

Hawaii News

# Attempt to build airport facility delays dependent upgrades

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COURTESY PHOTO

**The delay in completion of the Hawaiian Airlines maintenance and cargo hangar is backing up the flow of construction projects that depend on its completion.**

Years of delays in construction of a maintenance and cargo hangar for Hawaiian Airlines at Honolulu Airport have effectively stalled hundreds of

millions of dollars' worth of other airport improvements, leaving the airline and the state in an expensive holding pattern until the hangar project can be completed.

Hawaiian Airlines CEO Mark Dunkerley said the maintenance and cargo facility is the "linchpin" in a series of Honolulu Airport improvements the state has estimated would cost \$739 million, but much of that work cannot proceed until the hangar is finished.

Officials predicted in 2013 that components of the Honolulu Airport modernization would be completed next year, including a new mauka concourse next to the interisland terminal that would increase the number of boarding gates. However, Dunkerley now says he cannot guess when all of that work will be done, and described the delays as "appalling."

## ADVERTISING

Hawaiian's maintenance and cargo hangar plays an outsize role in the larger scheme of Honolulu Airport improvement projects because it must be completed to open access to the planned mauka concourse, adjoining the interisland terminal, Hawaiian executives said. That new concourse is planned for the site where the stand-alone commuter terminal for smaller airlines now sits.

Once the new hangar is completed, the state can demolish the old Hawaiian maintenance and cargo facilities, which will open access to the area next to the existing interisland terminal where the new mauka concourse will be built.

### **'Shoddy' attempt**

The state acknowledges the work on the maintenance and cargo facility for Hawaiian went badly. The state Department of Transportation declared general contractor DCK Pacific Construction LLC in default of the contract to build the facility at the end of 2015 and terminated the company from the Hawaiian hangar job. Construction still has not resumed on the 280,000-square-foot structure.

Hawaiian Airlines has now taken control of the hangar project from the state, and Dunkerley said the airline hopes to complete construction next year. However, his inspectors have identified more than 3,500 "issues" with the structure that need to be resolved, about half of which are flaws in the unfinished building, he said.

“We find the work has been pretty shoddy, and there are deficiencies,” Dunkerley said. He cited one example of cooling equipment for a refrigerated portion of the cargo facility that was mounted on the wrong wall in a deviation from the building design.

Perhaps most alarming are significant cracks in the concrete flooring of the hangar that suggest the foundation of the building may be settling. Rock Tang, senior director of corporate real estate for Hawaiian Airlines, said the company will be carefully monitoring that issue to determine what sort of remediation might be needed.

State Department of Transportation officials said they cannot comment on the problems with the maintenance and cargo facility because those issues are now in court. Subcontractors on the job who claim they were never paid for their work have sued the state and DCK Pacific, and the state has sued DCK and its bonding company Terrace Pacific Insurance Ltd.

Dunkerley described a series of intertwined planning delays and problems with the cargo and maintenance hangar that led to delays in other airport improvement projects.

### **State’s airport plans**

State officials announced the \$739 million in airport improvements during the administration of former Gov. Linda Lingle, who was elected in 2002. That package was supposed to be a four-year initiative that included the mauka concourse, the new cargo and maintenance hangar for Hawaiian, a new cargo facility for Aloha Cargo, a new commuter airline terminal and widening of aircraft taxi lanes. It also included a new consolidated car rental facility that is now under construction.

When Gov. Neil Abercrombie took office in 2010, he ordered a pause in the airport modernization plan for a review that delayed the initiative by “a couple of years,” Dunkerley said. In the end the Abercrombie administration concluded the modernization plan “is the only program that made sense, and therefore it had to go forward, essentially without change,” Dunkerley said.

Abercrombie disputed that account, saying his administration was anxious to move ahead with construction projects to create jobs and take advantage of low interest rates, and he accepted the recommendations of the airline industry on which projects were needed.

While there might have been some delays, Abercrombie said, “we moved everything we could move as soon as it was legally and physically possible to do it.” There may have been some conflict or dispute that delayed some projects, but Abercrombie said he saw Dunkerley at various events, and the airline executive never complained about the issue while Abercrombie was in office.

The state signed a contract with DCK Pacific in 2010 for \$73.43 million to build Hawaiian’s maintenance hangar. Work on the hangar picked up steam in 2013, but by mid-2015 it became clear something was wrong because the subcontractors were not on the job, Hawaiian executives said.

The issue was money, according to court records. The state alleges it was paying general contractor DCK, but DCK was not paying the subcontractors. By the time the state Department of Transportation stopped construction and locked down the job Dec. 28, 2015, 30 subcontractors were owed a total of \$4.2 million, according to court filings.

What followed was more than a year of additional delays as the state and Hawaiian hammered out an agreement to complete the project. Tang said a major problem for the state was how to convince a new contractor to step in to take over the job and assume responsibility for construction that was done by DCK.

A lease with Hawaiian was signed last November. “Now that we have taken on the facility, we are working with the state to define all the things that have not been built the way they should have been,” Dunkerley said.

Completing the hangar was expected to cost about \$85 million with change orders, including some that were requested by Hawaiian Airlines, Dunkerley said. However, he now estimates the total cost of the facility, including the fixes the airline will make, will be about \$120 million.

Hawaiian will finance that work by essentially “prepaying” its rent for the use of the hangar, Dunkerley said.

### **State incapable, CEO says**

Dunkerley praised Department of Transportation Director Ford Fuchigami for his efforts to restart the hangar project as well as the larger package of airport improvements, but said the years-long Honolulu Airport construction saga

demonstrates that the state transportation bureaucracy cannot handle that sort of work.

The bureaucratic state requirements for large construction projects, the required approvals from the state Legislature and the complexities of the state law that governs contracts and purchases all interfere with the efficient execution of large airport projects, and transportation officials know it, Dunkerley said.

“It is galling on a daily basis that ultimately we, the tenants, and we, the users of the airport, pay for 100 percent of the costs,” he said. “This is the state spending our money and administering our funds, and they do so very poorly.”

Dunkerley also cited “hidden costs” of the delays because years have elapsed since design work for the new facilities was done.

“When you design a facility, you design it for a certain period into the future,” he said. “Well, we’ve chewed up a lot of that period into the future, so when it’s finally done, we’re going to be opening a facility which will already be somewhat behind the times and behind our needs.”

The state Department of Transportation and Hawaiian Airlines both support Senate Bill 658, which would create a new airport authority or airport corporation with a separate governing board to operate the airports.

However, the state Department of Budget and Finance has expressed concerns about the idea of establishing an airport authority, questioning whether the new governing board would help much.

Given that the airports division of the state Department of Transportation is responsible for hundreds of millions of dollars in construction, Budget and Finance also advised lawmakers to use “caution” in allowing the new airports corporation to create and run its own procurement program.