

LATE TESTIMONY

NEIL ABERCROMBIE
GOVERNOR



Jan S. Gouveia
Acting Comptroller

Deputy Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES
P.O. BOX 119
HONOLULU, HAWAII 96810-0119

TESTIMONY
OF
JAN S. GOUVEIA, ACTING COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
HOUSE COMMITTEE
ON
ECONOMIC REVITALIZATION & BUSINESS
ON
January 26, 2012

H.B. 1686

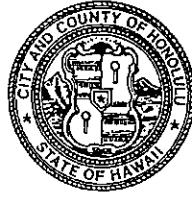
RELATING TO PUBLIC WORKS

Chair McKelvey and members of the Committee, thank you for the opportunity to testify on H.B. 1686.

The Department of Accounting and General Services opposes H.B. 1686 because it will further complicate the bidding/procurement process for government contracting agencies and add potential items for protest. This goes against all initiatives to streamline the procurement process. Substituting of subcontractors can already be done under certain circumstances and we do not believe that the passing of this bill will result in any significant savings to the purchasing agency.

Thank you for the opportunity to submit testimony on this matter.

PETER B. CARLISLE
MAYOR



LATE TESTIMONY

MICHAEL R. HANSEN
DIRECTOR

NELSON H. KOYANAGI, JR.
DEPUTY DIRECTOR

January 25, 2012

Rep. Angus L.K. McKelvey, Chair,
Rep. Isaac W. Choy, Vice Chair,
and Members of Committee on
Economic Revitalization & Business
House of Representatives
The Twenty-Sixth State Legislature
State Capitol
Honolulu, Hawaii 96813

Dear Chair McKelvey, Vice Chair Choy and Members:

Subject: House Bill No. 1686 Relating to the Hawaii Public Procurement Code

The City & County of Honolulu opposes H.B. 1686 which proposes a new section for the "substitution of subcontractors", complicates the competitive sealed bid process for construction projects, and amends the competitive sealed proposal process to include the requirement of listing subcontractor for construction projects.

This inappropriately requires the government agency to become involved with a party which it does not have a contractual agreement and may entangle the government agency in any disputes between a general and a subcontractor. Secondly, it may encourage general contractors to seek to replace subcontractors which may create project delays.

The bill complicates the competitive sealed bid process for construction projects. It will require bidders to follow two (2) different subcontractor listing requirements based on the amount of their bid and will eliminate any efficient gains brought about through the standardization of the solicitation process.

It is also impractical to require the listing of subcontractors for competitive sealed proposals, also known as requests for proposals. This is because most construction projects procured under this method are "design/build projects" in that they involve the furnishing of both the design and the construction of the project. It is not practical to name the subcontractors before the design is completed.

Sincerely,

A handwritten signature in black ink that reads "Michael R. Hansen". The signature is written in a cursive, flowing style.

Michael R. Hansen, Director
Budget & Fiscal Services

PLUMBING & MECHANICAL CONTRACTORS ASSOCIATION OF HAWAII



PLUMBING AND MECHANICAL
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GREGG S. SERIKAKU
EXECUTIVE DIRECTOR

Via Email

January 24, 2012

Representative Angus L.K. McKelvey
Committee on Economic Revitalization and Business
House of Representatives
The Twenty-Sixth Legislature, Regular Session of 2012

Chair McKelvey, Vice Chair Choy, and Members of the Committee:

SUBJECT: HB1686 Relating to Procurement

My name is Gregg Serikaku. I am the Executive Director of the Plumbing and Mechanical Contractors Association of Hawaii. Our Association represents over 40 major plumbing and mechanical contractors who employ over 1,000 mechanics, technicians, managerial staff, and administrative personnel here in Hawaii.

The Association for which I speak is strongly opposed to HB 1686.

By increasing the threshold for contracts that require the subcontractor listing and scope of work to projects greater than \$500,000, and allowing for the substitution of subcontractors, this bill degrades the integrity of the procurement process by encouraging the unfair practice of bid shopping.

On most projects where subcontractors make up roughly 80% of the job, the subcontractors' exposure to predatory bid shopping would increase to \$400,000 (80% of \$500,000). To compound this, by allowing for substitution of subcontractors after an award is made, you hurt reputable subcontractors that spend a significant amount of time and money designing, planning, estimating, and pricing materials in order to offer the best price to a prime contractor, only to have that prime contractor offer his "preferred" sub the chance to get the job if the price can be cut by \$XXXX amount. The preferred sub will gladly offer a lower price because he did not incur the costs to create an estimate, and will simply work off the one provided by the originally listed sub.

Further, this bill's refund requirement does not address bid shopping because it does not clarify whether there is a minimum savings threshold for substitution, who is responsible for verifying the realized savings, and why was it determined that the refunded amount be 75% of the savings?

In summary, this bill hurts reputable subcontractors, encourages unethical business practices, and does not expedite the procurement process. In fact, we believe this bill would create further delays due to numerous protests that is sure to be lodged by wrongfully substituted contractors.

We therefore respectfully urge the committee to hold this bill.

Respectfully yours,

A handwritten signature in cursive script that reads "Gregg S. Serikaku".

Gregg S. Serikaku
Executive Director