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Comments from  
**John Kuriyama**  
**General Manager**  
Oceanit  
to the  
**SENATE COMMITTEE ON WAYS AND MEANS**  
March 30, 2011  
9:30 AM  
State Capitol, Conference Room 211  
In Support of  
**HB 1642 HD2 SD1 RELATING TO HIGH TECHNOLOGY.**

TO: Chair Ige, Vice Chair Kidani, and Members of the Committee

From: John Kuriyama, General Manager, Oceanit

Re: Testimony in Support of HB1642 HD2 SD1

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642 HD2 SD1.**

Oceanit currently employs about 160 scientists, engineers and support staff. We regularly host interns, school classes, and conduct numerous outreach activities for elementary thru college level kids to introduce them to science and engineering careers. We let kids know that there are exciting, decent paying jobs for them in Hawaii if they pursue these careers. Many of them have returned to us, equipped with college degrees, wanting to work in science and engineering.

It is our hope that we can continue to offer an alternative to kids that want to work in an industry that is growing nationally as well as internationally - and to show them that world class technical work can thrive in Hawaii.

The R&D credit has helped to jump start an industry that is in its infancy in Hawaii. The R&D credit has been responsible for job creation, as well as long term investments that will set the stage for growth into the future. At Oceanit, the R&D credit has allowed us to:

- Establish and launch the Oceanit Innovation Fund, providing early stage R&D funding through a process that is open to all staff at Oceanit. We have established a bi-annual proposal process where anyone can submit innovative, early stage ideas for internal funding. This has allowed us to nurture a culture of innovation, risk taking and entrepreneurial spirit that are essential to creating a long term growth industry. These funds have been used to provide the initial early stage research that allows scientists and engineers to make a strong case to obtain follow on funding from traditional sources. As a result, a relatively modest capital investment has allowed us to leverage this into large funding sources that have led to new jobs and opportunities.

- Internally fund prototype developments that would normally flounder in what the dual use community calls the "valley of death". This is the stage in which federal funding runs out but technology development is perhaps 70% complete. Customers will not fund that final last stretch of technology development so the majority of R&D dies at this stage. We have internally invested in pushing technologies through this stage and are nearing marketable products.
- Invest in equipment and laboratory space that is required to conduct cutting edge research. This investment has allowed us to build world class materials and life science labs that allow us to successfully compete at a national level for R&D funding.

We view all of the above as investments that will act as a catalyst for continued job growth. Without Hawaii's R&D tax credit, we would not have been able to make as many investments, and in the future, we will be forced to severely curtail R&D infrastructure investments across the board.

Because of the forward-looking nature of research, few R&D investments have short term rewards. This bill would provide longer term continuity for an industry that is still in its infancy, and is struggling to grow.

We urge you to maintain the momentum that has started and to keep this new sector of the economy growing at this critical juncture.

Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,  
John Kuriyama  
General Manager

