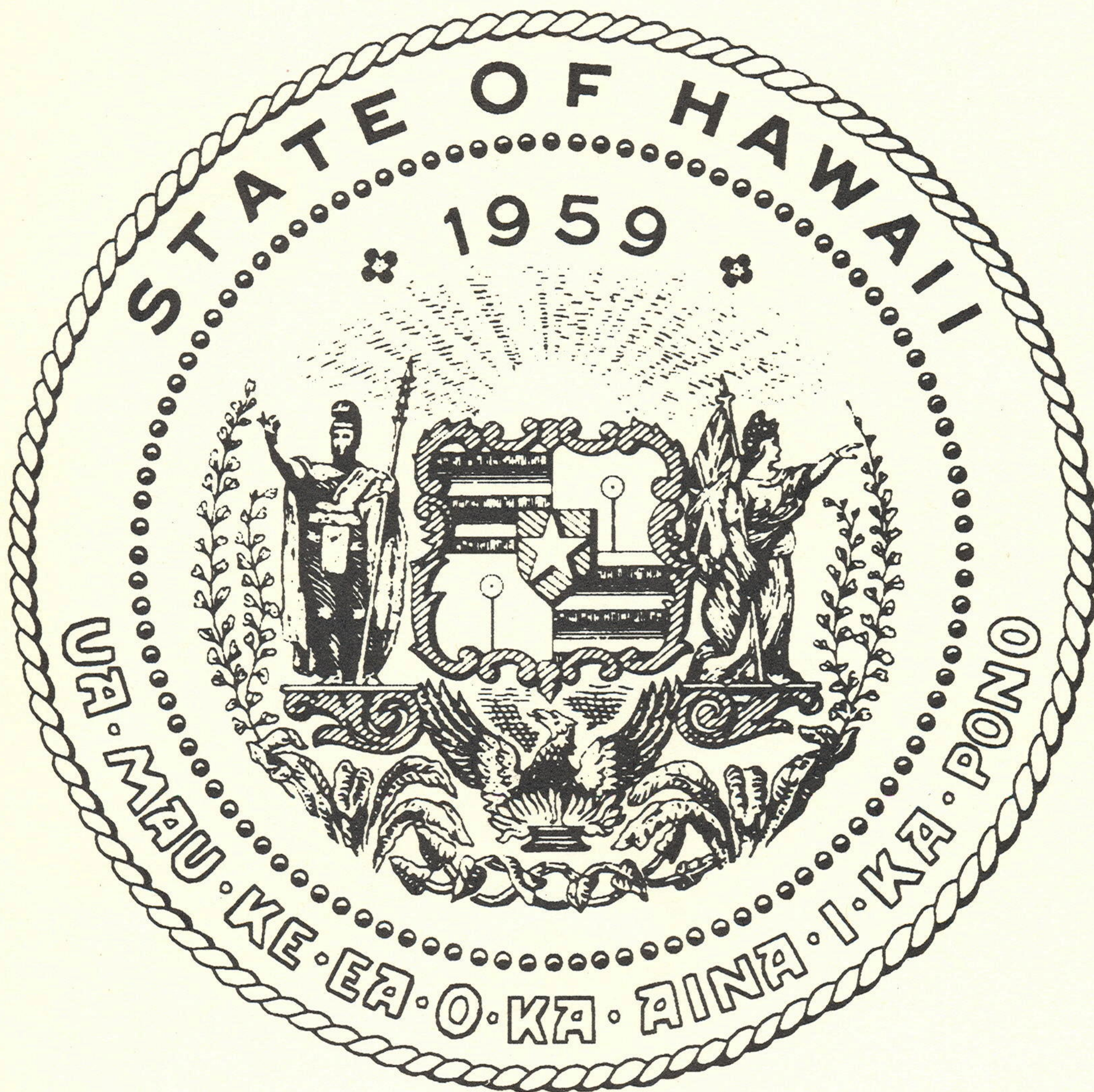


The State of Hawaii

Department of Transportation



Report to the Governor

1995

I am pleased to submit the Department of Transportation's annual report for the fiscal year ending June 30, 1995.

When I was appointed as Director of Transportation, Governor Cayetano and I set as one of our highest priorities, the improvement of our agency to make it more efficient and cost effective.

To do this, we conducted an internal review of the operations of the department's three divisions. As a result of that review, changes are being made in the divisions' structure and operations.

The early retirement program offered by the previous administration resulted in 98 employees leaving earlier than anticipated. We took advantage of these early retirements to look at ways of adjusting our operations so we would work smarter and provide better customer service with less people.

Director's Letter

The state's present economic situation has provided us with further incentives to make the necessary changes to make the department more responsible and responsive.

In an effort to reduce present and future congestion, and enhance safety at Honolulu International Airport, we are continuing to work with the Barbers Point Naval Air Station Redevelopment Commission to acquire a portion of the Barbers Point Naval Air Station (BPNAS) for use as a general aviation reliever airport. In FY95, more than 22 percent of the aircraft operations at HIA involved general aviation aircraft (aircraft with less than 12,500 pounds gross weight). With the planned closure of BPNAS in 1998, an opportunity exists for acquiring a reliever airport at little or no cost to the State.

The State entered into a lease agreement with the owner of Princeville Airport that resulted in the Airports Division taking over operations

and maintenance of the airport on January 1, 1995. It is anticipated the airfield will become part of the State airport system.

We are in the process of making a major upgrade to our harbor facilities at Nawiliwili on Kauai. The first portion of that process was completed in October 1994 when the new 770-foot Pier 3 and its 15-acre container yard became operational.

With Pier 3 operational, we were able to begin reconstruction of Pier 1 and its backup area. This portion of the improvements will enhance both cargo and passenger operations.

At Barbers Point Harbor on Oahu, the number of vessels calling dropped from 820 in the previous fiscal year, to 535 in FY95, but the cargo volume increased from 2.7 million tons to 2.9 million. The size of cargo vessels around the world is increasing and we are working to expand the harbor to ensure it will be able to continue to service such vessels efficiently.

The contract for the final major construction project for Interstate Route H-3 was awarded. The North Halawa Valley Highway, Unit I, Phase IB was redesigned to avoid two sites considered by some to be of Hawaiian cultural significance. The redesign of this section delayed completion of the H-3 by two years.

In November 1994, we dedicated the Tetsuo Harano Tunnels on Interstate Route H-3. The tunnels are named for the department's former Highways Division Administrator, Tetsuo Harano, who retired at the end of 1994 after spending 52 years at the department. In his over half a century at DOT, Harano was involved in the construction of almost every mile of highway improvements in the state.

In an effort to help reduce traffic congestion, DOT established the Vanpool Hawaii

program, which provides comfortable 9 or 15 passenger vans to groups of commuters who use them as their way of getting to and from work each day.

Riders in the program pay between \$52 and \$118 per month, depending on the number of participants in the van. Van drivers generally are responsible for gas and keeping the van clean, but don't pay the monthly fee. Drivers also have personal use of the vans during non-work hours.

The first of the vans took to the road in FY95 and by the end of the year 15 were in operation. The Big Island, with its long commuting distances, had 13 operating vans, while Oahu had two. Efforts were underway to expand the program to Maui and Kauai.

In conjunction with the Governor's Highway Safety Council and the National Highway Traffic Safety Administration, we convened a year-long Impaired Driving Task Force that included nearly 100 members from all levels of government, the private sector and the general public. The work of the Task Force was presented at a one-day conference on impaired driving.

The legislative package presented by the Task Force resulted in legislation, passed into law by the 1995 Legislature, that reduced the alcohol concentration required for a DUI arrest from .10 to .08 and established a fourth DUI conviction in a 10-year period as a Class C felony.

We also took another approach to the problem of drinking drivers by creating the state's first designated driver pilot program. "Keoki Kool" became the symbol for anyone in a group of two or more who pledged to remain alcohol free and do the driving for the group.

At any of five participating restaurants/bars the designated driver was given a "Keoki Kool" pin to wear and received free non-alcoholic drinks or pupus.

Eleven popular local personalities took part in television spots promoting the program.

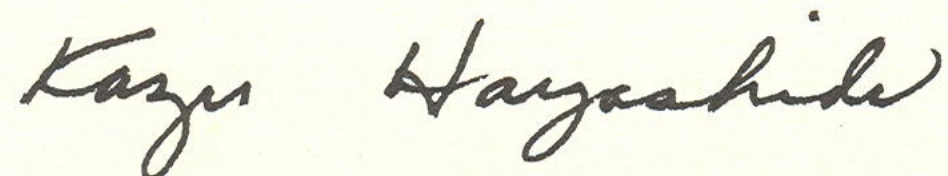
Our Adopt-A-Highway program reached its third anniversary in June. The program has given community-minded groups on six islands the opportunity to do their part to make our island home look better by picking up litter on a two-mile section of state highway a minimum of four times a year for two years.

Our Traffic Helicopter Program completed its fifth year. "Capt. Irwin" Malzman provides traffic reports four times an hour during the morning and afternoon peak traffic periods, Monday through Friday. The "Capt. Irwin" reports are carried on more than 18 radio stations and in return the Department has received more than \$1 million worth of air time for traffic safety and other highway programs.

Earlier in this letter, I noted that we had changed departmental operations. Two of those changes involved revising our fiscal practices and our processing of projects.

The first change will reduce cost by eliminating finance charges due to delayed payments. The second will help the state's economy by bringing construction and maintenance projects on line more quickly.

We will continue to review and revise our procedures to ensure the department operates as efficiently as possible as it carries out its mission of providing transportation facilities to meet the state's needs now and into the future.

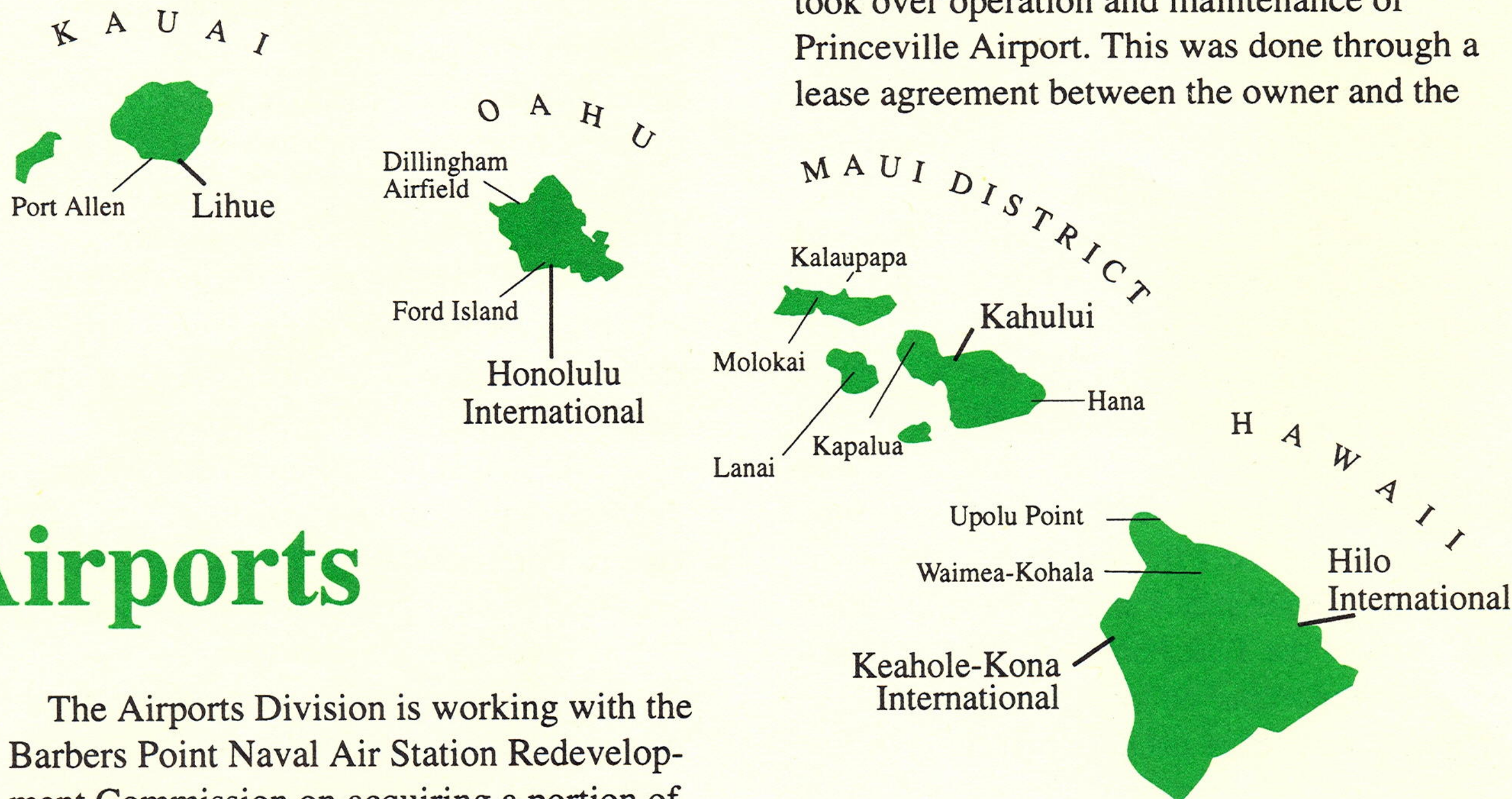


Kazu Hayashida

Director

Hawaii's airport system, which consists of 15 airfields on six islands, showed an overall increase in passenger traffic, continuing the gains made the previous year.

With all five of the major airports posting passenger traffic increases, Hawaii's airports handled 36,012,641 passengers, a 4.0 percent increase from the previous year.



Airports

The Airports Division is working with the Barbers Point Naval Air Station Redevelopment Commission on acquiring a portion of Barbers Point Naval Air Station (BPNAS) for use as a general aviation reliever airport. With the planned closure of BPNAS in 1998, an opportunity exists for acquiring a reliever airport at little or no cost to the State.

In FY95, more than 22 percent of the aircraft operations at Honolulu International Airport (HIA) involved general aviation aircraft (aircraft with less than 12,500 pounds gross weight).

A general aviation reliever airport would substantially reduce current and future air traffic congestion and delays, while enhancing safety at HIA.

Having BPNAS as a general reliever airport would also benefit the airlines by having it available as an alternate landing site; a re-

quirement of the Federal Aviation Administration.

Without BPNAS, overseas flights will have to designate either Kahului or Keahole-Kona International Airport as an alternate and carry sufficient fuel to reach them. Having BPNAS as an alternate would save the airlines \$2 million per year on fuel cost alone.

On January 1, 1995, the Airports Division took over operation and maintenance of Princeville Airport. This was done through a lease agreement between the owner and the

State. A master plan is being done by a State consultant. It is anticipated that the airfield will become a part of the State airport system.

Honolulu International

Nationally, Honolulu International was the 18th busiest airport in the United States. HIA handled 23,232,778 passengers in FY95, an increase of 1.6 percent from the previous year.

Plans are being developed for the renovation of the International Arrivals Building. The existing facility is more than 20 years old and was not designed to handle the passenger traffic resulting from the larger aircraft now in use.

The renovation will increase the available floor space, install faster baggage handling equipment and make modifications to process passengers more quickly and efficiently.

The new Airport Training Center Building on the South Ramp was dedicated on May 18, 1995. This facility replaced the old facility on the Ewa side of the airport with up-to-date workshops and classrooms for Honolulu Community College students in aviation-related fields.

Work began on the Makai Pier extension to the Interisland Terminal on September 19, 1994. When completed, this project will add five additional gates and loading bridges to the Interisland Terminal. It will also provide a connecting link with a 240-foot moving walkway between the Interisland and Overseas terminals.

On May 15, 1995, work began on the International Terminal Building Complex Site Improvements, Parking and Landscaping project. This project will provide an employee parking lot near the planned location of the International Terminal Complex. When completed, this project will save the State \$2,000,000 per year that is currently paid for busing airport employees to and from the Lagoon Drive parking lots.

Kahului

Kahului Airport (OGG) accommodated 5,909,863 passengers in FY95, up 7.5 percent from FY94.

Most of the Kahului Airport construction projects are being delayed until the Federal Environmental Impact Statement is approved (anticipated for early 1996).

However, work began on January 18, 1995, to relocate the Very High Frequency Omnidirection Radio Range/Tactical Air Navigation System (Vortac). The terminal expansion at Kahului Airport has caused the

Vortac, which provides vital navigational information, to operate at reduced efficiency. Once this relocation is completed, the Vortac will be able to operate at peak efficiency.

Keahole-Kona International

In FY95, 2,258,947 passengers used Keahole-Kona International Airport (KOA), up 2.1 percent from the previous year.

Plans have been completed for an Interim Federal Inspection Service Facility at Keahole-Kona International Airport. This facility is needed for inspection (by various Federal Agencies including Customs, Immigration and Agriculture) of international flights. Construction will be completed and this facility will be in use in 1996.

Work began on December 5, 1994 on the Terminal Improvements Phase I at KOA. This project will renovate restrooms, expand the gate/hold areas and construct a baggage claim unit at Terminal 1. Completion is anticipated in December 1995.

Also started at Keahole-Kona International Airport is the Peripheral Road and Parking construction. When completed, this project will widen the Peripheral Road from three to five lanes, expand the parking lot by approximately 150 stalls, provide new landscaping at the north and south ends of the parking lots and construct electrical distribution feeders along the road.

Lihue

Lihue Airport (LIH) accommodated 2,376,211 passengers in FY95, up 11.1 percent from FY94.

On March 17, 1995, the relocated Lihue Aircraft Rescue and Fire Fighting Facility was dedicated.

This facility replaces one constructed in 1978, when Lihue Airport accommodated

only interisland aircraft operations. This new facility will be able to handle overseas flights using wide-bodied aircraft.

Molokai

Molokai Airport (MKK) was used by 248,519 passengers in FY95, down 6.0 percent from FY94.

On October 19, 1994, the renovations to the Molokai passenger terminal and support facilities were dedicated. Included in the renovations were upgrades to the passenger waiting area, ticket lobby, air cargo handling facilities and tenant lease area.

Hilo International

Hilo International Airport (ITO) processed 1,624,787 passengers in FY95, an increase of two percent from FY94.

Kapalua

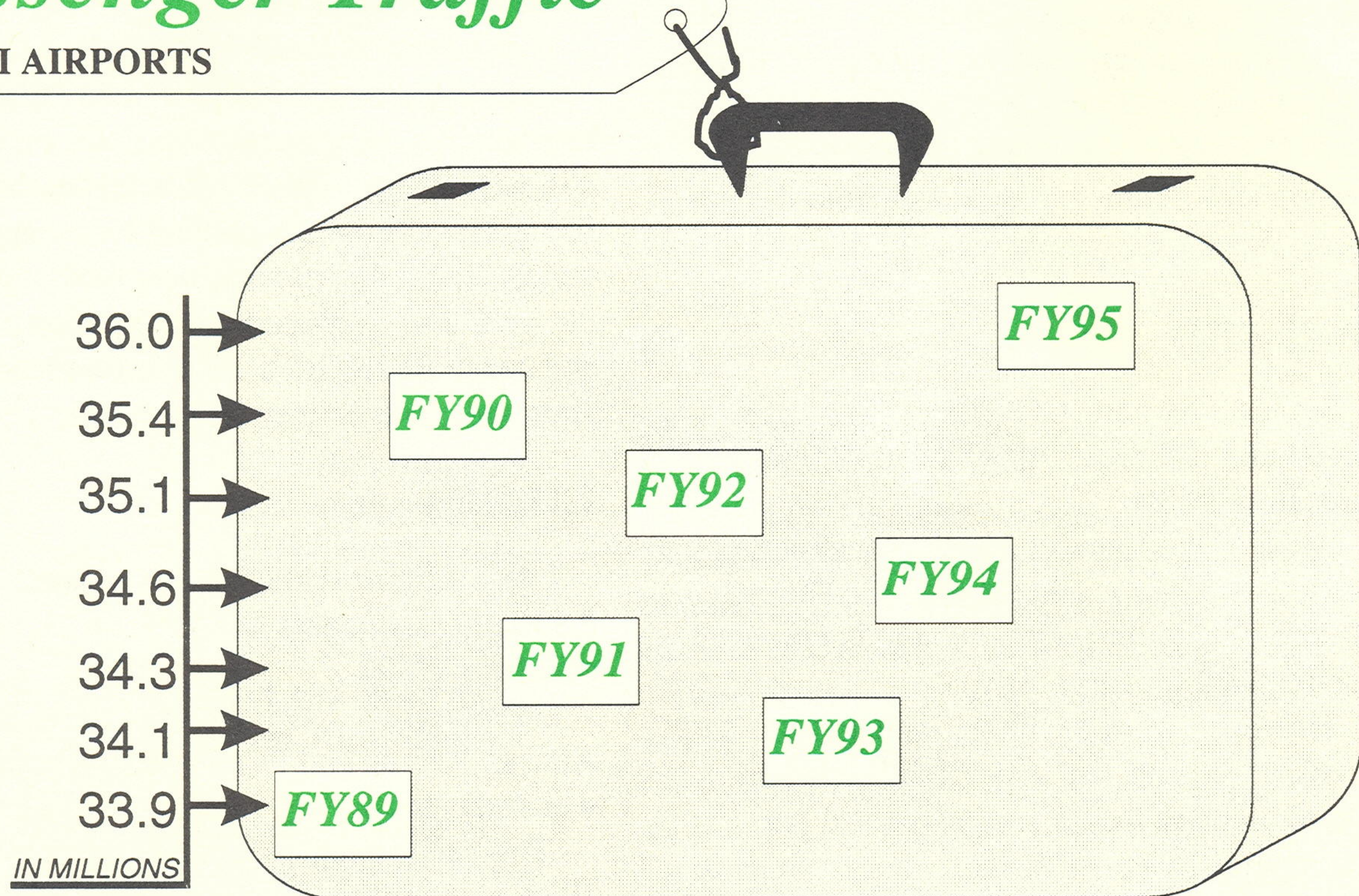
Kapalua Airport (JHM) accommodated 139,273 passengers in FY95, a decrease of 47.4 percent over the previous fiscal year.

Lanai

In FY95, 172,052 passengers passed through Lanai Airport (LNY), up 11.2 percent from FY94.

Passenger Traffic

HAWAII AIRPORTS



The Department of Transportation

The Department of Transportation was formed shortly after Hawaii became a state in 1959. It has three divisions, Airports, Harbors, and Highways, which are supported by 10 departmental staff offices. The offices are Statewide Transportation Planning; Hazardous Materials; Public Affairs; Visitor Information; PPB Management and Analytical; Personnel; Business Management; Computer Systems and Services; Contracts; and Property Management.

Funding

The DOT is required by law to generate its own monies to fund its programs and projects. Independent special funds were established for each of the three division's major programs. Each fund is expected to generate enough revenue to pay for program operation and maintenance costs and to contribute a fee to the State General Fund for central services. This fee is set at 5 percent of each special fund's gross revenues after debt service.

These special funds must also provide a higher level of cash financing in the Capital Improvement Program to ease the burden on debt service.

Since the Capital Improvement Program is large, the DOT continues to rely on revenue General Obligation Bonds and federal aid to help fund programs and projects.

Jerry Matsuda
Deputy Director

Highway Fund

The State Highway Fund was established under Section 248-8 HRS, as amended. The principal sources of revenue are a 16 cent per gallon fuel tax and a vehicle weight tax of 3/4 cent per pound for vehicles weighing less than 4,000 pounds, 1 cent per pound for vehicles between 4,000 and 7,000 pounds, 1 and 1/4 cent per pound for vehicles from 7,000 to 10,000 pounds and a flat \$150 for vehicles over 10,000 pounds.

Airport Revenue Fund

The Airport Revenue Fund was created under Section 261-5, HRS. Its primary revenue sources are the aviation fuel tax, landing fees, airport use charges, concession fees, and investment income. Other revenue sources include rentals and miscellaneous earnings.

Harbor Special Fund

The Harbor Special Fund was established under Section 266-19, HRS. The majority of the fund's revenues come from fees and charges for wharfage, dockage, demurrage, and the rental of land and wharf space at the state's commercial harbors. The remaining amount is generated from various service charges, permits, and licenses.

Glenn Okimoto
Deputy Director

Airports Division

Statements of Revenues, Expenses and Changes in Retained Earnings

| Years ended June 30 | 1995 | 1994 |
|---|---------------------|---------------------|
| Operating Revenues | | |
| Concession Fees | 158,399,880 | 157,335,141 |
| Airport landing fees | 38,969,763 | 35,992,663 |
| Aeronautical rentals: | | |
| Exclusive use premise charges | 24,835,372 | 24,348,993 |
| Nonexclusive joint use premise charges | 25,665,071 | 22,050,317 |
| Aviation fuel tax | 6,726,300 | 6,414,198 |
| Nonaeronautical rentals | 12,598,444 | 5,983,073 |
| Airports system support charges | 602,265 | 3,662,218 |
| Miscellaneous | 3,640,473 | 5,699,490 |
| Total Operating Revenues | 271,437,568 | 261,486,093 |
| Operating expenses other than depreciation | 126,607,307 | 129,695,501 |
| Operating income before depreciation | 144,830,261 | 131,790,592 |
| Depreciation | 66,924,329 | 57,604,572 |
| Operating Income | 77,905,932 | 74,186,020 |
| Nonoperating revenues (expenses): | | |
| Interest income: | | |
| Certificates of deposit, repurchase agreements and U.S. Government securities | 35,410,813 | 22,856,709 |
| Note receivable | 138,890 | — |
| Investment in direct financing leases | 2,875,688 | 2,951,341 |
| Interest expense: | | |
| Revenue Bonds: | | |
| Airports system | (77,960,193) | (70,382,067) |
| Special facility | (2,875,688) | (2,951,341) |
| General obligation bonds | (277,875) | (426,781) |
| Other | (4,005,722) | (71,535) |
| Total nonoperating expenses, net | (46,694,087) | (48,023,674) |
| Income before extraordinary item | 31,211,845 | 26,162,346 |
| Extraordinary item - loss on refunding of Airports system revenue bonds | — | (8,677,148) |
| Net income | 31,211,845 | 17,485,198 |
| Depreciation expense transferred to contributed capital - Federal Government grants | 9,787,041 | 8,916,274 |
| Retained earnings at beginning of year | 958,681,419 | 932,279,947 |
| Retained earnings at end of year | 999,680,305 | 958,681,419 |

PROJECTS COMPLETED & IN PROGRESS FISCAL YEAR 1994-1995

| PROJECT | STARTED | COMPLETED | COST | DESCRIPTION |
|---|---------|-----------|-----------|---|
| Honolulu Int'l Airport Air Cargo Facility Dev 1, Site Preparation | 9/93 | 3/95 | \$656,020 | Demolition and hazardous material removal |
| Honolulu Int'l Airport Electrical Distribution Sys Modern, PH1 | 3/92 | 8/94 | \$15.8M | Power & communication ducts from airport substation |
| Honolulu Int'l Airport Ewa Concourse Triturator Facility | 12/93 | 2/95 | \$661,496 | Installation of treatment system for aircraft sewage |
| Honolulu Int'l Airport Flight Information Display System, Phase IIB | 12/90 | 11/94 | \$8.1M | Additional flight information display terminals |
| Honolulu Int'l Airport Installation of Taxiway and Runway Signs | 7/94 | 10/95 | \$2.2M | New runway/taxiway signs to conform to FAA standard |
| Honolulu Int'l Airport Int'l Terminal Bldg, Primary power & comm | 4/93 | 8/94 | \$3.4M | Underground power & communication ducts |
| Honolulu Int'l Airport Loading Bridges for Makai Pier Phase II (5) | 1/95 | 10/95 | \$1.6M | Provides 5 new loading bridges for Makai Pier Phase II |
| Honolulu Int'l Airport Makai Pier Phase II and Ground Tran Court | 9/94 | 10-/95 | \$21.7M | Construct additional 5 IIT gates and connecting link |
| Honolulu Int'l Airport Overseas Terminal Hardstands, Phase II | 7/91 | 10/94 | \$20.8M | Provide 5 new hardstand on the DH level wing |
| Honolulu Int'l Airport Public Address System, Phase II | 11/93 | 11/94 | \$1.7M | Upgrade PA system to include IIT and DH concourse |
| Honolulu Int'l Airport Security System, Phase IIB | 10/93 | 10/94 | \$1.4M | Provide security for gates 31 - 34 |
| Honolulu Int'l Airport Sewage Lift Station Relocation | 6/93 | 12/94 | \$2.9M | Relocation so that T/W "G" & "L" can be realigned |
| Honolulu Int'l Airport Site Improvements, Parking and Landscaping | 5/95 | 8/95 | \$1.8M | Construct employee parking lot near the planned ITB |
| Honolulu Int'l Airport Training Center Bldg, Phase 1, South Ramp | 7/93 | 5/95 | \$8.6M | Construction of building & supporting infrastructure |
| Kahului Airport Relocation of VORTAC | 1/95 | 11/95 | \$1.3M | Relocate VHF omnidirection radio range/tactical air nav |
| Keahole Airport ARFF Training Facility | 12/93 | 9/94 | \$3.3M | Training pit for Keahole Airport Fire Fighters |
| Keahole Airport Peripheral Road and Parking | 2/95 | 11/95 | \$5.4M | Construct parking and peripheral road improvements |
| Keahole Airport Road N North Utilities | 4/94 | 11/94 | \$1.8M | Utilities lines in service road "N" |
| Keahole Airport Sign Modification and Grading | 12/94 | 10/95 | \$253,296 | New airport sign and landscaping at airport entrance |
| Keahole Airport Terminal Improvements Phase 1 | 12/94 | 12/95 | \$8.7M | Terminal 1 improvements |
| Lihue Airport New ARFF Station | 6/94 | 3/95 | \$5.9M | Relocation of ARFF Station |
| Lihue Airport Taxiway Sign System | 8/94 | 1/95 | \$742,634 | New taxiway guidance signs to conform to FAA standard |
| Molokai Airport Terminal Modification Improv | 11/92 | 10/94 | \$2.8M | Expand passenger terminal and support facilities |
| Statewide Airport Security System | 8/93 | 9/94 | \$5.5M | Security system at Hilo and Keahole Airports |
| Statewide Installation of Taxiway and Runway Signs | 7/94 | 7/95 | \$1.6M | New runway & taxiway signs at Hilo, Molokai and Lanai |
| Statewide Security System | 8/93 | 9/94 | \$823,386 | Security system at Lihue Airport |
| Upolu Airport Rehabilitate Airfield Lighting Cables | 8/94 | 2/95 | \$445,577 | Lighting system and navigational aid improvements |
| Honolulu Harbor, Pier 53 | 1/93 | 10/94 | \$5.3M | 330 ft. pier extension |
| Honolulu Harbor, CY-6 & CY-9 | 10/92 | 11/95 | \$2.8M | Pave container yard |
| Honolulu Harbor, Pier 34 | 11/94 | 9/95 | \$2.8M | Pier construction |
| Honolulu Harbor, Pier 51 C | 11/94 | 5/96 | \$12.4M | Pier extension and yard |
| Honolulu Harbor, Pier 39, Ph I | 8/94 | 10/95 | \$8.8m | Shed & pier |
| Honolulu Harbor, Pier 39, Ph 11 | 5/95 | 1/96 | \$5.4M | Container yard |
| Barbers Point Harbor, S- I & S-2 | 1/93 | 11/94 | \$1.9M | Pave container yard |
| Barbers Point Harbor, Lighting | 12/92 | 10/94 | \$168,000 | Lighting Improvements |
| Barbers Point Harbor, Ferry & Service Vessel Pier | 12/92 | 11/94 | \$1.5M | 120 foot pier |
| Barbers Point Harbor, Shed & S-3 | 3/95 | 12/95 | \$5.4M | Transit shed and yard |
| Kahului Harbor, Maintenance Shop Bldg. | 3/95 | 12/95 | \$1.8M | Transit shed and yard |
| Kaunakakai Harbor Ferry Terminal | 4/94 | 9/94 | \$165,000 | Ferry passenger terminal |
| Hilo Harbor Yard | 2/93 | 10/94 | \$586,000 | Pave storage yard |
| Hilo Harbor Yard Expansion | 1/95 | 10/95 | \$869,000 | Pave storage yard |
| Nawiliwili Harbor Pier 3 | 9/92 | 10/94 | \$18.1M | New pier |
| Nawiliwili Harbor Pier 3 Yard | 1/93 | 10/94 | \$10.8M | New container yard |
| Nawiliwili Harbor, Pier 1, Ph I | 4/95 | 7/96 | \$10.7M | Pier & yard improvements |
| Honolulu Harbor, Pier 30-33 | 9/94 | 3/95 | \$240,000 | Replace Waterline |
| Honolulu Harbor, Pier 16-18 | 2/95 | 5/95 | \$50,000 | Replace Transformers |
| Honolulu Harbor, Pier 1 | 10/94 | 11/94 | \$31,000 | Repair Bulkhead |
| Honolulu Harbor, Pier 51-53 CY | 1/94 | 12/94 | \$650,000 | Pavement repairs |