



**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
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

Wednesday, February 8, 2017
9:00 A.M.
State Capitol, Room 309

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

Chair Nakashima, Vice Chair Keohokalole, and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) supports the intent of HB594 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.

keohokalole2 - Anthony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 6, 2017 8:09 PM
To: edbtestimony
Cc: achung@navatekltd.com
Subject: Submitted testimony for HB594 on Feb 8, 2017 09:00AM

HB594

Submitted on: 2/6/2017

Testimony for EDB on Feb 8, 2017 09:00AM in Conference Room 309

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| ann chung | Pacific Shipyards | Support | Yes |

Comments: We 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 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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keohokalole2 - Anthony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 6, 2017 2:01 PM
To: edbtestimony
Cc: klock@navatekltd.com
Subject: *Submitted testimony for HB594 on Feb 8, 2017 09:00AM*

HB594

Submitted on: 2/6/2017

Testimony for EDB on Feb 8, 2017 09:00AM in Conference Room 309

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Kacey Lock | Individual | Support | No |

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 6, 2017 2:02 PM
To: edbtestimony
Cc: gary@navatekltd.com
Subject: *Submitted testimony for HB594 on Feb 8, 2017 09:00AM*

HB594

Submitted on: 2/6/2017

Testimony for EDB on Feb 8, 2017 09:00AM in Conference Room 309

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Gary Shimosono | Individual | Support | No |

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 6, 2017 2:31 PM
To: edbtestimony
Cc: eschiff5@gmail.com
Subject: Submitted testimony for HB594 on Feb 8, 2017 09:00AM

HB594

Submitted on: 2/6/2017

Testimony for EDB on Feb 8, 2017 09:00AM in Conference Room 309

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Eric Schiff | Individual | Support | No |

Comments: I strongly support HB594.

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keohokalole2 - Anthony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 6, 2017 4:21 PM
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Cc: awhite@navatekltd.com
Subject: *Submitted testimony for HB594 on Feb 8, 2017 09:00AM*

HB594

Submitted on: 2/6/2017

Testimony for EDB on Feb 8, 2017 09:00AM in Conference Room 309

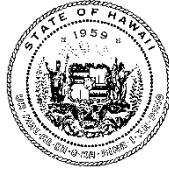
| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Audra White | Individual | Support | No |

Comments:

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DAVID Y. IGE
GOVERNOR



SARAH ALLEN
ADMINISTRATOR
MARA SMITH
ASSISTANT ADMINISTRATOR

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TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE
TO THE HOUSE COMMITTEE
ON
ECONOMIC DEVELOPMENT & BUSINESS
February 8, 2017, 9:00 A.M.

HB594
RELATING TO THE MARITIME INDUSTRY GRANT PROGRAM

Chair Nakashima, Vice-Chair Keohokalole, and members of the committee, thank you for the opportunity to submit testimony on HB594. The State Procurement Office's (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.