



# DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of  
**LUIS P. SALAVERIA**  
Director  
Department of Business, Economic Development, and Tourism  
before the  
**SENATE COMMITTEE ON JUDICIARY AND LABOR**

Monday, March 13, 2017  
9:30 A.M.  
State Capitol, Room 016

in consideration of  
**HB 594, HD1**  
**RELATING TO THE MARITIME INDUSTRY GRANT  
PROGRAM.**

Chair Keith-Agaran, Vice Chair Rhoads and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) supports the intent of HB594, HD1, and offers comments, which establishes a maritime industry grant program within DBEDT.

Ship repair and boat construction in the State of Hawaii has the potential to create good paying jobs for our residents. As the most isolated population center on the globe and location in the middle of the pacific, Hawaii could play a role in maritime commerce given its logistical and strategic position. However, given the specialized nature of the maritime industry, the department would have to rely upon subject matter experts to appropriately assess the validity of grant applications.

DBEDT defers to the Workforce Development Council for the impact of this measure on the Hawaii's Workforce Development Plan.

Thank you for the opportunity to provide testimony.

DAVID Y. IGE  
GOVERNOR



SARAH ALLEN  
ADMINISTRATOR  
MARA SMITH  
ASSISTANT ADMINISTRATOR

**STATE OF HAWAII  
STATE PROCUREMENT OFFICE**

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TESTIMONY  
OF  
SARAH ALLEN, ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE  
ON  
JUDICIARY AND LABOR  
March 13, 2017, 9:30 a.m.

House Bill 594 HD1  
RELATING TO THE MARITIME INDUSTRY GRANT PROGRAM

Chair Keith-Aragon, Vice Chair Rhoads, and members of the committee, thank you for the opportunity to submit testimony on House Bill 594 HD1. The State Procurement Office (SPO) opposes the exemption language on page 5, SECTION 2, lines 18 to 20 set forth below:

“§ -6 Exemption from chapters 42F, 103D, and 103F. Chapters 42F, 103D, and 103F shall not apply to the grants made pursuant to this chapter.”

The Hawaii Public Procurement Code (Code) is the single source of public procurement policy to be applied equally and uniformly, while providing fairness, open competition, a level playing field, government disclosure and transparency in the procurement and contracting process vital to good government.

Public procurement's primary objective is to provide everyone equal opportunity to compete for government contracts, to prevent favoritism, collusion, or fraud in awarding of contracts. To legislate that any one entity should be exempt from compliance with both HRS chapter 103D and 103F conveys a sense of disproportionate equality in the law's application.

Exemptions to the Code mean that all procurements made with taxpayer monies to pay for the cost of administering, operating, and marketing the grant program, as determined by the director of business, economic development, and tourism will not have the same oversight, accountability and transparency requirements mandated by those procurements processes provided in the code. It means that there is no requirement for due diligence, proper planning or consideration of protections for the state in contract terms and conditions, nor are there any set

requirements to conduct cost and price analysis and market research or post-award contract management. As such, Agencies can choose whether to compete any procurement or go directly to one contractor. As a result, leveraging economies of scale and cost savings efficiencies found in the consistent application of the procurement code are lost. It also means Agencies are not required to adhere to the Code's procurement integrity laws.

The National Association of State Procurement Officials state: "Businesses suffer when there is inconsistency in procurement laws and regulations. Complex, arcane procurement rules of numerous jurisdictions discourage competition by raising the costs to businesses to understand and comply with these different rules. Higher costs are recovered through the prices offered by a smaller pool of competitors, resulting in unnecessarily inflated costs to state and local governments."

When public bodies, are removed from the state's procurement code it results in the harm described above. As these entities create their own procurement rules, businesses are forced to track their various practices. Moreover, a public body often can no longer achieve the benefits of aggregation by using another public body's contract because different state laws and regulations may apply to the various public bodies making compliance more difficult.

Each year new procurement laws are applied to state agencies causing state agency contracts to become more complex and costly, while other public bodies, such as agencies with strong legislative influence, are exempted. Relieving some public bodies from some laws by exempting or excluding them from compliance with a common set of legal requirements creates an imbalance wherein the competitive environment becomes different among the various jurisdictions and the entire procurement process becomes less efficient and costlier for the state and vendors.

Thank you.

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**HB594**

Submitted on: 3/10/2017

Testimony for JDL on Mar 13, 2017 09:30AM in Conference Room 016

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jeff Strahn	Alii Nui Charters	Support	No

Comments: We are in support of HB594 with certain modifications. We live on Maui and would like to participate in a dry dock facility on our island. Currently we are forced to travel to other islands to preform our dry dock inspections. Please modify your bill to include grant money for a facility on Maui. We are smaller than 700,000 people, we have not been operating for 10 years (or at all), and we are not a "shipyard" but rather a local haul-out facility for the local residents of Maui. Lets keep the money home and support the local communities and outer islands.

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**Testimony to the Senate Committee on Judiciary and Labor  
Monday, March 13, 2017 at 9:30 A.M.  
Conference Room 016, State Capitol**

**RE: HOUSE BILL 594 HD1 RELATING TO  
THE MARITIME INDUSTRY GRANT PROGRAM**

Chair Keith-Agaran, Vice Chair Rhoads, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 594 HD1, which establishes within the Department of Business, Economic Development, and Tourism the Maritime Industry Grant Program to enhance maritime productivity and workforce development.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

Hawaii's ship repair companies already suffers a geographical disadvantage compared to its mainland counterparts, and can be overlooked completely if the industry cannot provide the level of customer service that is expected elsewhere. Today's vessel owners are more technologically inclined as they provide computer-aided designs of equipment or parts that they need repaired or fabricated. Hawaii's shipyards need to keep up with the machinery and equipment used in the industry, which is more precise and relies on trained staff. This bill would provide necessary support to bring the industry to a competitive level by replacing old equipment and training qualified staff.

Thank you for the opportunity to testify.



# Ocean Tourism Coalition

*The Voice for Hawaii's Ocean Tourism Industry*  
Century Square-1188 Bishop St., Ste. 1003  
Honolulu, HI 96813-3304  
(808) 537-4308 Phone (808) 533-2739 Fax  
timlyons@hawaiiantel.net

March 13, 2017

Testimony To: Senate Committee on Judiciary and Labor  
Senator Gilbert Keith-Agaran, Chair

From: Tim Lyons  
Executive Director

Subject: H.B. 594, HD 1-RELATING TO THE MARITIME INDUSTRY GRANT  
PROGRAM.

Chair Keith-Agaran and Members of the Committee:

I am Tim Lyons, Executive Director of the Ocean Tourism Coalition and we support the intent of this bill.

The Ocean Tourism Coalition (OTC) represents approximately 300 USCG Licensed charter boats across the State. We support the intent of HB 594, HD1 which is to establish a Maritime Industry Grant Program within DBEDT to enhance maritime productivity and workforce development. However we feel the bill as written is very narrowly focused and does not meet the serious need the USCG Licensed Charter fleet has on the neighbor islands.

It is true that Hawaii's ship repair industries are primarily small shipyards and dry dock facilities. This bill is designed to only help one or maybe two large shipyards on Oahu and

completely eliminates the possibility of smaller operations that are either getting started or continuing on the neighbor islands. There is at least one group that is in the final stages of permitting to establish a dry dock facility on Maui. These smaller yards also use local manufacturing and other trades outside the shipyard providing vital jobs that are economically beneficial to Hawaii.

We would suggest that you delete the population restriction and Add and “Dry Dock Facility” to “Qualified Shipyard”.

The OTC would support this bill with the above changes.

Thank you.

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## **HB594**

Submitted on: 3/10/2017

Testimony for JDL on Mar 13, 2017 09:30AM in Conference Room 016

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
ann chung	Pacific Shipyards	Support	Yes

Comments: We strongly support HB594 HD1. As Civil Beat's article on 3/10 indicated, with the increase in DOD ships, there will be an increased need for qualified ship repair workforce. The ship repair industry in Hawaii has diversified into critical industrial sectors that insures Hawaii's ship repair industrial base remains robust and viable. It employs over 750 HIGHLY SKILLED TRADE EMPLOYEES and their related support team personnel and TOTAL INDUSTRY REVENUE EXCEEDS \$100M. Due to our geographic isolation and high cost of labor and materials costs, the ship repair industry must REMAIN COMPETITIVE. It must also provide the level of customer service that is expected or the norm elsewhere. Today's vessel owners are increasingly providing computer aided design drawings of things that they need repaired or fabricated. Machinery and equipment used in ship repair are now faster, more precise and increasingly relies upon computer technology. THE SHIP REPAIR INDUSTRY IS AN IMPORTANT INDUSTRY WITH A CLEAR NEXUS TO HAWAII. HAWAII'S SHIPYARDS NEED TO PROVIDE THEIR WORKERS WITH THE RIGHT TOOLS AND TRAINING TO REMAIN COMPETITIVE - AND RETAIN THESE HIGH SKILLED JOBS AND REVENUE IN HAWAII. We request one amendment to the bill – Page 3, lines 1-4 – to conform to SBA NAICS codes. Replacing existing language with =“Qualified Shipyard” means a company primarily engaged in ship/boat building or repair and meets the SBA small business size standard for either NAICS code 336611 or 336612 and has waterfront facilities located in Honolulu.”

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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**HB594**

Submitted on: 3/10/2017

Testimony for JDL on Mar 13, 2017 09:30AM in Conference Room 016

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Audra White	Individual	Support	No

Comments:

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I strongly support HB594.

The ship repair industry in Hawaii has diversified into critical industrial sectors that insures Hawaii's ship repair industrial base remains robust and viable. It employs over 750 HIGHLY SKILLED TRADE EMPLOYEES and their related support team personnel. TOTAL INDUSTRY REVENUE EXCEEDS \$100M. Due to our geographic isolation and high cost of labor and material costs, the ship repair industry must REMAIN COMPETITIVE with West Coast shipyards. It must also provide the level of customer service that is expected or the norm elsewhere. Today's vessel owners are increasingly providing computer aided design drawings of things that they need repaired or fabricated. Machinery and equipment used in ship repair are now faster, more precise and increasingly relies upon computer technology. THE SHIP REPAIR INDUSTRY IS AN IMPORTANT INDUSTRY WITH A CLEAR NEXUS TO HAWAII. HAWAII'S SHIPYARDS NEED TO PROVIDE THEIR WORKERS WITH THE RIGHT TOOLS AND TRAINING TO REMAIN COMPETITIVE - AND RETAIN THESE HIGH SKILLED JOBS AND REVENUE IN HAWAII.

We request one amendment to the bill – Page 3, lines 1-4 – to conform to SBA NAICS codes. Replacing existing language with =“Qualified Shipyard” means a company primarily engaged in ship/boat building or repair and meets the SBA small business size standard for either NAICS code 336611 or 336612 and has waterfront facilities located in Honolulu.”

Ben Nakaoka

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**HB594**

Submitted on: 3/10/2017

Testimony for JDL on Mar 13, 2017 09:30AM in Conference Room 016

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Eric Schiff	Individual	Support	No

Comments: I strongly support HB594

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**HB594**

Submitted on: 3/10/2017

Testimony for JDL on Mar 13, 2017 09:30AM in Conference Room 016

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Gary Shimosono	Individual	Support	No

Comments:

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**HB594**

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Testimony for JDL on Mar 13, 2017 09:30AM in Conference Room 016

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kacey Lock	Individual	Support	No

Comments:

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**HB594**

Submitted on: 3/10/2017

Testimony for JDL on Mar 13, 2017 09:30AM in Conference Room 016

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Susan Matsuura	Individual	Support	No

Comments:

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**HB594**

Submitted on: 3/10/2017

Testimony for JDL on Mar 13, 2017 09:30AM in Conference Room 016

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Todd Peltzer	Individual	Support	No

Comments: I strongly support bill HB594.

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