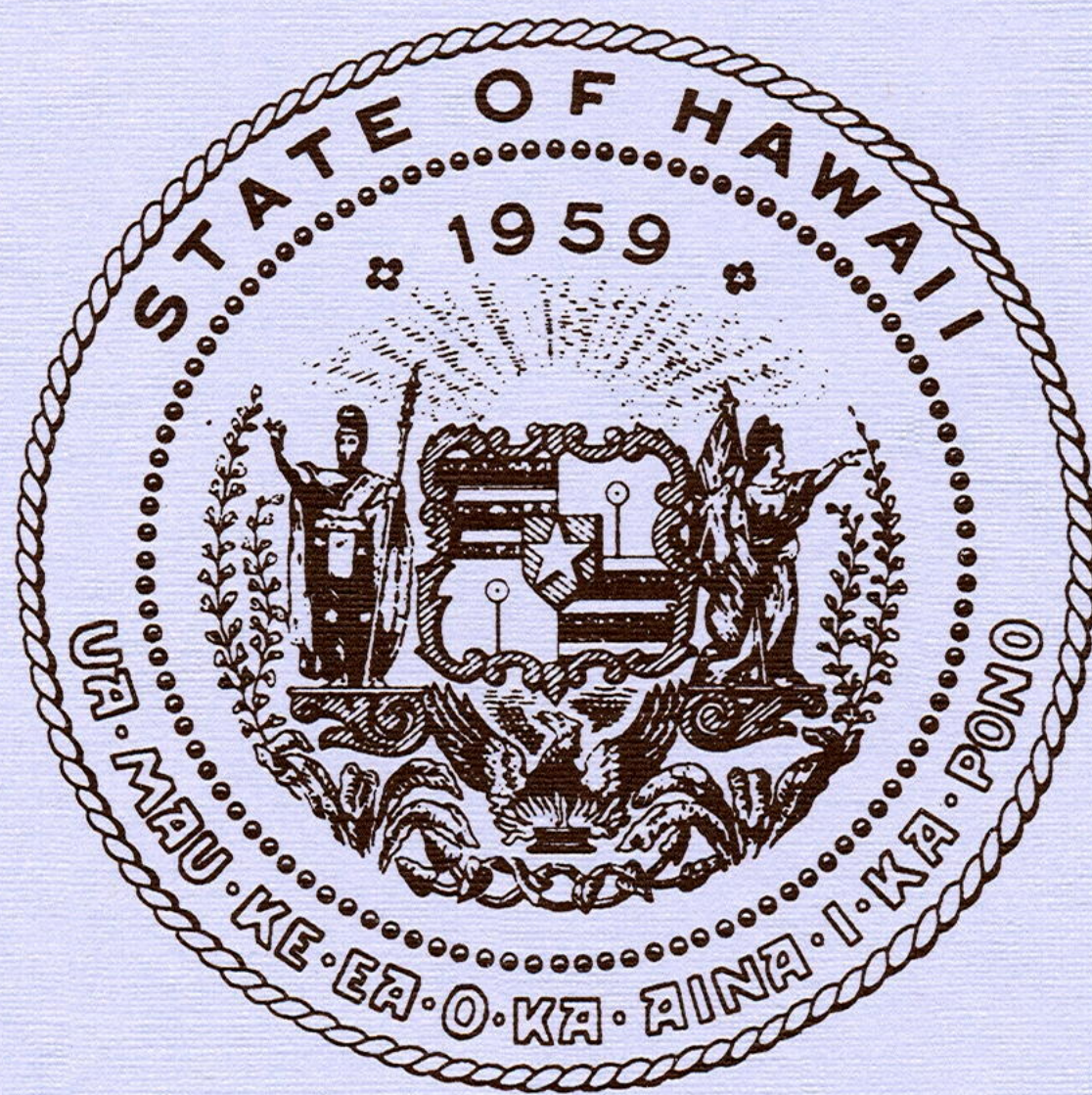


Department of Transportation



Report to the Governor

1997

Director's Letter

I am pleased to submit the Department of Transportation's annual report for the fiscal year ending June 30, 1997.

This year we continued to build on innovations introduced last year and added new ways of accomplishing our goal of operating transportation facilities that promote the rapid, safe and economical movement of people and goods into, within and out of the state.

The role that our airports play in the state's number one industry is illustrated by activity at Kona International Airport at Keahole.

Direct flights from Japan to Kona International increased to daily service and the percentage of eastbound visitors to the Big Island jumped dramatically. This increase has fueled an economic boom on the Big Island.

The Airports Division continues to work with the Barbers Point Redevelopment Commission to acquire 750 acres at Barbers Point Naval Air Station for use as Kalaeloa General Aviation Reliever Airport when the naval station closes in 1999.

Relocating general aviation activity from Honolulu International Airport to Kalaeloa, will increase airfield capacity and make Honolulu International a safer facility.

Kalaeloa Airport will also be designated as an alternate landing site for commercial carriers serving Hawaii, thereby saving fuel and reducing costs for them.

Our Harbors Division issued its 2020 master plan for the Oahu Commercial Harbors.

The plan, developed by harbor users and government agencies, will guide facility enhancements at Ala Wai Boat Harbor, Kewalo Basin, Honolulu Harbor, Keehi Lagoon and Barbers Point Deep Draft Harbor

to support commercial cargo and fishing operations and maritime recreation.

Efforts are underway to update the master plans for the Neighbor Island commercial harbors as well.

The size of cargo vessels is increasing around the world. To ensure that Barbers Point Harbor will continue to service such vessels efficiently, we are proceeding with an 1,100-foot by 600-foot expansion of the harbor basin.

Our Highways Division executed its first innovative financing agreement. Under the innovative financing program, federal funding is provided to a private entity under a loan program so that improvements to the highway system, which are developer requirements with public benefits, can be accelerated.

Any project financed through the program must meet all federal guidelines. The developer is allowed to repay the loan under an agreed to repayment schedule.

The first project to utilize this program will be Campbell Estate's construction of improvements to the H-1 Freeway's Makakilo Interchange.

Highways has also begun its intelligent transportation system project as part of its Freeway Management System. This project involves active monitoring of traffic conditions, so that delays can be identified.

Motorists will be notified via message signs about any delays so they can make alternate travel plans.

The system will also include an incident management team which will help remove congestion-causing events as soon as possible.

In addition to these efforts to reduce congestion through systems management, our Transportation Demand Management Office

continues to work on reducing congestion through alternatives to single occupant vehicles.

It provides a matching service for people interested in finding one or more partners, either drivers or riders, to share the commute to and from work.

The office also oversees Vanpool Hawaii, the state's vanpool program. Vanpool Hawaii provides comfortable seven to 15-passenger vans to groups that wish to ride together to and from work.

Through Transportation Demand Management congestion can be reduced without incurring huge costs and at the same time the functional life of our existing system of roads and highways can be extended.

Hawaii residents are part of the automobile culture just like residents throughout the United States. It will take time and pro-active efforts to convince them to give up the convenience of driving by themselves to and from work.

One pro-active measure we are working on combines both system and demand management.

The Zipper Lane project, which is currently in design, will reduce morning congestion from west Oahu, by adding an additional Honolulu-bound lane on the H-1 Freeway.

This lane will be created using a movable concrete barrier to enable us to contraflow an existing Ewa-bound lane.

The Zipper Lane will be limited to use by buses and other vehicles with three or more passengers.

It will also provide space for police to enforce use restrictions on the current high occupant vehicle (HOV) lane.

The combination of the two will provide an incentive for drivers of single occupant vehicles to either add riders to their vehicles or join up with another driver.

Even though the H-3 Freeway is still under construction, DOT has participated in two unique efforts to introduce the freeway to the public.

Last fiscal year, the Department held "A Taste of H-3" to allow the public to walk on a section of the H-3 on the Windward side of Oahu.

This fiscal year, "The Great Trans-Koolau Trek" provided the public with the chance to run, jog or walk along 10 miles of the freeway's 16-mile length. Participants began in Haiku Valley and finished at Aloha Stadium.

These two events provided more than 40,000 people the opportunity of getting a first hand look at the freeway and the unique scenery that surrounds it.

The department has entered the information superhighway with its home page on the internet's World Wide Web.

The page, which is accessible at www.hawaii.gov/dot provides information on departmental structure, projects, procedures, facilities, public meetings, bid results and statistics to anyone in the world with a connection to the internet.

We have received comments from members of the public, both local and out-of-state, on how useful the page is and asking that we add other information.

It is obvious to us that the home page is a very important communications tool for the department and one that will increase in importance as we move into the 21st century.



Kazu Hayashida
Director

Airports Division

The statewide airport system consists of twelve airports serving commercial airlines and general aviation flights and four airports serving general aviation flights only.

In a reflection of the state's sluggish economy, passenger totals throughout the system declined 1.9 percent from the previous fiscal year, to 37,019,155.

The Airports Division is working with the Barbers Point Redevelopment Commission to acquire 750 acres at Barbers Point Naval Air Station for use as Kalaeloa General Aviation Reliever Airport when the naval station closes in 1999.

This airport will be used by general aviation aircraft currently based at Honolulu International Airport. Relocating these general aviation aircraft will increase safety and airfield capacity at Honolulu International Airport.

Kalaeloa Airport will also be designated as an alternate landing site, saving fuel for commercial carriers servicing Hawaii.

The Coast Guard and Army National Guard will also be accommodated at Kalaeloa Airport and in the event of a natural disaster, Kalaeloa Airport will be used as a staging area for disaster relief.

In an effort to provide safer landings at Lanai, Hana, Port Allen and Kaulapapa airports, design work is in progress for a Precision Approach Path Indicator at those facilities.

Honolulu (HNL)

Fiscal Year	Passengers	% Change
97	23,954,711	(2.1)
96	24,464,866	5.3
95	23,232,778	1.6
94	22,449,366	1.1

In Calendar Year 1996, Honolulu International Airport was the 19th busiest airport in the United States, 30th in the world.

Three major systems projects, emergency power for both the airfield and terminal and an update of the fire alarm system, were started in FY97 at Honolulu International Airport.

Work began on the relocation of the employee parking lot at Elliott Street. The parking lot was relocated because it is the future site of the new Federal Detention Center.

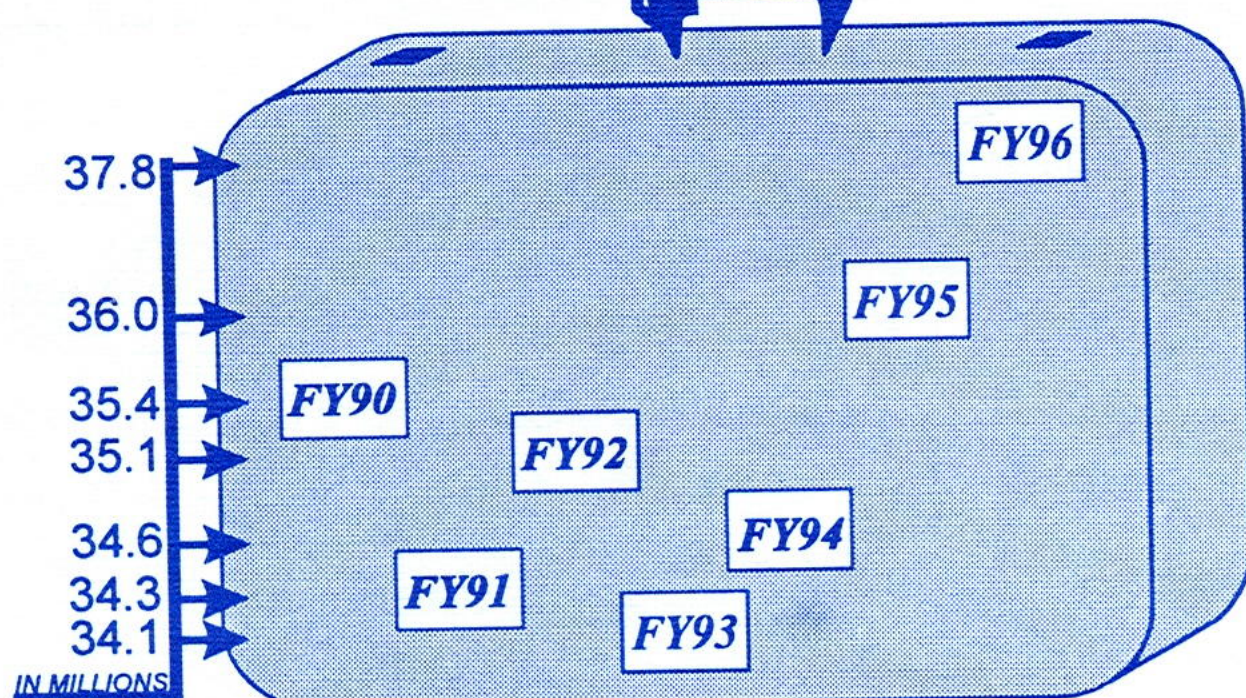
Kona (KOA)

Fiscal Year	Passengers	% Change
97	2,445,265	1.7
96	2,405,435	6.5
95	2,258,947	2.1
94	2,211,497	0.1

Traffic at Kona International Airport at Keahole continues to increase since the advent of scheduled direct, international flights in June 1996.

Passenger Traffic

HAWAII AIRPORTS



These flights made KOA the only major airport in the Hawaii system to post a significant increase in passenger traffic.

The percentage of eastbound visitors to the Big Isle increased from 28% in the 12 months prior to the advent of direct flights to 37% in the following 12 months (First Hawaiian Bank's Supplement to Economic Indicators, Hawaii County Profile, July/August 1997).

Work was started on Phase II of Terminal Improvements in April 1997. When completed, this project will provide for apron lighting, security improvements and enlargement of the passenger waiting area at Kona International Airport.

Kahului (OGG)

Fiscal Year	Passengers	% Change
97	5,799,025	(4.5)
96	6,073,465	2.8
95	5,909,863	7.5
94	5,499,374	1.9

Kahului Airport is the second busiest airport in the State, with 5,799,025 passengers in Fiscal Year 1997.

Most of the Kahului Airport projects are delayed until the Federal Environmental Impact Statement (EIS) for the runway extension is approved. Once this is done, work on over \$100,000,000 in projects can resume.

Lihue (LIH)

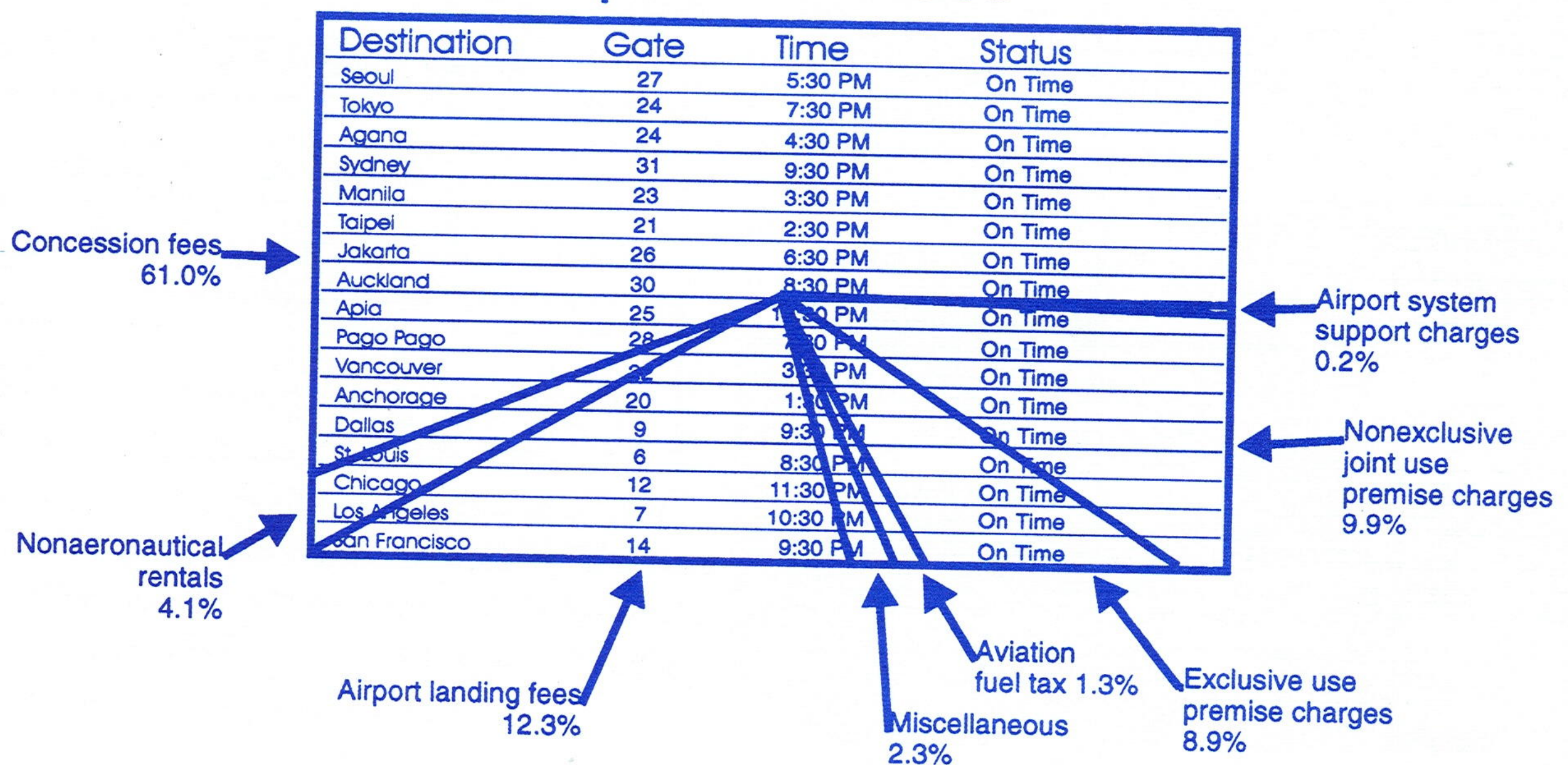
Fiscal Year	Passengers	% Change
97	2,550,621	(0.7)
96	2,569,741	8.1
95	2,376,211	11.1
94	2,139,630	16.3

Lihue Airport is the third busiest airport in the State, with 2,550,621 passengers in Fiscal Year 1997, a decrease of 0.7% over Fiscal Year 1996.

In October 1996, construction started on replacing the General Aviation T-Hangars that were damaged by Hurricane Iniki.

Planning is also ongoing on an Environmental Impact Statement for the master plan at Lihue Airport. Once approved, it will allow for various improvements, including a runway extension, at Lihue Airport.

Airport Revenues



Airport	Cargo (tons)			Mail (tons)			Operations		
	FY96	FY97	% Change	FY96	FY97	% Change	FY96	FY97	% Change
HNL	357,523	392,278	9.7	97,350	97,316	0.0	378,875	368,188	(2.8)
OGG	37,023	44,237	19.5	5,366	6,039	12.5	182,859	176,563	(3.4)
ITO	24,054	27,761	15.4	3,367	3,391	16.8	89,639	89,530	(0.1)
KOA	19,688	23,932	21.6	2,456	2,437	(0.8)	74,067	83,182	12.3
LIH	12,457	12,484	0.2	2,578	5,673	3.7	102,832	110,454	7.4
LNY	401	706	76.2	52	100	92.3			
MKK	628	773	23.1	49	104	112.2	48,522	47,119	(2.9)
MUE*	27	122	351.9	0	36	100.0			
HNM*	1	1	0.0						
LUP*	0	11	100.0	1	7	600.0			
JHM*	695	708	1.9						

Empty cells mean data not recorded. MUE=Waimea-Kohala; HNM=Hana; LUP=Kalaupapa; JHM=Kapalua.

Hilo (ITO)

Fiscal Year	Passengers	% Change
97	1,633,153	0.0
96	1,633,066	1.0
95	1,624,787	2.0
94	1,593,522	(0.1)

Hilo International Airport traffic remained stable at 1,633,153 passengers in Fiscal Year 1997.

Work was completed on the Retail Shop Renovation in March 1997. This project relocated the entrance of the retail shop, allowing passengers in the secured area access to the retail shop.

The design for Noise Attenuation at Keaukaha Elementary School is in progress. When completed, this project will improve the learning environment at the school by reducing aircraft noise in the classroom.

Lanai (LNY)

Fiscal Year	Passengers	% Change
97	164,594	(5.8)
96	174,773	1.6
95	172,052	11.2
94	154,716	10.7

Two Master Plan projects are in progress for Lanai and Molokai Airports. The FAA intends to install an Instrument Landing System (ILS) at Lanai Airport.

Molokai (MKK)

Fiscal Year	Passengers	% Change
97	260,217	8.2
96	240,420	(3.3)
95	248,519	(6.0)
94	264,290	(12.4)

Efforts at Molokai will concentrate on reducing a terrain obstruction to provide a more effective main runway.

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, and Property Management.

The objective of the Department of Transportation is to facilitate the rapid, safe and economical movement of people and goods into, within, and out of the state by providing and operating transportation facilities and supporting services.

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 five 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.

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.

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.

Airports Division

Statements of Revenues, Expenses and Changes in Retained Earnings		
Years ended June 30	1997	1996
Operating Revenues		
Concession Fees	170,484,774	165,271,725
Airport landing fees	34,370,967	35,775,477
Aeronautical rentals:		
Nonexclusive joint use premise charges	27,600,084	26,054,722
Exclusive use premise charges	24,823,584	23,741,515
Nonaeronautical rentals	11,570,000	11,811,206
Aviation fuel tax	3,674,762	6,987,404
Airports system support charges	561,395	6,031,422
Miscellaneous	6,324,147	1,240,403
Total Operating Revenues	279,409,713	276,913,874
Operating expenses other than depreciation	119,248,811	117,879,151
Operating income before depreciation	160,160,902	159,034,723
Depreciation	72,630,158	71,609,343
Operating Income	87,530,744	87,425,380
Nonoperating revenues (expenses):		
Interest income:		
Certificates of deposit, repurchase agreements and U.S. Government securities		
	38,533,124	37,732,792
Investment in direct financing leases	2,458,081	2,524,210
Notes receivable	19,946	122,280
Interest expense:		
Revenue Bonds:		
Airport system	(78,448,623)	(83,747,683)
Special facility	(2,458,081)	(2,524,210)
General obligation bonds	(136,316)	(181,433)
Loss on disposal of property, plant and equipment	(31,287,577)	(18,297,218)
Total nonoperating expenses, net	(71,319,446)	(64,371,262)
Net income	16,211,298	23,054,118
Depreciation expense transferred to contributed capital - Federal Government grants	10,457,206	10,022,861
Retained earnings at beginning of year	1,032,757,284	999,680,305
Retained earnings at end of year	1,059,425,788	1,032,757,284

PROJECTS COMPLETED & IN PROGRESS FISCAL YEAR 1996-1997

PROJECT	STARTED	COMPLETED	COST	DESCRIPTION
Honolulu Int'l Airport Renovation of District Office	3/96	10/97	\$800,000	Renovate 4th & 5th floor offices
Honolulu Int'l Airport Animal Quarantine Holding Facility	5/97	10/97	\$594,000	Animal Holding Facility kennels
Honolulu Int'l Airport Energy Monitoring & Control System Phase 3	3/96	5/97	\$1.5M	Energy monitoring sys for Gates 31-34 & IIT
Honolulu Int'l Airport Security System Phase IIIB	11/96	12/97	\$463,567	Access control and video monitoring system
Honolulu Int'l Airport Fire Alarm System Phase II	11/96	6/98	\$2.3M	Update airport fire alarm system
Honolulu Int'l Airport Emergency Power System	10/96	3/98	\$7.1M	Improvements to Airfield Emer. Power System
Honolulu Int'l Airport Elec. Dist. Sys. Modernization	10/96	4/98	\$1.6M	Improvements to Terminal Emer. Power System
Honolulu Int'l Airport Aolele St. Landscaping Improvements	11/95	8/96	\$553,308	Landscaping along airport main entrance
Honolulu Int'l Airport Relocate Elliot St. Employee Parking	5/97	10/97	\$760,000	Relocation due to Federal Detention Center
Hilo Int'l Airport Retail Shop Renovation	11/96	3/97	\$270,000	Improve Passenger Access
Kona Int'l Airport Modifications to Baggage Claim Unit II	12/95	8/96	\$417,970	Upgrade baggagehandling facilities & carousels
Kona Int'l Airport Terminal Improvements Phase II	4/97	2/98	\$6.4M	Lighting & security improvements
Kona Int'l Airport Road N	9/96	11/97	\$5.2M	Construct service road
Kona Int'l Airport Upgrading of Utilities Phase I	9/96	10/97	\$3.4M	Improvements to elec/com/water system
Lihue Airport Apron and T-hangars	10/96	12/97	\$6.2M	Construct Apron & T-hangars for G.A. aircraft
Kahului Airport ARFF Training Facility	1/97	11/97	\$2.1M	Construct ARFF training facility
Kahului Airport Relocation of VORTAC	1/95	7/96	\$1.3M	Relocate vhf omni radio range/tactical air nav
Honolulu Harbor, Pier 40	1/97	9/98	\$14.8M	Shed and storage yard
Honolulu Harbor, Pier 51C	7/94	4/97	\$14.4M	Pier extension and storage yard
Honolulu Harbor, Pier 51-53 & CFS Building	2/97	5/97	\$21,200	Install backflow preventer
Honolulu Harbor, Libby/Auiki Streets Intersection	7/96	8/97	\$900,000	Roadway improvements
Honolulu Harbor, Pier 1	3/96	1/97	\$52,000	Pavement repairs
Honolulu Harbor, Pier 1	12/96	12/96	\$50,000	Repair bulkhead
Honolulu Harbor, Fort Armstrong	4/97	08/97	\$265,000	Repaint shed interior
Honolulu Harbor, Fort Armstrong	1/97	08/97	\$100,000	Pavement repairs
Honolulu Harbor, Pier 10-11	5/97	8/97	\$130,000	Repair fender system
Honolulu Harbor, Pier 11	9/96	10/96	\$28,000	Pavement repairs
Honolulu Harbor, Pier 11	2/97	8/97	\$220,000	Repair air conditioning system
Honolulu Harbor, Aloha Tower	6/97	12/97	\$750,000	Interior improvements
Honolulu Harbor, Pier 21-23	12/96	8/97	\$100,000	Pavement repairs
Honolulu Harbor, Pier 23-24	9/96	2/97	\$81,500	Repair revetment
Honolulu Harbor, Pier 24	5/96	7/96	\$80,000	Reroof administration building
Honolulu Harbor, Pier 26	5/97	6/98	\$15,000	Vapor extraction system services
Honolulu Harbor, Piers 31-33	10/96	9/97	\$310,000	Repair substructure
Honolulu Harbor, Piers 31-33	1/97	3/97	\$75,000	Pavement repairs
Honolulu Harbor, Piers 51-53	3/96	2/97	\$500,000	Pavement repairs
Honolulu Harbor, Pier 52	2/97	5/97	\$21,500	Install gate
Honolulu Harbor, Pier 60	2/97	2/97	\$50,000	Remove tires
Honolulu Harbor, Maintenance Baseyard	12/96	08/97	\$495,000	Replace roofing
Honolulu Harbor, Pier 32	3/97	7/97	\$7.225M	Land acquisition
Barbers Point Harbor, Shed & Yard S-3	3/95	9/96	\$5.4M	Transit shed and yard
Barbers Point Harbor Expansion	6/97	2/99	\$13.9M	Basin expansion
Barbers Point Harbor	8/96	10/96	\$50,000	Repair pierapron
Barbers Point Harbor	5/97	7/97	\$59,000	Repair pier apron
Kaunakakai Harbor Waterline	2/97	5/97	\$270,500	Waterline improvements
Kaunakakai Harbor Pier	5/96	7/96	\$48,000	Repair pier apron
Kahului Harbor, Pier 1 & Shed 1B	12/96	8/97	\$554,500	Pier improvements and shed demolition
Kahului Harbor Storage Yard Fencing	9/96	2/97	\$24,164	Storage yard security fencing
Kahului Harbor, Pier 1	6/96	4/97	\$185,000	Repaint interior of shed
Kahului Harbor, Pier 1	4/97	9/97	\$130,000	Repair substructure
Kahului Harbor, Pier 2	6/96	9/96	\$92,000	Repaint shed