

REPORT TO THE TWENTY-SEVENTH LEGISLATURE
STATE OF HAWAII

2012

PURSUANT TO SECTION 261-7(e), HAWAII REVISED STATUTES,
REQUIRING THE DEPARTMENT OF TRANSPORTATION
TO SUBMIT A REPORT TO THE LEGISLATURE
ON THE CIRCUMSTANCES AND RATES AND CHARGES IMPLEMENTED
PURSUANT TO THE SECTION

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DEPARTMENT OF TRANSPORTATION
STATE OF HAWAII
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DEPARTMENT OF TRANSPORTATION REPORT TO THE LEGISLATURE

BACKGROUND

Hawaii Revised Statutes (HRS) Section 261-7(e) provides a mechanism for the Department of Transportation (Department) to set airports rates and charges following publication of the rates and charges and conduct of a public informational hearing. When airports rates and charges are set in this manner, the Department is obligated to report the circumstances and resulting rates and charges to the Legislature.

Air operators using the airports in the State of Hawaii Airports System are subject to various rates and charges for use of the airports. Landing fees and passenger terminal rents are two types of rates and charges.

Air operators can be categorized as “signatory” to airline agreements providing, among other things, methodologies for periodic calculation of rates and charges. Air operators who are not signatory to such agreements are categorized as “nonsignatory.”

The Department entered into an airport-airline lease agreement with the signatory airlines to provide those airlines with the nonexclusive right to use the airports system facilities, equipment, improvements, and services, in addition to occupying certain exclusive-use premises and facilities. These leases have been amended and extended several times, with the most recent amendment executed in October 2007. This most recent amendment, known as the First Amended Lease Extension Agreement, became effective January 1, 2008, and obligated the Department to set nonsignatory airline rates at 125% that of signatory airline rates.

Nonsignatory landing fees and terminal rentals were last adjusted on November 13, 2000. These rates were applicable to nonsignatory air operators which include both nonsignatory airlines and other nonsignatory air operators.

On July 26, 2011, the Department received written confirmation from the Department of the Attorney General, Lands and Transportation Division, that HRS 261-7(e) could be used to set rates in accordance with the First Amended Lease Extension Agreement.

REPORT

The Department identified the nonsignatory air operators reporting activity in the Airports System. A distinction was determined to be appropriate between (1) those nonsignatory operators providing commercial scheduled cargo and passenger service (referred to hereinafter as “Nonsignatory Commercial Air Carriers”) and (2) other nonsignatory operators (referred to hereinafter as “Nonsignatory Air Operators”). This distinction allowed rates and charges for those operators referenced as “nonsignatory airlines” in the airline agreement to be set separately from the balance of nonsignatory air operators, which include tour operators, corporate aircraft, and others.

The Department determined to only change the landing fees and terminal rents for the Nonsignatory Commercial Air Carriers and to leave unchanged the rates and charges for Nonsignatory Air Operators. Additionally, categories of exemptions from payment of landing fees and terminal rents were determined to be appropriate without modification.

Nonsignatory Commercial Air Carrier rates were calculated as 125% of the schedule of signatory airline landing fees and terminal rents for Fiscal Year 2012, subject to minor adjustments for reporting and calculation purposes.

The Department then set a plan for briefing key legislators, conducting a public hearing, and implementing the rates. Briefings were undertaken as follows:

- On August 15, 2011, Deputy Director Ford N. Fuchigami and staff met with Speaker of the House Calvin Say and Senate President Shan Tsutsui to explain the use of HRS 261-7(e) to amend and increase the Nonsignatory Commercial Air Carrier landing fees and terminal rents effective November 1, 2011 and planned public informational hearings.
- On August 30, 2011, Deputy Director Fuchigami and staff met with Representative Joseph Souki to present the same information.
- On September 15, 2011, DOTA staff met with Mr. Alex Kekoa Texeria, from Senator Kalani English's office to present the same information noting a delay to December 1, 2011 in the proposed implementation date.

Public Informational Hearings were held for the proposed Nonsignatory Landing Fees and Passenger Terminal Rental Rates and Charges on the following dates and locations:

- On September 26, 2011 in Hilo, Hawaii, two members of the public attended the hearing.
- On September 27, 2011 in Lihue, Kauai, no one attended the hearing.
- On September 28, 2011 in Honolulu, Hawaii, three members of the public attended the hearing.
- On September 29, 2011, in Kona, Hawaii, one member of the public attended the hearing.
- On September 30, 2011, in Kahului, Hawaii, two members of the public attended the hearing.

At all meetings attended by the public, questions were raised about the subject matter and issues discussed. The power point presentation used in the meetings, along with the questions from the attendees and the Department's responses, were published on the Department web site. No questions or comments other than those raised at the meetings were received.

On October 18, 2011, DOTA notified Speaker Say, President Tsutsui, Representative Souki, and Senator English via email of the public informational hearings held on each island on the proposed nonsignatory landing fees and passenger terminal rental rates and charges increase. They were also notified of the effective implementation of November 1, 2011, being changed to December 1, 2011 to allow for comments. Subsequently, the effective implementation date was changed to January 1, 2011, due to problems with providing advance notice of the change in rates to all impacted entities.

Nonsignatory Commercial Air Carriers may not have regular contact with the Department and consequently may reasonably be unaware of the new rates and charges. The Department is providing reasonable grace periods and other means of accommodating carriers through this transition period.

As of the date of this report, four Nonsignatory Commercial Air Carriers, Aeko Kula, Hawaii Island Air, Atlas Air, and Polar Air Cargo, have applied for signatory airline status.

The complete schedule of landing fees and terminal rents set pursuant to HRS Section 261-7(e) is attached.

Because signatory airline landing fees and terminal rents are adjusted annually pursuant to the methodology of the airline agreements, the Department expects to follow the process established in HRS Section 261-7(e) as an annual routine and to report its actions to the Legislature, as required.

**Table 1: Nonsignatory Commercial Air Carrier Rates and Charges
(effective January 1, 2011)**

Description	Rate	
LANDING FEE RATE		
Overseas (including budgeted Airport System Support Charge)	\$ 5.29	per 1,000 pounds approved maximum landed weight
Interisland (including budgeted Airport System Support Charge)	\$ 2.11	per 1,000 pounds approved maximum landed weight
TERMINAL USE RATES		
HONOLULU INTERNATIONAL		
Terminal Rental Rate	\$ 76.25	per square foot per year
Joint Use Holdroom Rate	\$ 2.33	per enplaned passenger
Joint Use Baggage System Rate	\$ 4.91	per deplaned passenger
International Arrival Area Rate	\$ 12.89	per deplaned passenger using international facilities
Commuter Terminal Joint Use Holdroom Rate	\$ 1.41	per enplaned passenger
Commuter Terminal Joint Use Baggage System Rate	\$ 1.09	per deplaned passenger
KAHULUI		
Terminal Rental Rate	\$ 111.11	per square foot per year
Joint Use Holdroom Rate - Overseas	\$ 4.29	per enplaned passenger
Joint Use Holdroom Rate - Interisland	\$ 1.71	per enplaned passenger
Joint Use Baggage System Rate	\$ 1.83	per deplaned passenger
KONA INTERNATIONAL AT KEAHOLE		
Terminal Rental Rate	\$ 43.79	per square foot per year
Joint Use Holdroom Rate - Overseas	\$ 1.69	per enplaned passenger
Joint Use Holdroom Rate - Interisland	\$ 0.68	per enplaned passenger
Joint Use Baggage System Rate	\$ 1.68	per deplaned passenger
International Arrival Area Rate	\$ 12.89	per deplaned passenger using international facilities
LIHUE		
Terminal Rental Rate	\$ 77.54	per square foot per year
Joint Use Holdroom Rate - Overseas	\$ 2.28	per enplaned passenger
Joint Use Holdroom Rate - Interisland	\$ 0.91	per enplaned passenger
Joint Use Baggage System Rate	\$ 2.41	per deplaned passenger
HILO INTERNATIONAL		
Terminal Rental Rate	\$ 48.08	per square foot per year
Joint Use Holdroom Rate - Overseas	\$ 7.63	per enplaned passenger
Joint Use Holdroom Rate - Interisland	\$ 3.65	per enplaned passenger
Joint Use Baggage System Rate	\$ 1.73	per deplaned passenger

**Table 2: Nonsignatory Air Operator Landing Fees
(effective January 1, 2011)**

Description	Rate
LANDING FEE RATE	
Overseas	\$ 3.598 per 1,000 pounds approved maximum landed weight
Interisland	\$ 1.152 per 1,000 pounds approved maximum landed weight