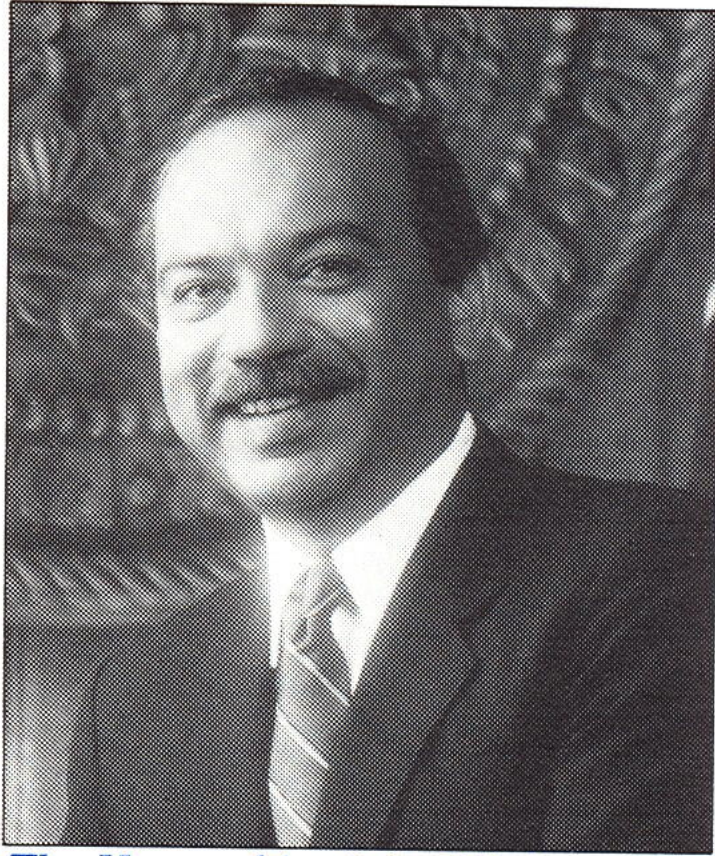
An aerial photograph of a multi-lane highway winding through a dense, green mountain valley. The road curves from the bottom left towards the center of the frame. The surrounding landscape is covered in thick forest, with some cleared areas and small structures visible. The sky is filled with soft, white clouds.

The State of Hawaii
Department of Transportation

1994 Report to the Governor



*The Honorable John Waihee,
Governor,
State of Hawaii*

I am pleased to submit the Department of Transportation's Annual Report for the fiscal year ending June 30, 1994.

This year has been, to borrow the words of the Chinese proverb, an "interesting time."

It included a new economic situation for our Airports Division, continued progress in

upgrading our harbors to meet the goals set forth in the master plans, new programs to help reduce congestion on our highways, and for the first time, a strike by the Hawaii Government Employees Association.

Director's Letter

The Department and the airlines serving Hawaii completed two years of negotiations by agreeing to a five-year extension of the existing use and lease agreements.

Under the extension, which terminates on July 31, 1997, fees and charges paid by the airlines have been increased substantially.

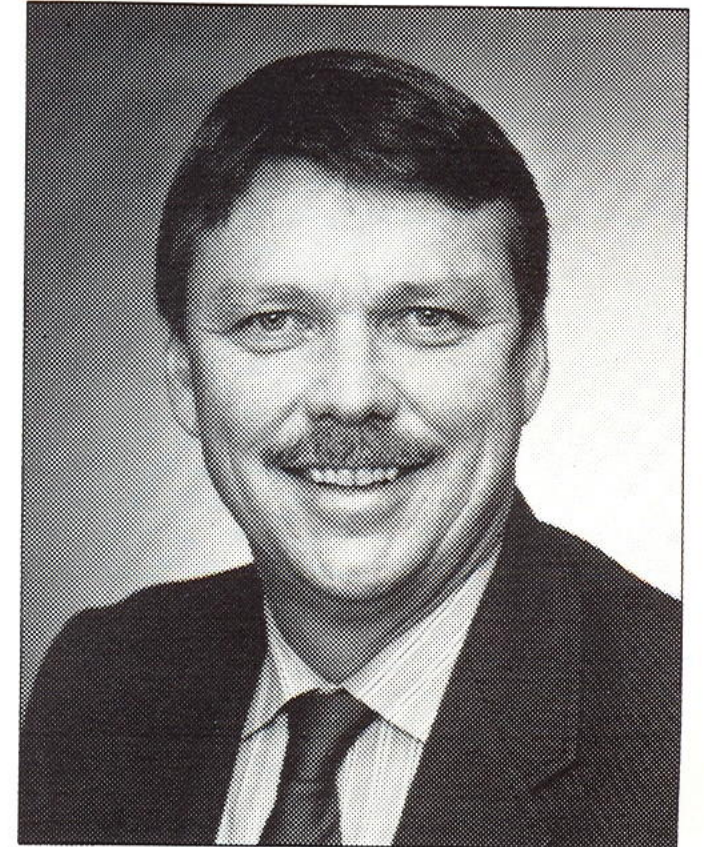
This increase, which was the first for the airlines in seven years, will help offset the dramatic decrease in concession revenues.

In conjunction with the above increase, fees and charges for carriers that use the state airports facilities, but do not have a use and lease agreement with the state, were also raised substantially.

Cash reserves from the Airport Revenue Fund were dedicated in the extension agreement to soften the impact of the sudden fee increase.

The Interstate Route H-3 passed a milestone with completion of the \$108 million Haiku Approaches and Tunnels.

We also advertised for bids for the final major construction project of the H-3, the North Halawa Valley Highway, Unit I, Phase IB. This section of H-3 was redesigned in order to avoid two sites considered by some Hawaiians to have cultural significance. The redesign of this section delayed completion of the H-3 by two years.



*Rex Johnson,
Director, State Department
of Transportation*

In an effort to reduce the number of single occupant vehicles on our highways during peak traffic hours, DOT started a BONUS (Bus On Us) program as a pilot project. During the project, free bus passes were issued to DOT employees who pledged to ride the bus to and from work at least one day per week.

In the 12 month period, the demonstration program averaged 449 participants per month and was responsible for the elimination of 40,664 vehicle trips.

As another method of reducing congestion, our Transportation Demand Management office worked to establish the Vanpool Hawaii program. The program 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 van during evenings and on weekends.

The first of the vans is expected to be on the road in July 1995.

The success of our first Telework Center in Mililani prompted us to establish a second Telework Center in Kapolei to allow employees who live in the Leeward Oahu area to work from Kapolei rather than commute into Downtown Honolulu each day. Those working in the Telework Center use the "electronic highway" to move work back and forth rather than adding to the congestion on our roads.

Transportation System Management approaches to reducing congestion, such as increasing the efficiency of the existing roads through the use of contraflow, shoulder and High Occupancy Vehicle lanes, are being managed by our Highways Division Traffic and Construction branches.

DOT's operations were restricted somewhat by the public worker strike in the spring. While the many employees who were not involved in the job action continued to work, the loss of those on the picket line caused delays and adjustments in the schedules of some construction and maintenance projects.

Once the striking members of Units 3 and 13 returned to work, things returned to normal very quickly.

The Department continues to work with the Aloha Tower Development Corporation in the development of the Aloha Tower Complex.

While our harbors normally provide direct economic benefit to the islands, Kawaihae Harbor, provided an additional indirect benefit to the economy of the Big Island. The harbor was the primary location for the filming of the movie "Waterworld." Reports in the media indicated the movie production injected about \$30 million into the island's economy.



Efforts to relieve traffic congestion on Kauai included widening and adding a left turn lane to Uhelekawawa Bridge.

In June, our Adopt-A-Highway program reached its third anniversary. Statewide, 395 groups have pledged to do their part to make our highways look better by picking up litter on a two-mile section of highway a minimum of four times a year for two years.

Our Traffic Helicopter Program completed its fourth 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 our traffic safety, seat belt pedestrian safety and DUI public awareness campaigns.

Sincerely,

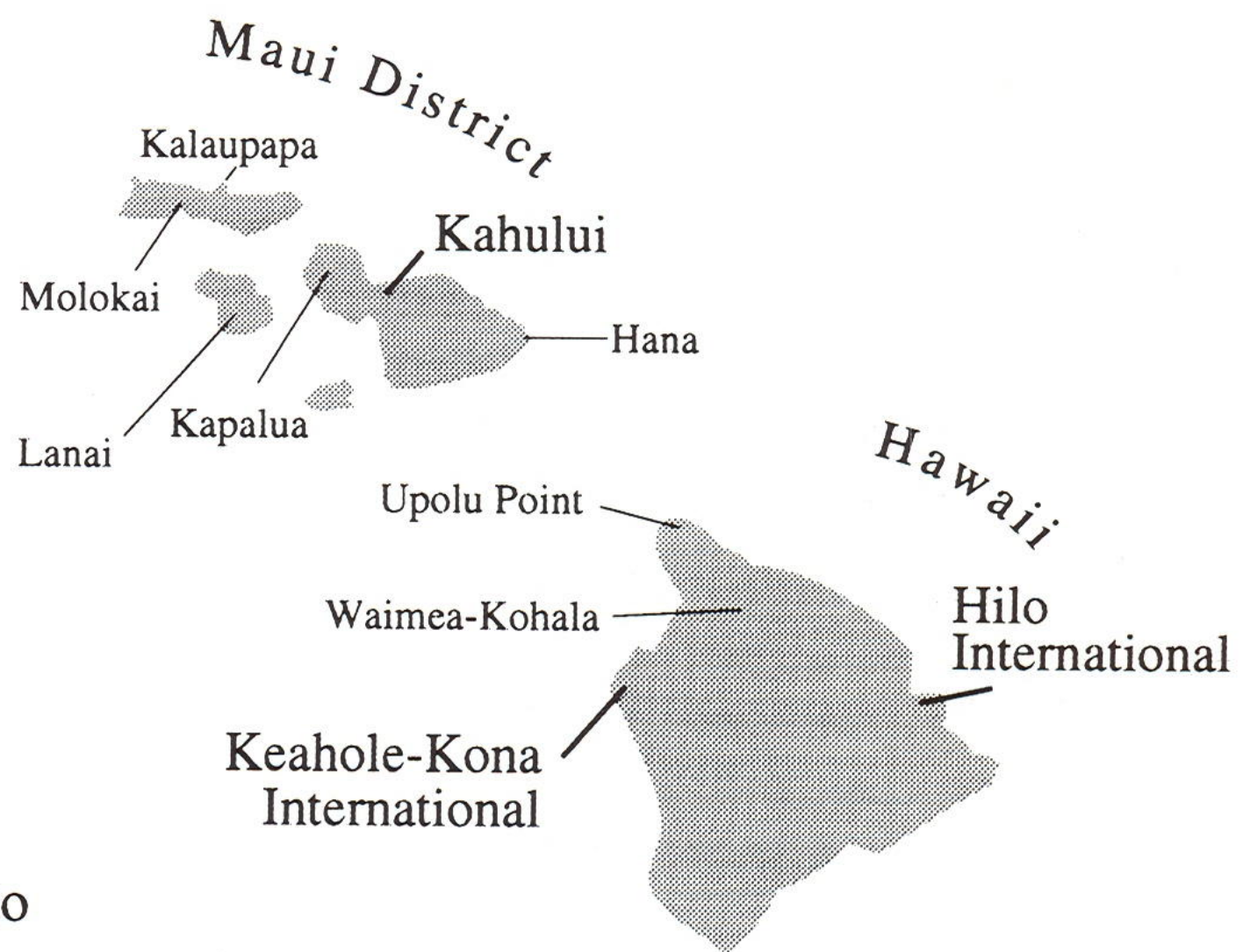
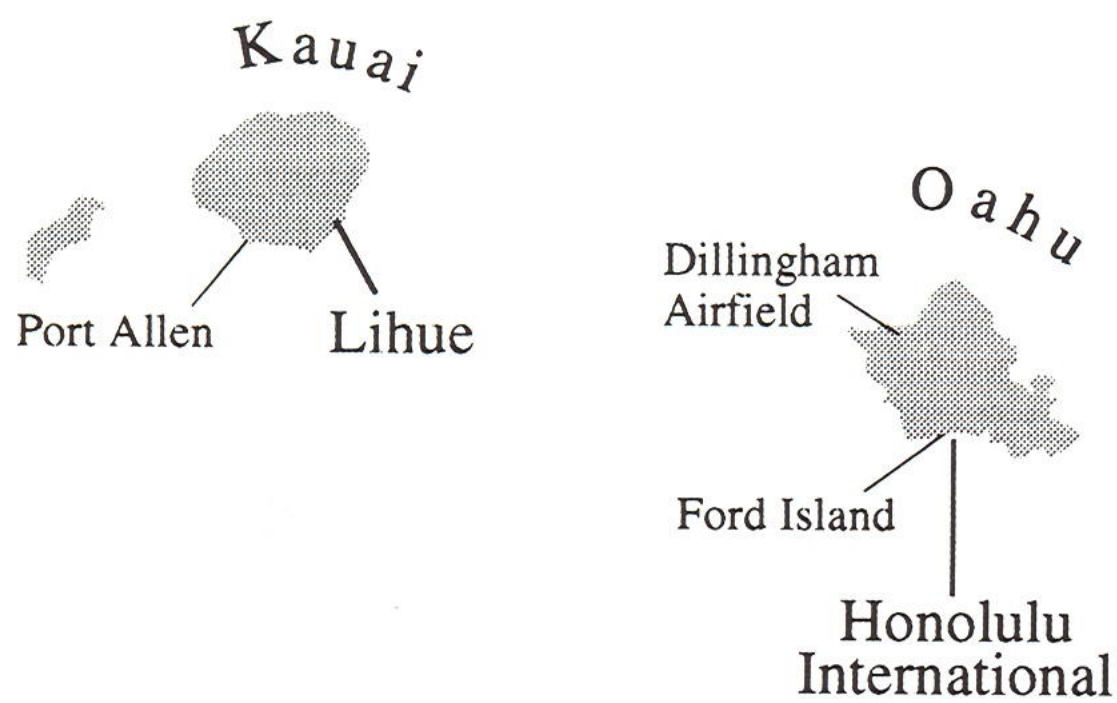
A handwritten signature in black ink, appearing to read "Rex Johnson". The signature is stylized and fluid, with a long horizontal line extending to the right.

Rex Johnson
Director of Transportation

Hawaii's airport system, which consists of 15 airfields on six islands, handled 34,639,045 passengers in FY94, an increase of 1.6 percent over the previous year.

Four of the five major airports posted gains in passenger traffic, reversing the decline in passenger totals recorded in FY93.

The state system claims four spots in the list of the top 20 busiest city-pair markets in the United States.



AIRPORTS

In light of the economic situation established by the new airline lease agreement, major projects were rescheduled to conserve airport funds and insure the safe, efficient operation of the airport system.

Extension of Runway 2/20 at Kahului Airport, alterations to the terminal buildings at

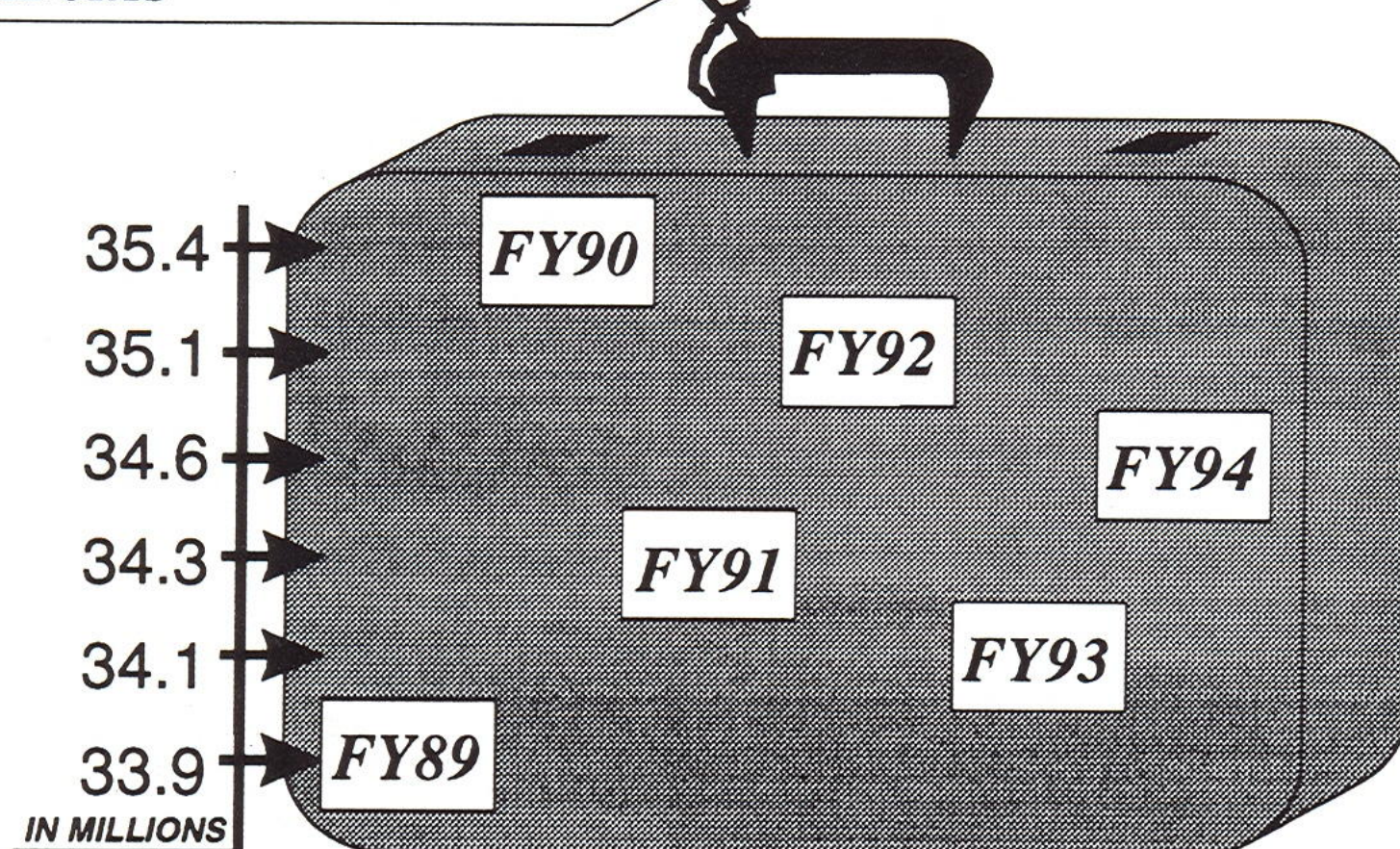
On July 21, 1993 the Interisland Terminal (IIT) at HIA opened its doors for business.

The opening of the \$130 million complex culminated more than 10 years of planning and construction.

The largest airport project ever undertaken by the Airports Division, the IIT is a seven-floor, 600,000-square-foot structure with parking for 1,726 vehicles, a station for the intra-airport transportation system, ticket lobbies, concessions, passenger waiting areas, baggage claim

Passenger Traffic

HAWAII AIRPORTS





The new passenger terminal at Lanai Airport is double the size of the old one.

and State Airports Division offices.

Gates 31 to 34 in the Ewa Concourse were dedicated on January 21, 1994. This project provides four passenger holdrooms and three gates able to handle widebody aircraft.

The State completed two projects on Hickam Air Force Base in compensation for land acquired from the Air Force. Housing facilities were dedicated on January 14, 1994 and similar ceremonies were held on April 8, 1994 for a dormitory building.

Work is continuing on a new Airport Training Center on Lagoon Drive at HIA's

South Ramp. When completed in March 1995, this project will replace the existing buildings located makai of the interisland maintenance base. The new training center will provide up-to-date workshops and classrooms operated by Honolulu Community College for students studying aviation-related courses and for airport employees.

In FY94, 25 percent of the aircraft operations at HIA involved general aviation aircraft of less than 12,500 pounds gross weight. The State continues to seek a general aviation reliever airport which would substantially reduce current and future air traffic congestion and delays, while enhancing safety, at HIA.

Past attempts to acquire or build a general aviation reliever airport have failed. However, with the downsizing of the U.S. military, Barbers Point Naval Air Station (BPNAS) is scheduled to close in 1997. The Airports Division is working with the federal government and the State-County Reuse Committee on acquiring a portion of BPNAS for use as a general aviation reliever airport.

Hilo International Airport handled 1,593,522 passengers in the 1994 fiscal

Gleaming new passenger holdrooms at Gates 31-34 are ready for use.





Director Rex Johnson, Governor John Waihee, and Representative Paul Oshiro (l-r) officially open the Interisland Terminal. Looking on are Airlines Committee of Hawaii Chairman Ted Kagoshima, Reverend William Kaina, former DOT Director Ed Hirata, Airport Manager Barry Fukunaga, and Airports Administrator Owen Miyamoto.

year, a decline of 0.1 percent from FY93. Even with the decline, the Honolulu-Hilo route is number 20 on the list of busiest city-pair markets.

Work to improve the operational facilities at Hilo continued in FY94. An aircraft rescue and fire fighting training pit was completed in November 1993. The training pit, which is used to simulate aircraft fires, allows firefighters to meet the training requirements for FAA certification.

In January 1994, an eight-bay T-hangar to house light general aviation aircraft was completed.

Kahului Airport processed 5,499,374 passengers in the fiscal year, an increase of 1.9 percent over the previous period. The Honolulu-Kahului route is the busiest city-pair in the nation.

Most of the projects for Kahului Airport

have been delayed pending the approval of a joint Federal-State Environmental Impact Statement. That approval is expected in mid-1995.

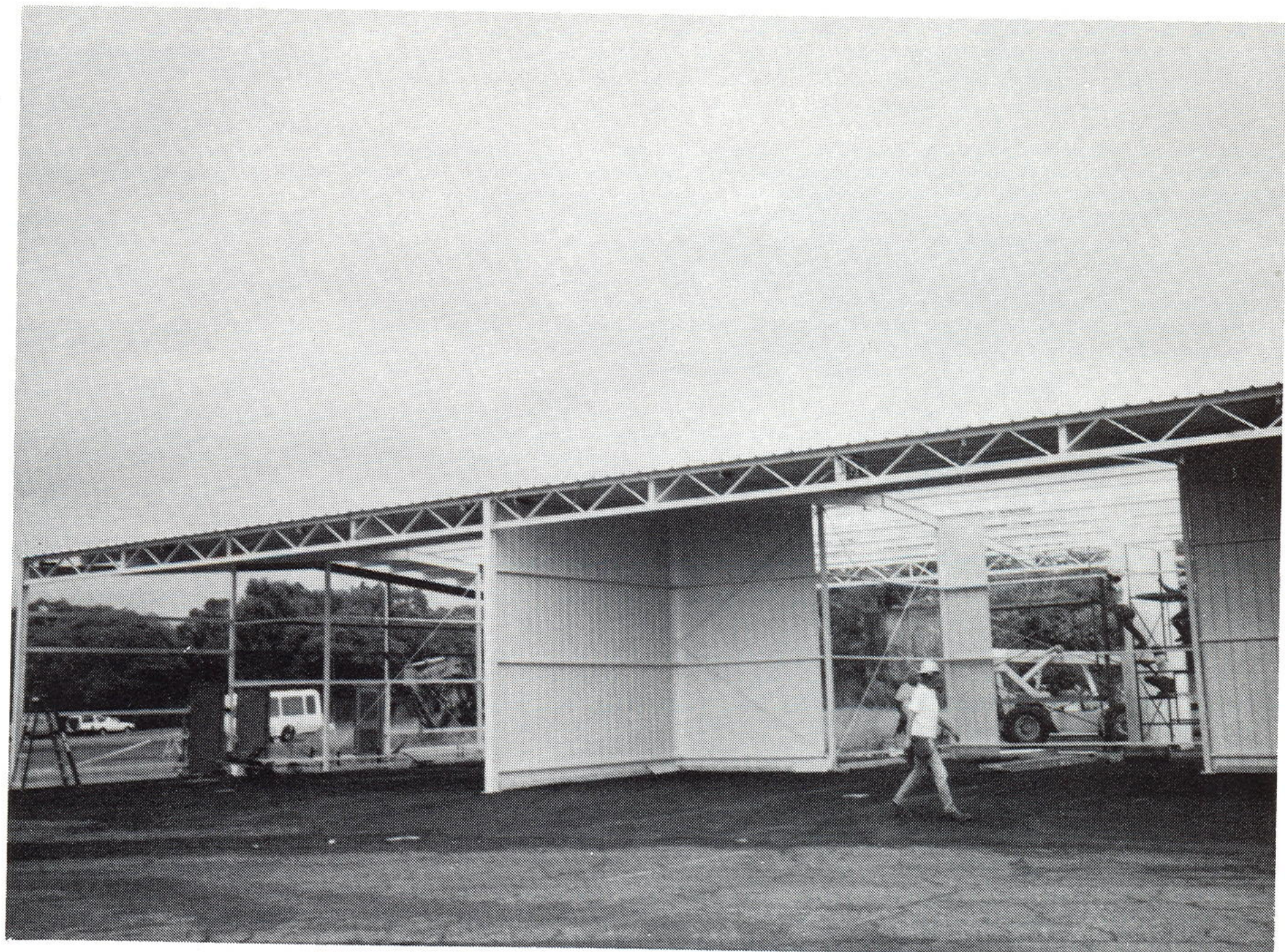
One exception was the May 27, 1994 completion of a new aircraft rescue and fire fighting station.

Keahole-Kona International Airport handled 2,211,497 passengers in FY94, an increase of 0.1 percent over the previous year. Keahole combined with Honolulu to rank as the 19th busiest city

pair in the U.S.

Strengthening and extending the runway at Keahole was completed on February 4, 1994. At 11,000 feet, the runway is the longest of all Neighbor Island airports and is capable of handling non-stop flights to airports around the Pacific Basin and beyond.

A Cargolus B-747 was the first long-range flight to Keahole. It arrived from Europe on



New T-Hangars were completed at Hilo International Airport

February 14, 1994, carrying equipment for filming of a movie. Scheduled direct Mainland wide-body service into and out of Keahole began in March.

In FY94, Kauai rebounded from the effects of Hurricane Iniki, which passed over the island in September 1992.

As a result, passenger totals at Lihue Airport increased 16.3 percent over FY93, to 2,139,630. The Honolulu-Lihue city-pair was the 18th busiest in the United States.

Passenger traffic at Lanai Airport increased 10.7 percent to 264,290 travelers. A spacious new terminal, built to accommodate the growth in tourism to the Pineapple Isle, opened on April 19, 1994. Construction of the new terminal, which is five times larger than the structure it replaced, also included a new parking area, roadway and landscaping.



Wide-body aircraft going to or coming from the Mainland are now as common a sight as interisland aircraft at Keahole-Kona International Airport.

Molokai Airport saw passenger traffic drop 12.4 percent to 264,290. Work continued on renovations to the terminal building to improve passenger waiting areas, airline ticket counters and the baggage claim area. A new roof corrected problems with leaks that resulted from the many alterations to the original building.

Kapalua Airport, acquired from Hawaiian Airlines and Maui Land and Pineapple Company in October 1992, posted a 7.8 percent drop in passenger traffic to 307,363, following the termination of service to the airport by Hawaiian Airlines.



Improvements at Molokai Airport made it a friendlier facility for users.

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.

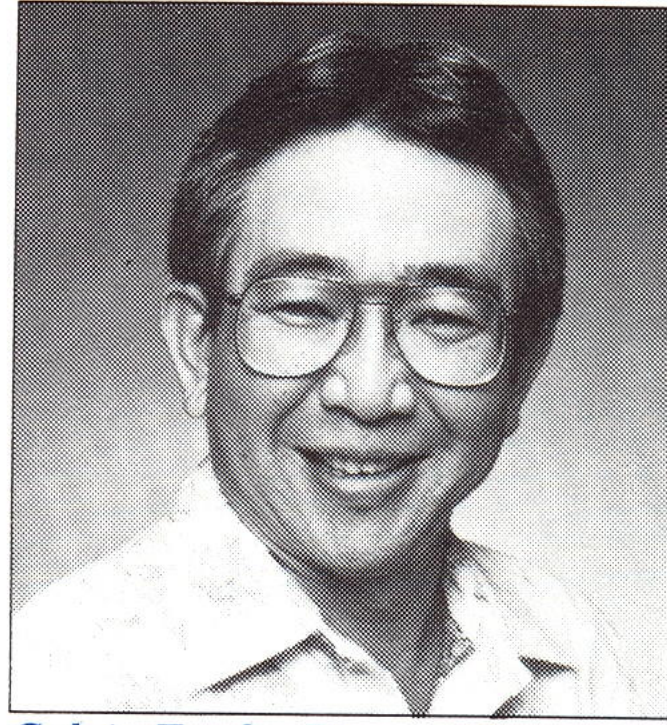
Funding

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.

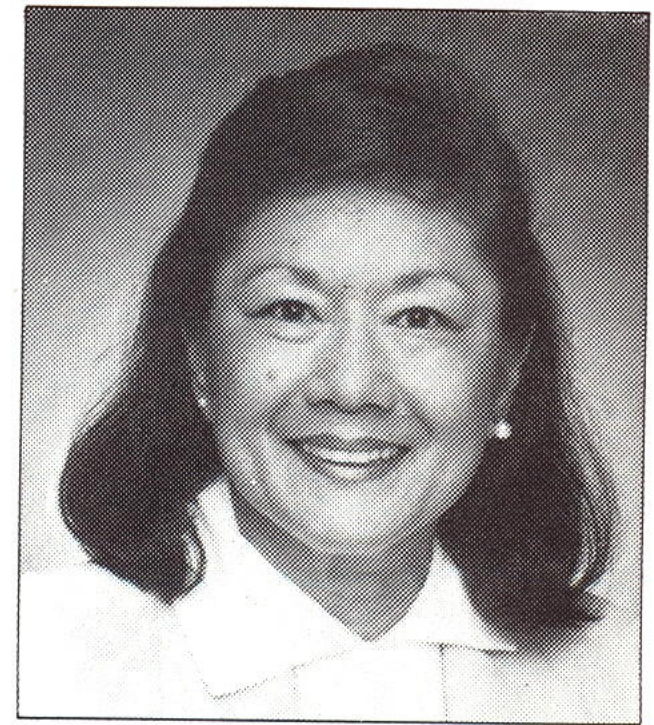
These special funds must also provide a higher level of cash financing in the Capital Improvement Program to ease the burden on debt service. Since the Capital Improvement Program is large, the DOT continues to rely on reimbursable General Obligation Bonds and federal aid to help fund programs and projects.

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.



Calvin Tsuda, Deputy Director



Joyce Omine, Deputy Director

Airport Revenue Fund

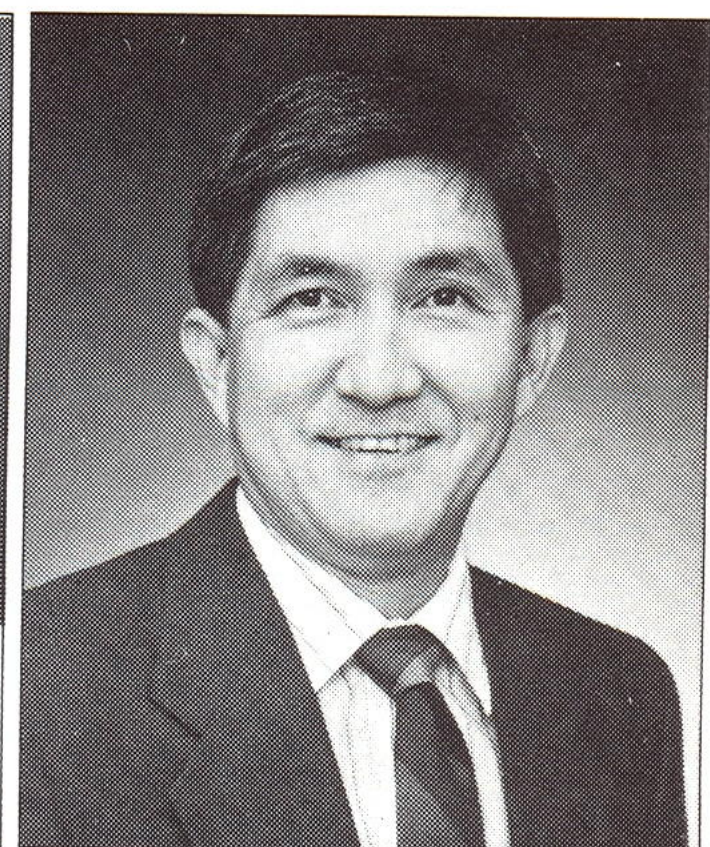
The Airport Revenue Fund was created under Section 261-5, HRS. Its primary revenue sources are the aviation fuel tax, landing fees, airport use charges, concession fees, and investment income. Other revenue sources include rentals and miscellaneous earnings.

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.



Kanani Holt, Deputy Director



Glenn Okimoto, Deputy Director

AIRPORTS DIVISION

Statements of Revenues, Expenses and Changes in Retained Earnings

Years ended June 30	1994	1993
Operating Revenues		
Concession Fees	157,335,141	334,557,739
Airport use charge and landing fees	35,992,663	19,856,416
Aeronautical rentals:		
Exclusive use charges	24,348,993	16,954,719
Nonexclusive use charges	22,050,317	—
Aviation fuel tax	6,414,198	6,438,009
Nonaeronautical rentals	5,983,073	5,446,694
Airports system support charges	3,662,218	—
Miscellaneous	5,699,490	5,446,201
Total Operating Revenues	261,486,093	388,699,778
Operating expenses other than depreciation	129,695,501	126,278,943
Operating income before depreciation	131,790,592	262,420,835
Depreciation	57,604,572	46,843,857
Operating Income	74,186,020	215,576,978
Nonoperating revenues (expenses):		
Interest income:		
Certificates of deposit, repurchase agreements and U.S. Government securities	22,856,709	22,996,437
Note receivable	—	7,986,336
Investment in direct financing leases	2,951,341	3,015,518
Interest expense:		
Revenue Bonds:		
Airports system	(70,382,067)	(72,864,500)
Special facility	(2,951,341)	(3,015,518)
General obligation bonds	(426,781)	(631,249)
Loss on disposal of property, plant and equipment	(159,203)	(11,084,500)
Other	87,668	(3,258,827)
	(48,023,674)	(56,856,303)
Income before extraordinary item	26,162,346	158,720,675
Extraordinary item - loss on refunding of Airports system revenue bonds	(8,677,148)	(7,327,230)
Net income	17,485,198	151,393,445
Depreciation expense transferred to contributed capital - Federal Government grants	8,916,274	7,899,366
Retained earnings at beginning of year	932,279,947	772,987,136
Retained earnings at end of year	958,681,419	932,279,947

Projects Completed & In Progress Fiscal Year 1993-1994

Project	Started	Completed	Cost	Description
Honolulu International Airport Acquisition of US Gov't Land In Exchange For Housing	9/92	3/94	\$26.9M	Plan, design & construct 100 housing units
Honolulu International Airport Air Cargo Facility Dev I, Site Preparation	10/93	4/94	\$752,657	Demolition & hazardous material removal
Honolulu International Airport Division Administration Office	1/93	1/94	\$5.4M	New division admin. office at the IIT
Honolulu International Airport Electrical Distribution System Modernization, PH I	3/92	9/93	\$16.0M	Power & comm. ducts from airport substation
Honolulu International Airport Electrical Distribution System Modernization, PH II	7/92	1/94	\$2.0M	Power & comm. ducts for overseas terminal
Honolulu International Airport Ewa Concourse Triturator Facility	12/93	9/94	\$626,987	Install treatment system for aircraft sewage
Honolulu International Airport Flight Information Display System, Phase IIB	12/90	8/94	\$8.2M	Additional flight information display terminals
Honolulu International Airport Gate Holdroom Improvements (6-30)	1/93	6/94	\$3.0M	New check-in counters for computer
Honolulu International Airport Hickam Air Base Ammunition Bunker	9/92	6/94	\$1.7M	Replace ammunition bunker
Honolulu International Airport Interisland Terminal, Central Building & 2nd Level Roadways	12/90	7/93	\$139M	New Interisland Terminal Complex
Honolulu International Airport Install Electric Water Coolers In Public Areas	10/92	11/93	\$210,460	Additional water fountains for public use
Honolulu International Airport Interisland Telephone System	6/93	11/93	\$516,938	Install pax telephone system in the IIT
Honolulu International Airport International Terminal Building, Primary Power & Communications	4/93	10/93	\$3.4M	Underground power & communication ducts
Honolulu International Airport Interisland Airfield Aprons Phase IV	11/92	12/93	\$4.8M	New hardstands, paving, & fuel lines at IIT
Honolulu International Airport ITB Demolition - Phase I	1/93	10/93	\$1.1M	Removal of bldgs in footprint of ITB (36 acres)
Honolulu International Airport Lagoon Drive Extension Phase III, Unit 1 & 2	3/91	9/93	\$22.7M	Construct aprons, roads, parking, & utilities
Honolulu International Airport Loading Bridges For Ewa Concourse Expansion (8)	11/91	12/93	\$3.2M	Loading bridges for Ewa Concourse expansion
Honolulu International Airport Loading Bridges For New Interisland Terminal (8)	11/91	7/93	\$2.7M	Loading bridges at the new IIT
Honolulu International Airport Loading Bridges For New International Terminal Building (9)	11/91	9/95	\$3.5M	Loading bridges for the ITB
Honolulu International Airport Modification to International Arrivals Building, Phase IVF	11/92	6/94	\$813,021	Asbestos removal, INS & tour renovations
Honolulu International Airport New 747 Gates 31-34, Phase I	11/91	1/94	\$46.0M	Ewa Concourse extension
Honolulu International Airport Overseas Terminal Hardstands, Phase II	7/91	10/94	\$20.1M	Provide 5 new hardstands on the DH wing
Honolulu International Airport Public Address System, Phase II	11/93	11/94	\$1.7M	Upgrade PA to include IIT & DH Concourse
Honolulu International Airport Security System, Phase IIA	2/93	1/94	\$2.1M	Provide security for IIT
Honolulu International Airport Security System, Phase IIB	10/93	9/94	\$1.1M	Provide security for Gates 31 - 34
Honolulu International Airport Sewage Lift Station Relocation	6/93	12/94	\$2.7M	Relocation so T/W "G" & "L" can be realigned
Honolulu International Airport Training Center Building, Phase I, South Ramp	7/93	12/94	\$8.5M	Construct building & supporting infrastructure
Hilo Airport Airport Rescue/Fire Fighting Training Facility	11/92	11/93	\$2.3M	Training pit for airport firefighters
Hilo Airport T-Hangars	3/93	1/94	\$1.0M	Construct 8 bay T-Hangar for light aircraft
Hilo Airport Telephone System	2/93	6/94	\$298,757	Provide state-of-the-art phone system at Hilo
Hilo Airport Various Improvements-Phase I	11/92	8/93	\$582,532	Restroom expansion/agric. machine protection
Kahului Airport Relocate Airport Rescue/Fire Fighting Facility	10/92	5/94	\$3.4M	Relocation of ARFF station
Keahole Airport Airport Rescue/Fire Fighting Training Facility	12/93	9/94	\$3.2M	Fire fighters training pit
Keahole Airport Baggage Claim Unit 2	2/93	8/93	\$553,000	Mechanize Hawaiian Air's baggage claim area
Keahole Airport Loading Bridges (8)	11/91	9/94	3.2M	New loading bridges
Keahole Airport Road N North Utilities	4/94	1/95	\$1.8M	Utility lines in service road "N"
Keahole Airport Runway/Taxiway Overlay	2/93	2/94	\$23.5M	Strengthen existing rwy & associated twys
Keahole Airport RW/TW Extension/ARFF Road	12/92	2/94	\$14.8M	Extend rwy 17-35 & associated taxiways
Lanai Airport Access Road, Parking & Utilities	1/93	4/94	\$4.6M	Upgrade airport access road and utilities
Lanai Airport Passenger Terminal Building	1/93	4/94	\$6.5M	15,000 sq ft terminal building with parking
Lihue Airport New Airport Rescue/Fire Fighting Station	6/94	5/95	\$5.5M	Relocation of ARFF Station
Molokai Airport Terminal Modification Improvements	11/92	2/94	\$2.8M	Expand pass. terminal & support facilities
Statewide Airport Security System	8/93	9/94	\$5.4M	Security System at Hilo & Keahole airports
Statewide Security System	8/93	9/94	\$822,000	Security system at Lihue Airport
Honolulu Harbor, Pier 39, Phase II	11/92	12/93	\$8.5M	Pier Reconstruction