

**SB 318**

**SD 1**

**EDT**



NEIL ABERCROMBIE  
GOVERNOR

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INTERIM DIRECTOR

## DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of

**Richard C. Lim**

**Interim Director**

Department of Business, Economic Development, and Tourism  
before the

**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT**

**AND TECHNOLOGY**

Wednesday, February 9, 2011

1:15 PM

State Capitol, Conference Room 016

In consideration of

**SB 318 SD1**

**RELATING TO BUSINESS DEVELOPMENT IN HAWAII**

Chair Fukunaga, Vice Chair Wakai and Members of the Committees.

DBEDT supports SB 318 SD1, which appropriates funds to DBEDT to update the Innovation and Technology Study of 2008.

The DBEDT Research and Economic Analysis Division co-authored the 2008 study in partnership with the Hawaii Science and Technology Council using \$200,000 that the Legislature appropriated for the study.

Since the study was released in 2008, DBEDT has been updating the progress of the technology sector only in terms of employment growth. The most recent DBEDT update was released in December 2010 and can be found on DBEDT website.

Additional funding will allow DBEDT to conduct a more comprehensive study in the technology area. Specifically, we propose that the research go further into other indicators of the industries such as R&D spending, value of products and services produced, and company profiles.

Thank you for the opportunity to offer these comments.

**Lisa H. Gibson**  
**Economic and Business Development**  
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**SB318 S.D.1: Relating to Business Development**

DATE: February 9, 2011

TIME: 1:15pm

PLACE: Conference Room 016

TO: Members, Economic Development and Technology Committ  
Chair, Senator Carol Fukunaga  
Vice Chair, Senator Glenn Wakai

FROM: Lisa H. Gibson

**RE: Testimony In Strong Support of SB 318 S.D.1 Proposed**

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on SB318 S.D.1 Proposed. I am testifying in strong support of this bill which would provide funding to DBEDT to update the data contained in the Hawaii Science & Technology Institute's 2008 report, *Innovation and Technology in Hawaii: An Economic and Workforce Profile*. The report, funded in 2006 with a \$200,000 legislative grant-in-aid, first identified Hawaii's ten innovation and technology market sectors and then produced data on the growth trends for salaries, employment and projection for future growth. The purpose of the study was to create a baseline data infrastructure within DBEDT upon which to identify and map Hawaii's economic clusters of opportunity and in turn build a plan to accelerate their growth.

A recent Brookings Institute report urges states to re-ignite job creation through support of regional innovation clusters – geographic concentrations of interconnected firms and supporting organizations – as a low cost means of achieving prosperity.

While the world has flattened because of technology, it has also become “spikey”. These spikes of comparative advantage are regional not national. National best practices have emerged in economic development which assist regions in identifying their “spikes” or clusters of comparative advantage. In times of fiscal restraint top notch market analysis and impact measurement provide industry and policy makers with data to narrow the focus on those industries with clear and documented regional advantages.

Updating this data is of particular importance for the University of Hawaii which has centers of excellence aligned with most of Hawaii's innovation clusters as well as the Neighbor Islands which have their own unique “spikes”.

Some of the statistics emerging from the report include:

- \$3 billion dollars, or 5% direct contribution to the state's \$61B economy.
- 31,106 jobs, or 3.6% of the state's employment.
- The tech sectors growth rate of 3.3% outpaced the overall state rate of 2.5%

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- Tech employees generate 5.4% of Hawaii's total worker earnings \$2.1B
- 1,964 companies, approximately 5% of all establishments.
- Average annual earnings is \$63,623, 50% more than the average worker.
- Technology workers in Hawaii earn about 77% of the mainland average for tech workers.
- While total tech employment in Hawaii lags behind the mainland, it is growing faster than the mainland.
- During the next decade, the *tech sector is expected to grow at a rate 46% faster than the rest of the economy and private sector tech companies are expected to grow at a rate 61% faster.*
- The impact of Innovation and Tech on the GSP is equivalent to the accommodations industry.

	<u>Employment</u>	<u>Impact on GSP</u>
<u>Accommodations:</u>	40,000	\$3B
<u>Innovation/Tech</u>	31,106	\$3B

In its report *Tough Choices Tough Times*, The National Center on Education and Economy states, “This is a world in which comfort with ideas and abstractions is the passport to a good job, in which creativity and innovation are the key to the good life, in which high levels of education....are going to be the only security there is.”

The global innovation economy opens up new opportunities for prosperity and raises the stakes for participation. Whether in our legacy industries or our emerging sectors we can no longer assume that past success is ensured for the future. Therefore, if we want to ensure prosperity for our people we need to understand what innovation means and how it impacts our existing and emerging market sectors. This is only possible with accurate and timely data and information.

Thank you for your consideration.

Sincerely,

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