encouraged by language in SB 666 which talks about "Accelerating the planning and implementation of the state airports' capital improvement programs", "Increasing the financial flexibility and strength of the State's airports", "Ensuring dedicated expert airport leadership, management continuity, and year-round decision-making, consistent with industry best practices". These are a few critical attributes of a financially stable and efficiently run airports system. AOPA has seen positive effects of establishing similar groups at other airports across the United States that follow similar recommendations.

While AOPA is enthusiastic and forward thinking regarding the positive effects of establishing a corporation, we have concerns. We believe it's critical to have balanced interests make up the board of directors, to ensure all stakeholders and users of the system have a voice at the table. In that spirit, AOPA would respectfully request that we be involved in conversations involving the makeup of the board as SB 666 moves forward in the legislative process.

If you have questions or require additional information, please contact me directly at 301-695-2228 or [Melissa.McCaffrey@aopa.org](mailto:Melissa.McCaffrey@aopa.org)

Sincerely,

Melissa McCaffrey  
Western Pacific Regional Manager, AOPA

The Aircraft Owners and Pilots Association is a not-for-profit individual membership organization of General Aviation Pilots and Aircraft Owners. AOPA's mission is to effectively serve the interests of its members and establish, maintain, and articulate positions of leadership to promote the economy, safety, utility, and popularity of flight in general aviation aircraft. Representing two thirds of all pilots in the United States, AOPA is the largest civil aviation organization in the world.

**LATE**

Canada-France-Hawaii Telescope Corporation



Société du Télescope Canada-France-Hawaii

65-1238 Mamalahoa Hwy., Kamuela, Hawaii 96743 USA

Telephone (808) 885-7944 Fax (808) 885-7288

To: Senator Donovan M. Dela Cruz, Chair, and Senator Gilbert S.C. Keith-Agaran, Vice Chair,  
Senate Ways and Means Committee  
From: Doug Simons  
Subj: Letter of Support for SB 666 SD1, Relating to the Formation of the Hawai'i Airport Corp.  
Date: 14 February 2019

Aloha Chair Donovan and Members of the Committee—

It is a pleasure to **support** SB 666 SD1, which if approved would lead to the consolidation of authority and responsibility for Hawai'i's airport systems across the entire state under a new and nimble Hawai'i 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. Most of the funding for the Maunakea Observatories stems from international Federal research agencies, hence we have a fairly steady stream of engineers, scientists, and leaders from Federal agencies worldwide visiting CFHT and the other observatory facilities on Hawai'i Island. We also rely upon a modern airfreight system to deliver key, high-tech components for the observatories, and new instrumentation built around the globe. Getting people and components efficiently in/out of Hawai'i through our airport system for this and other astronomical instrumentation is essential. Maintaining and upgrading Hawai'i's airports through the proposed legislation is therefore of great interest to CFHT.

Mahalo,

A handwritten signature in cursive script that reads "Doug Simons".

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





February 15, 2019

TESTIMONY IN SUPPORT OF SENATE BILL 666, SD1 RELATING TO AN AIRPORTS CORPORATION

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

I am Blaine Miyasato, Hawaiian Airlines' representative on the Airlines Committee of Hawai'i (ACH) and ACH co-chair. 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. 666, SD1. The Airports Corporation structure outlined in this measure will allow for a much more efficient and cost-effective process for badly needed airport renovations.

The state's airport system, from civil service personnel to capital costs, is entirely funded through rates and charges paid for by the airport users and concessionaires. The money collected from the user groups is held in a special fund and, under federal law, cannot be used for purposes outside of the airport. The appropriation and distribution of those funds is managed through the state administrative and legislative process.

This is a critical distinction. The current system, which distributes private funds through a public budgetary process that depends on the convening of a part-time Legislature has proven to be inefficient. Our kama'aina and malihini travelers begin and end their vacations with an antiquated and stressful airport experience. We have a long list of upgrades and we have both the budget and will among the user groups to fund them. But the process has failed us, year after year.

S.B. 666,SD1 solves the fundamental problem with the current governance system and will effectively clear the logjam.

This measure provides three important components for relief. All three must be present if we are to truly move our airports forward.

- 1) **Consistent administrative direction.** Under the current system, the monies paid by user airlines and concessionaires fund the state DOT-Airports division budget. Improvements plans are drawn up in coordination with the DOT-A personnel, and advanced through departmental plans as part of the Governor's budget. This makes the appointed Director of the state DOT the de-facto head of the Airports and leaves long-term airport improvement plans vulnerable to change with each four-year election cycle.

S.B. 666, SD1, would remove the operation and management of the Airports systems from the election cycle, thereby allowing improvement and modernization plans a smoother and faster path to completion.

- 2) **Lump-sum appropriation.** It is rare for any construction project to proceed from plan to completion without any adjustment. Under the current system, once the state Legislature has adjourned sine die, such adjustments must wait to be taken up the following session. S.B. 666, SD1 will allow the State to approve lump-sum annual appropriations from the user fee Airport Fund providing the Corporation with the ability to make necessary adjustments between Legislative sessions. This will keep schedules and costs on track.

- **Procurement efficiency.** We wholeheartedly support a system that ensures efficiency and equity in the award of design and construction contracts. Over the years, we have encountered instances in which the existing process has driven, rather than prevented, inefficiency and increased costs. S.B. 666, SD1 will 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.

Few disagree that our airports need an upgrade. A decade ago, the 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 tens of millions 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 Airports Corporation will fix. The millions saved on that project alone 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.

Opponents of S.B. 666, SD1 believe that an Airports 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 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. It will deliver results, jobs on the street with short, mid and long-term construction projects.

In conclusion, S.B. 666, SD1 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.



ELECTRICAL CONTRACTOR'S ASSOCIATION OF HAWAII

NECA Hawai'i Chapter

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February 13, 2019

To: Senate Committee on Ways and Means  
Honorable Chairperson Donovan Dela Cruz & Vice Chairman Gilbert S.C.  
Keith-Agaran

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

Subject: SB 666, SD1 Relating to an Airports Corporation

Notice of Hearing

Date: Friday, February 15, 2019  
Time: 10:15 AM  
Place: Conference Room 211  
State Capitol  
415 South Beretania Street

Dear Chairs Dela Cruz, Keith-Agaran 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 Electrical Contractors Association (NECA). ECAH **Opposes** the passage of SB 666, SD1 because in Part I, page 5, subsection 3 (6) this measure exempts the Corporation from Chapter 103D, the procurement code and allows the corporation to adopt rules to supersede the provisions of Chapter 103D. We agree that it would be beneficial to establish the Hawaii Airports Corporation (Corporation) which shall assume all the authority, powers, functions, duties and responsibilities of the Department of Transportation related to aeronautics and

airports. But in order to establish a fair, transparent and fully accountable procurement process, the provisions of Chapter 103D must be included.

In addition, it is unclear if the provisions of HRS 104, prevailing wages apply to any contractor performing work for the airport corporation. Prevailing wages should be included as a requirement in order to ensure that a fair wage and benefits are paid to all workers of contractors contracted by the airport corporation.

Based on the above, ECAH opposes SB666, SD1 unless provisions are made as describe above to this measure before passage.

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



# Maui Hotel & Lodging

ASSOCIATION

Testimony of

**Lisa H. Paulson**

Executive Director

Maui Hotel & Lodging Association

on

SB 666 SD1

**Relating To An Airports Corporation**

COMMITTEE ON WAYS AND MEANS

**Friday, February 15, 2019, 10:15 pm**

**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 195 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 666 SD1**, which 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, Director of Transportation, and Governor, which shall be no later than 12/31/2022.

Hawaii's airports are self-sustaining. State general funds are not used for Hawaii's airports and the Hawaii Airport Corporation (HAC) will not require any. It will be fully funded by user fees and underwritten by the airlines serving the State's airport system.

An independent airport corporation will provide a long-term vision for Hawaii's airports and be able to execute critical capital improvement programs in a timely and efficient manner. Hawaii is one of only three states that still operate airports. Most U.S. airports are operated by authorities or corporations. 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 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.

**SB-666-SD-1**

Submitted on: 2/14/2019 2:47:22 PM

Testimony for WAM on 2/15/2019 10:15:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jennifer Zelko	Individual	Support	No

Comments:

Aloha,

I appreciate the opportunity to voice my support for SB666, which authorizes the establishment of the Hawaii Airports Corporation.

An independent corporation would allow for quicker decision making and a streamlined process for budgeting and procurement. It would especially help promote an enhanced experience at the point of entry and departure for residence and visitors.

I support the intent of a separate authority to develop, manage, operate and maintain Hawaii's airports. An independent airport corporation such as the one proposed in this bill, is a model that has been proven successful in numerous world-class airports such as San Francisco and Dallas Fort Worth. The establishment of such a corporation would allow for the airport to operate more effectively and efficiently and enable capital improvement projects to be completed in a timely manner. This would greatly benefit travelers to our islands as well as businesses that serve the Hawaii hospitality and tourism market.

An independent airport corporation will provide a long-term vision for Hawaii's airports and be able to execute critical capital improvement programs. Hawaii is one of only three states that still operate airports. Most airports are operated by authorities or corporations. 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.

Thank you for the opportunity to provide comments in support of SB666 SD1.

Sincerely,  
Jen Zelko



**MAUI**  
CHAMBER OF COMMERCE  
VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS  
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211  
FRIDAY, FEBRUARY 15, 2019 AT 10:15 A.M.**

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

**TESTIMONY IN SUPPORT OF SB666 HD1 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 SB666, 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 American Airports People Hate Flying Into the Most. 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 imperative 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 attention to consumer needs. Also, it will not burden local taxpayers as it will be funded by user fees, not public tax dollars. 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*

Pamela Tumpap  
President



**International Union of Painters and Allied Trades  
District Council 50**

**LATE**

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AND SOFT TILE  
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FINISHERS  
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**TO THE SENATE COMMITTEE ON WAYS AND MEANS  
THIRTIETH LEGISLATURE  
REGULAR SESSION OF 2019**

**TIME/DATE: FRIDAY, FEBRUARY 15, 2019 – 10:15 A.M. – ROOM 211**

**TESTIMONY PROVIDING COMMENTS WITH AMENDMENTS TO  
SENATE BILL NO. 666, S.D. 1, - "RELATING TO AN AIRPORTS CORPORATION."**

**TO CHAIR DELA CRUZ AND MEMBERS OF THE SENATE COMMITTEES ON  
WAYS AND MEANS:**

The International Union of Painters and Allied Trades, District Council 50 (DC50), appreciates the opportunity to provide COMMENTS WITH AMENDMENTS to Senate Bill No. 666, S.D. 1 – "RELATING TO AN AIRPORTS CORPORATION."

My name is Lorna Woo, Director of Government Affairs, District Council 50. DC50 is an organization that represents five (5) local unions, the Painters, Local Union 1791; the Glaziers Architectural and Glass Metal Workers, Local Union 1889; the Carpet Linoleum and Soft Tile, Local Union 1926; the Drywall, Tapers Finishers, Local Union 1944 and the Pearl Harbor Metal Trades Specialty Workers, Local Union 1944 – approximately 2000 members statewide.

This measure establishes an airports corporation within the Department of Transportation which would carry out the functions and the authority to manage and operate all of the State's airport facilities. DC50 has concerns regarding the exclusion of the Chapter 103D language from the measure. We feel that it is imperative that the following amendments are inserted into this measure: "In an invitation to bid, the Corporation shall specify that all bids include the name of each



invitation to bid, the Corporation shall specify that all bids include the name 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 the scope of the work to be performed by each.”

The inclusion of this language would ensure the protection against unscrupulous contractors who may attempt to bid shop or bid peddle subcontractors. By inserting this provision, contractors will be given an opportunity to bid on projects on an even playing field.

Thank you for the opportunity to provide comments with amendments to Senate Bill No. 666, S.D. 1.

**LATE**

**SB-666-SD-1**

Submitted on: 2/14/2019 4:37:34 PM

Testimony for WAM on 2/15/2019 10:15:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Bernard A Balsis Jr Jr	Individual	Support	No

Comments:

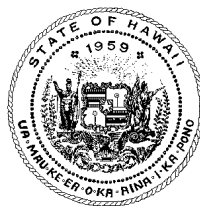
I support this bill because all the management functions will be streamlined and optimised for maximum productivity and responsiveness to the needs for ongoing development of the State of Hawaii Commercial Airport facilities.

Having a separated Airport Authority has proven to be extremely successful in stated around the country. Hawaii is one of the last states to initiate this method of airport management.

All I can envision are the positives, not limited to streamlining of the approval process for capital improvements, improvements of marketing and airline relationships and the implementation of policies and procedures to insure safety and compliance with FAA and other federal regulations.

I really support the independent Airport Authority bill

DAVID Y. IGE  
GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF PUBLIC SAFETY**  
919 Ala Moana Boulevard, 4th Floor  
Honolulu, Hawaii 96814

**NOLAN P. ESPINDA**  
DIRECTOR

**Maria C. Cook**  
Deputy Director  
Administration

**Jodie F. Maesaka-Hirata**  
Deputy Director  
Corrections

**Renee R. Sonobe Hong**  
Deputy Director  
Law Enforcement

No. \_\_\_\_\_

**WRITTEN TESTIMONY ONLY**

TESTIMONY ON SENATE BILL 666, SENATE DRAFT 1  
RELATING TO AN AIRPORTS CORPORATION

by

Nolan P. Espinda, Director  
Department of Public Safety

Senate Committee on Ways and Means  
Senator Donovan M. Dela Cruz, Chair  
Senator Gilbert S.C. Keith-Agaran, Vice Chair

Friday, February 15, 2019; 10:15 a.m.  
State Capitol, Conference Room 211

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

The Department of Public Safety (PSD) supports Senate Bill (SB) 666, Senate Draft (SD) 1, which authorizes the establishment of Hawaii Airports Corporation within the Department of Transportation for administrative purposes. PSD supports the intent of a separate authority to develop, manage, operate, and maintain the State's airports

Thank you for the opportunity to present this testimony.

THE SENATE COMMITTEE ON WAYS AND MEANS  
February 15, 2019  
10:15 a.m., Rm. 211



Senate Bill 666, SD1  
Relating To An Airports Corporation

Painting Industry of Hawaii Labor Management Cooperation Trust Fund  
Hawaii Tapers Market Recovery Trust Fund  
Hawaii Glaziers, Architectural Metal Glassworkers Local Union 1889  
AFL-CIO Stabilization Trust Fund  
Carpet, Linoleum and Soft Tile Local Union 1926 Market Recovery Trust Fund

Chair Dela Cruz and Members of the Committee:

Thank you for this opportunity to submit testimony on behalf of the Painting Industry of Hawaii Labor Management Cooperation Trust Fund, Hawaii Tapers Market Recovery Trust Fund, Hawaii Glaziers, Architectural Metal Glassworkers Local Union 1889 AFL-CIO Stabilization Trust Fund, and Carpet, Linoleum and Soft Tile Local Union 1926 Market Recovery Trust Fund commenting on Senate Bill 666, SD1.

This measure creates a new airport corporation that will be responsible, among other things, for procuring construction work at the state's airports. The proposed corporation will, with certain exceptions, be exempt from the state procurement code, including the requirement that the proposed corporation follow the state procurement code's subcontractor listing provisions.

While we understand and appreciate the desire to improve Hawaii's airports, we are extremely concerned about any loss of the protections currently afforded to subcontractors by the procurement code, Chapter 103D, Hawaii Revised Statutes, including the requirement that all subcontractors be listed on bids submitted on a construction project. This provision protects subcontractors from the undesirable and harmful practice of bid shopping.

Contrary to claims otherwise, the subcontractor listing provision does not significantly increase delays or costs to the state. A task force convened pursuant to Senate Concurrent Resolution 92, S.D.2 (2013) studied the issue of bid protests related to subcontractor listing. Based on an analysis of protest data, the task force found and concluded that the subcontractor listing requirement did not result in significant delays or increased costs. The Task Force rejected calls for the repeal or amendment of the procurement code's subcontractor listing provisions and recommended that no changes be made to that statute.

While we prefer that any airports corporation not be given any exemption from the procurement code, we respectfully request that, at a minimum, the subcontractor listing provisions of the procurement code be added to the bill given the benefits it provides and the lack of any serious detriment it poses to procuring agencies.

Thank you again for this opportunity to share our comments and concerns on this measure.



**LATE**

**TESTIMONY TO THE SENATE COMMITTEE ON WAYS AND MEANS  
State Capitol, Conference Room 211  
415 South Beretania Street  
10:15 AM**

February 15, 2019

RE: SENATE BILL NO. 666 SD 1, RELATING TO AN AIRPORTS CORPORATION

Chair Dela Cruz, Vice Chair Keith-Agaran, and 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. Our members build the communities we all call home.

BIA-Hawaii is in **strong support** of S.B. 666, SD 1, which would authorize the establishment of the Hawaii Airport Corporation within the department of transportation for administrative purposes. The bill also specifies the appointment of members to the board of directors and powers and duties of the Hawaii Airport Corporation, and transfers the aeronautics functions of the Department of Transportation 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, the airports do not use any taxpayer 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. 666 SD 1, and appreciate the opportunity to provide our input on this important legislation.



**SB-666-SD-1**

Submitted on: 2/14/2019 10:23:34 PM  
Testimony for WAM on 2/15/2019 10:15:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Douglass Adams	Individual	Support	No

Comments:



**LATE**

HAWAII BUILDING AND CONSTRUCTION TRADES COUNCIL, AFL-CIO  
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February 15, 2019

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To: Senate Committee on Ways and Means  
Honorable Chairperson Donovan Dela Cruz  
Honorable Vice Chairman Gilbert S.C. Keith-Agaran  
Members of the Committee

Subject: **Testimony Strongly Urging Amendments to SB666 SD1**  
Hearing on Friday, February 15, 2019, at 10:15 AM  
Conference Room 211

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

The Hawaii Building and Construction Trades Council **strongly urges the committee to AMEND** this bill and require important language that intends to limit the undesirable, and considered unethical, practices of bid shopping and bid peddling. These practices often send contractors scrambling to “cut corners”, deliver lower quality work, and could lead to other unscrupulous means in order to maximize profits. Additionally, claims and change orders are often the negative result of an environment that does not prevent bid shopping.

Section 103D-302(b), Hawaii Revised Statutes (HRS), exists precisely to prevent bid shopping and promote a fair and competitive system of bidding on public works construction. A fair, ethical, and competitive process should be of utmost importance when using taxpayer money.

Our airports are an important part of our economy and is frequently the first experience visitors have with the State, and these facilities also provide jobs for thousands of our local residents.

We all want to be a part of making our airports better, and the proposed Airport Corporation could prove to be a successful model to achieve that; however, we strongly urge the Committee, before moving this bill any further, to amend and include language that will address the concerns of HRS 103D-302(b), also known as subcontractor listing.

Thank you for your consideration,

Damien T.K. Kim  
President





**HAWAI'I LODGING & TOURISM**  
ASSOCIATION

**LATE**

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

Committee on:  
Ways and Means

Senate Bill 666 SD1: Relating to an Airports Corporation

Chair Dela Cruz and members of the committee, mahalo for the opportunity to submit testimony on behalf of the Hawai'i Lodging & Tourism Association, the state's largest private sector visitor industry organization.

The Hawai'i Lodging & Tourism Association—nearly 700 members strong, representing more than 50,000 hotel rooms and nearly 40,000 lodging workers — supports Senate Bill 666 SD1 which would establish a Hawai'i airports corporation. For HLTA, the state's largest private sector visitor industry organization, we have advocated in support of an airports authority/corporation for three years now. This measure is one of our major objectives.

The Department of Transportation is a very large state department which is responsible for our roads, harbors, and airports. Our state's airports serve as the first and last impression to those visiting our islands. Given the importance of our airports, we fully support the establishment of a state airport corporation. The corporation would give a laser-like focus to streamlining operations, increasing economic opportunities, goal setting, expediting improvements of all of our state airports, and assisting all those involved with our airports to achieve quicker and more efficient results.

Our airports serve as our window to the world, and the hospitality industry's continued success is very dependent on the quality provided by our airports; so it is critically important that we improve upon the service, infrastructure, and overall development of such a vital entity. With year-round governance, the corporation would be able to better accommodate our air travelers by providing a higher level of comfort and convenience as well as establish standards and goals in achieving a higher caliber of customer service. It would also provide better transparency and public accountability by engaging stakeholders and all interested parties in the decision-making process.

It is imperative that we keep our airports at the forefront of our state's priorities. Visitors to our islands are always impressed when they experience examples of our Aloha Spirit and the beauty of our Native Hawaiian culture - our airports can be one of the best venues to experience these memorable moments. Additionally, these sorely needed airport improvements will not come from the state's general fund or by tax payers dollars, rather they are paid by the airlines and concessionaires that utilize the airports coupled with the existing passenger facility fees already included in the airfares. In short, HLTA supports an airport corporation as the over- arching entity to oversee our airports' planning, management and marketing and development; all under one umbrella. We urge you to pass this bill expeditiously and let's work together in getting this long overdue measure on Governor Ige's desk for his approval.

Mahalo for your favorable consideration of Senate Bill 666 SD1.



**SB666 SD1**  
**RELATING TO AN AIRPORTS CORPORATION**  
Senate Committee on Ways and Means

February 15, 2019

10:15 a.m.

Room 211

The Office of Hawaiian Affairs (OHA) offers the following **COMMENTS** on SB666 SD1, 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 that this measure addresses our previous significant concerns on similar bills introduced in the past, 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. Native Hawaiians' unrelinquished claims to "ceded" lands also obligates the state to maintain the "ceded" lands corpus, pending the resolution of such claims; with narrow exceptions, OHA opposes the sale or alienation of any "ceded" lands as well as any exception to procedural safeguards intended to prevent the diminution of the "ceded" lands corpus.

**By exempting the proposed Corporation from Chapter 171, similar bills introduced in the past 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 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 SB666 SD1, 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 provisions 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.

**LATE**

**SB-666-SD-1**

Submitted on: 2/15/2019 10:27:55 AM

Testimony for WAM on 2/15/2019 10:15:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Ian Terayama	Individual	Support	No

Comments:

February 14, 2019

Senator Donovan M. Dela Cruz, Chair  
Senator Gilbert S.C. Keith-Agaran, Vice-Chair  
Senate Committee on Ways and Means

Subject: Support – S.B. 666, S.D.1 Relating to an Airports Corporation

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

I write in **support** of S.B. 666 S.D.1, which authorizes the establishment of the Hawaii Airports Corporation within the Department of Transportation for administrative purposes. S.B. 666 S.D.1 also sets out appointment of members to the board of directors and powers and duties of the Hawaii Airport Corporation.

I recognize and applaud the Department of Transportation for their efforts in management of our airports. However, the distribution of responsibilities amongst multiple state agencies has delayed necessary repairs and improvements of what is usually the first impression we make on our visitors.

As a former member of the U.S. Tourism Strategic Plan Task Force, I support measures that will allow Hawaii to remain competitive in the tourism industry. Hawaii welcomes more visitors from Japan than anywhere else in the United States and to maintain our position we must remain close to the market in terms of airport modernization. An independent corporation will allow for quicker decision making and expedite critical updates to our airports, thereby enhancing Hawaii's brand worldwide.

Thank you for the opportunity to provide testimony. I respectfully encourage your support of this measure.

Mahalo,

The Honorable Patricia M. Loui