

House District(s) Statewide
Senate District(s) Statewide

THE TWENTY-NINTH LEGISLATURE
APPLICATION FOR GRANTS
CHAPTER 42F, HAWAII REVISED STATUTES

Log No:

For Legislature's Use Only

Type of Grant Request:

GRANT REQUEST – OPERATING

GRANT REQUEST – CAPITAL

"Grant" means an award of state funds by the legislature, by an appropriation to a specified recipient, to support the activities of the recipient and permit the community to benefit from those activities.

"Recipient" means any organization or person receiving a grant.

STATE DEPARTMENT OR AGENCY RELATED TO THIS REQUEST (LEAVE BLANK IF UNKNOWN): DBEDT

STATE PROGRAM I.D. NO. (LEAVE BLANK IF UNKNOWN): _____

1. APPLICANT INFORMATION:

Legal Name of Requesting Organization or Individual:

Ship Repair Association of Hawaii

Dbas:

Street Address: 705 N. Nimitz Hwy, Honolulu, HI 96817

Mailing Address: PO Box 29001
Honolulu, HI 96820

2. CONTACT PERSON FOR MATTERS INVOLVING THIS APPLICATION:

Name IAIN WOOD

Title President

Phone # 808-848-6211 ext 247

Fax # 808-848-6279

E-mail iwood@srah.org

Website : www.srahawaii.org

3. TYPE OF BUSINESS ENTITY:

- NON PROFIT CORPORATION INCORPORATED IN HAWAII
 FOR PROFIT CORPORATION INCORPORATED IN HAWAII
 LIMITED LIABILITY COMPANY
 SOLE PROPRIETORSHIP/INDIVIDUAL
 OTHER

6. DESCRIPTIVE TITLE OF APPLICANT'S REQUEST:

A Study of the Significant Negative Economic Impact to Hawaii from the Relocation of Drydock Repairs and Modernization to Navy Surface Vessels, and Proposed Mitigating Recommendations to Ensure Jobs and Revenue Stay in Hawaii

4. FEDERAL TAX ID #: [REDACTED]

5. STATE TAX ID #: [REDACTED]

7. AMOUNT OF STATE FUNDS REQUESTED:

FISCAL YEAR 2019: \$234,600.00

8. STATUS OF SERVICE DESCRIBED IN THIS REQUEST:

- NEW SERVICE (PRESENTLY DOES NOT EXIST)
 EXISTING SERVICE (PRESENTLY IN OPERATION)

SPECIFY THE AMOUNT BY SOURCES OF FUNDS AVAILABLE AT THE TIME OF THIS REQUEST:

STATE \$ 0

FEDERAL \$ 0

COUNTY \$ 0

PRIVATE/OTHER \$ 0

TYPE NAME REPRESENTATIVE:

IAIN WOOD, PRESIDENT
NAME & TITLE

JANUARY 18, 2018
DATE SIGNED

JAN 19 2018 1:50 PM

Application for Grants

Please check the box when item/section has been completed. If any item is not applicable to the request, the applicant should enter "not applicable".

I. Background and Summary

This section shall clearly and concisely summarize and highlight the contents of the request in such a way as to provide the State Legislature with a broad understanding of the request. Please include the following:

1. A brief description of the applicant's background;

Organized in 2002, the Ship Repair Association of Hawaii ("SRAH") is a nonprofit voluntary trade association, dedicated to growing Hawaii's ship repair industry through a unified public/private partnership by providing cost effective, high quality services to all commercial and government customers. SRAH was established to:

- Strengthen and increase the capabilities of the industry in the state;
- Complement Pearl Harbor Naval Shipyard's (PHNSY) capabilities and capacity – a ready resource to respond to surge and peak loading demands;
- Educate potential Pacific Rim customers of the value of utilizing Hawaii's ship repair infrastructure;
- Be the supplier of choice for ship repair in the Pacific Region.

The central mission and core values of the SRAH:

- To be the voice of the ship repair industry in Hawaii
- To be responsible for identifying issues affecting the industry
- To leverage the power of the members to gain resolution
- To meet current and future needs of our U.S. government and commercial customers
- To maintain and expand Hawaii's ship repair industry through participation in:
 - The Navy's One-Shipyard Program
 - Department of Homeland Security, Maritime Administration (MARAD), and other Military and Department of Transportation programs and requirements
 - Commercial ship repair opportunities including use of DD# 4 in partnership with the Navy
- To develop and maintain:
 - A highly trained workforce
 - A vibrant ship repair industrial base, with adequate facilities, in Hawaii

2. The goals and objectives related to the request;

The ultimate goal is to provide a comprehensive study of the economic impact of Hawaii's ship repair industry and asset and infrastructure requirements, including critical

need for additional drydock capacity in Pearl Harbor to support submarine and surface ship overhauls.

Hawaii's ship repair industry is critical to Hawaii's island economy. As an isolated island land mass in the middle of the Pacific Ocean, Hawaii depends on shipping, both interisland and from the continents, for transport of goods. Ship repair is vital to both the private and military sectors and for local emergency repair of vessels transiting the Pacific.

The annual economic impact of ship repair is significant to Hawaii's economy, as PHNSY alone employs about 6,000 employees (5,200 civilian and 600 military) who support the Navy fleet including submarines. There is another approximately 1,000 local employees who repair and provide services to Navy surface combatant vessels and commercial ships. When a surface combatant vessel is drydocked for modernization, the project can last for more than six months and cost tens of millions of dollars which circulates throughout the local economy due to food provisioning, lodging and spending by crew members and outside specialists. Prior economic impact studies have been completed in 2005 [for the Base Realignment & Closure Committee (BRAC) threat], and prior, but should be updated by a separate study, as the industry capability has changed in 2017 with additional capability.

SRAH's proposed study will:

- Highlight the Navy's budgetary issues, aging infrastructure and an impending Virginia Class submarine overhaul program that is critical to our Nation's global interests, security and protection.
 - It is important for Hawaii's citizens and leaders to understand the maritime budget impacts and the requirements for viability.....to enable their support of PACOM/ PACFLT with legislative and possible State support to keep Hawaii's commercial ship repair industry viable for defense and local emergency requirements.
- Detail the threats to success of ship repair in Hawaii to include infrastructure and workforce training needs.
 - The study will provide a thorough understanding of the current critical drydock capability at PHNSY and that its current submarine graving docks are insufficient to support this critical requirement in the future. The study will clearly articulate that, absent timely, proactive pursuit of additional drydock capacity, the Navy's only solution to their problem will be to use an existing drydock that currently supports surface combatant ships (DDGs, CGs, Destroyers and Cruisers) to meet their impending critical submarine drydocking workload.
 - Given that this is the only solution that the Navy will have to accomplish required submarine maintenance, **it will require that all major maintenance and drydock-associated work for these surface combatant**

vessels will be accomplished in San Diego. The study will show that the net effect of this decision will severely produce harmful outcomes:

1. Hawaii's private sector ship repair industrial base of skilled artificers and the associate supply support system companies, will be severely degraded and the Navy will ultimately lose a substantial proportion of capability that will seriously impact fleet readiness and the material condition of Navy ships. Additionally, the support services (food, housing, entertainment industries, etc.) will be impacted by loss of personnel presence.
2. Unique industrial capabilities of many of the SRAH companies, which are critical to the State's limited industrial base, may not be sustainable, absent the Navy's surface ship maintenance work on-island, in a reasonably consistent workflow. Resultant loss of those technical and industrial capabilities would be crippling to Hawaii's infrastructure.
3. The Navy's solution to send the surface combatant vessels to San Diego for "deep maintenance and drydocking" will further exacerbate the shortfalls of other maintenance locations, which are challenged to meet their existing and projected requirements.

3. The public purpose and need to be served;

The importance of a viable ship repair capability (economic and operational impacts) in Hawaii must be detailed and understood by Hawaii's citizens and leadership, as national funding threats and priorities could jeopardize the industry. The ship repair vulnerabilities for success must be understood and prevented to the extent possible thru legislative and citizen support. The loss of ship repair and modernizations to San Diego and other ports would be disastrous to the Hawaii ship repair community.

This study will address this current information gap and lead to better understanding of this important Hawaiian industry sector and detail possible mitigation measures.

As background information on the current Navy fleet and drydock repair capabilities:

There are currently 36 active 688 Class Submarines and 13 Virginia Class Submarines with 15 Virginia Class under construction or authorized. All of the 688 Class will be gone by 2030. By 2022 there will be so many Virginia Class home ported at Pearl Harbor that the Navy will have to use Drydock #4 to accomplish their Drydocking Avails. As a result, the Surface Ships normally drydocked there will be displaced. Due to budgetary problems, the Navy is not now in a position to construct and/or acquire a floating drydock or modify an existing drydock inside the CIA (Controlled Industrial Area).

Currently, Drydock #3, located inside the CIA, would require significant modifications to accommodate the Virginia Class submarines. Estimates are as high as \$400m and

approximately 8-10 years to program the money and obtain the extensive regulatory permits anticipated for this environmentally sensitive project. The cost estimates are based on the later class of these submarines, Block V, where an 84-foot hull section will be added to increase the missile capability.

The Navy's most immediate solution for the ten Surface Ships now home ported in Pearl Harbor, is to move them to the West Coast for drydocking and major maintenance availabilities. This solution solves the Navy's immediate problem but creates significant problems for the private sectors both in Pearl Harbor and San Diego. In fact, the remaining workload in Hawaii will be so insignificant, that it will result in layoffs of the highly trained skilled workers with extensive experience on the home ported surface ships. These skilled workers will seek employment in a job market in Hawaii where unemployment is less than 5% and when needed to support the Navy, will not be there. The investment in training and core knowledge of these complex Navy ships will be lost and a critical aspect of fleet readiness in the Pacific will be negatively impacted.

San Diego is currently the largest Navy home port with ultimately 67 surface ships of all classes to include: Arleigh Burke Class (DDGs), Ticonderoga Class Cruisers (CGs), Littoral Class Ships (LCS), San Antonio Class (LPDs), Amphibious Assault Ships (LHAs), Dock Landing Ships (LSDs) and Avenger Class Mine Countermeasure (MCMs) home ported at the Navy's 32nd Street Naval Base. The challenge for the Navy is drydocking capacity to support the major maintenance and currently, there are only three floating drydocks to accommodate the majority of these vessels. The smaller MCM class ships can be docked at a small dock inside the Navy Base at 32nd Street. By sending the Hawaii home ported ships to San Diego, you further exacerbate an already serious problem.

In September 2017, the Government Accounting Office (GAO) reported on "Naval Shipyards; Actions Needed to Improve Poor Conditions that Affect Operations". The report clearly laid out that Public Shipyards' drydocks will not support projected operational needs and highlighted the problem in Pearl Harbor; excerpts from the GAO Report (GAO-17-548) follows:

The Navy Estimates That the Shipyards' Drydocks Will Not Support Projected Operational Needs

According to a 2017 draft Navy study, the current capacity and capability of the shipyards drydocks will not support future operational needs. The Navy projects that the shipyards will be unable to support 73—or about one-third—of 218 maintenance periods planned for the shipyards over the next 23 years, including 5 aircraft carriers and 50 submarine maintenance periods.³⁴ However, this estimate identifies only maintenance periods missed as a result of drydock capacity and capability issues for the planned fleet of 11 carriers and 70 submarines through

fiscal year 2040. NAVSEA officials said that other factors that contribute to missed maintenance periods, such as shipyard workload, workforce, or requirements growth, were not accounted for in this estimate.

In its 2017 draft drydock study, the Navy reports that it currently has very little drydock capacity to surge depot-level work or deal with national security contingencies or unanticipated accidents, such as the USS *Greeneville's* (SSN-772) collision with a Japanese fishing ship.³⁵ This is because of the high demand for drydock space, which leaves the Navy with little time between scheduled maintenance periods to do other work. In its 2016 Force Structure Assessment, the Navy released a new force structure goal that called for achieving and maintaining a fleet of 355 ships—up from the previous goal of 308 ships in its 2015 assessment and the current inventory of 276.³⁶ This assessment calls for increasing the number of planned aircraft carriers from 11 to 12 and the number of attack submarines from 48 to 66 (a 38 percent increase). This proposed increase in fleet size will aggravate shortfalls in drydock capacity, since an increase in the number of ships will lead to an increase in the volume of maintenance the shipyards must perform.

In its 2017 draft drydock study, the Navy identified several key drydock shortfalls that hinder the shipyards' ability to support future operational needs, as previously discussed. For example, none of the existing drydocks can support repairs for the new Ford-class aircraft carrier as the drydocks are currently configured. Specifically, Drydock 8 at Norfolk.

³⁴*The remaining 18 periods that the Navy projects it will be unable to perform are for submarine deactivations.*

³⁵*In 2001, the Los Angeles class attack submarine USS Greeneville collided with a Japanese fishing ship, resulting in damage to the submarine. Pearl Harbor Naval Shipyard conducted the repairs.*

³⁶*The actual size of the Navy's fleet in recent years has generally been between 270 and 290 ships.*

GAO-17-548 Navy Shipyards - Page 24

Naval Shipyard and Drydock 6 at Puget Sound Naval Shipyard—the two drydocks currently capable of supporting existing Nimitz-class aircraft carriers—require upgrades in salt water cooling utilities to support maintenance on the new Ford-class aircraft carriers, because the Ford-class carriers are larger and have different equipment. The Navy has plans to begin addressing this issue at Norfolk in fiscal year 2022 and at Puget Sound in fiscal year 2023. Navy officials told us that the Navy has not yet defined its needs for drydocks capable of supporting Ford-class aircraft carriers, but it will need at least one on each coast.

Newer versions of the Virginia-class submarines will limit the number of drydocks able to perform maintenance in the future, thereby reducing the capacity available to the fleet. According to the 2017 draft Navy analysis, 17 of the shipyards' 18 existing drydocks can support maintenance on the current Los Angeles-class attack submarine, and 14 of the 18 can accommodate the current versions of the Virginia-class attack submarine. However, only 11 of the 18 drydocks, in their current state, will be able to accommodate future versions of the Virginia-class submarine with the Virginia Payload Module because of its increased length and loading size.³⁷ This drydock shortfall caused by the addition of this module is exacerbated at Pearl Harbor Naval Shipyard, where there is a drydock that can be divided in two to support simultaneous maintenance of either two Los Angeles-class or two current Virginia-class submarines. Future Virginia-class submarines with the module are so long that they require the full length of the drydock, thereby reducing the space available for maintenance at Pearl Harbor. Shipyard officials noted that this capability is regularly used to respond to immediate, short-term notice events, such as ships in need of emergency repairs.

³⁷*The Virginia Payload Module is an additional mid-body section, approximately 84 feet in length, which contains vertical launch tubes that would be used to store and fire additional Tomahawk cruise missiles and other payloads. The Navy plans to include this module in one of the two Virginia-class boats procured in fiscal year 2019 and all of the Virginia-class boats procured in fiscal year 2020 and subsequent years.*

Additionally, in February of 2016, the Navy (PMS 407B) commissioned Hepburn & Sons LLC to conduct Surface Navy Dry Dock Study. The Executive Summary is included below and also highlights the San Diego and Pearl Harbor drydock capacity issues:

GAO-17-548 Navy Shipyards - Page 25

1. Executive Summary

PMS 407 tasked Hepburn and Sons LLC to conduct a Dry Dock Study to determine if the Surface Navy had enough dry docks to support scheduled and emergent maintenance and modernization, and where these dry docks are located. VADM Hilarides, COMNAVSEA, had earlier asked PMS 407: "Do we need to get back into the dry dock business?" This study shows that there is indeed a dry dock shortage almost continually in San Diego and occasionally in Norfolk over the next 20 years.

The study utilized all current Navy surface ship maintenance and modernization scheduling requirements to generate a twenty-year Dry Dock Demand and Supply Plot (Enclosures 1-4) as of 12/3/2015. The plot is organized by separate East coast and West Coast prints, in 10-year increments per print. Ships were placed in accommodating dry docks in their homeports. This included double dockings where appropriate and possible. When dry dock capacity in a homeport was reached, color coding on the Dry Dock Demand and Supply Plot was used to indicate the issue. A total of 194 dry dock schedule issues over 20 years in San Diego, Norfolk, Mayport and Seattle were identified. San Diego had by far the most conflicts with 147. Norfolk had 31, Mayport had 14, and Seattle had 2.

Recommendations were made to resolve schedule issues and were annotated on the plot. Key themes of the recommendations included considering dry docks out of homeport not normally used by the Surface Navy that are currently:

- Certified by NAVSEA 04XQ such as in San Francisco, California and Charleston, South Carolina; and Pascagoula, Mississippi
- Not certified by NAVSEA 04XQ but possibly could be such as at Portland, Oregon and Philadelphia, Pennsylvania.

Each issue resolution was evaluated against seven risk categories. Risk categories included: Port Capacity, Dry Dock Capacity, Special Drydocking Technique, Cost of Drydocking, Out-of-Homeport Shipyard Capability, Out-of-Homeport Crew Impact, and Ship Schedule.

The dry dock capacity problem for the Surface Navy in San Diego was found to be the most acute. A rough cost comparison is presented between the procurement of an additional dry dock asset and the cost of ships having to leave their homeport. The study shows that starting in 2017, there is a shortage of at least one dry dock in San Diego almost continually through 2034. Issues in Norfolk present themselves starting in 2018.

An emerging dry dock capacity issue at Pearl Harbor was identified by SEA 04X related to increase port demand for submarine drydockings and the limitations of Dry Dock #3. This may put pressure on the use of Dry Dock #4 by the Surface Navy. SEA 04X also stated beyond Dry Dock #4 at Pearl Harbor, only Dry Dock #8 at Norfolk Naval Shipyard would be very occasionally available for Surface Navy use.

Also, in the following article, Pearl Harbor Naval Shipyard was featured as the “most backlogged shipyard” in the Navy and also highlighted the \$4.86B infrastructure/maintenance project backlog that will take at least 19 years to complete.

The Washington Times

Daily Newspaper

Pearl Harbor is Navy’s most backlogged shipyard, report says

By - Associated Press - Tuesday, October 10, 2017

HONOLULU (AP) - Pearl Harbor is the Navy’s most backlogged shipyard, despite all four shipyards being in poor condition, according to a report by the U.S. Government Accountability Office.

The report says poor conditions have contributed to inefficiencies, robbing the Navy of ship and submarine time at sea, the Honolulu Star-Advertiser reported (<http://bit.ly/2ybWA5X>).

“Navy data show that the cost of backlogged restoration and maintenance projects at the shipyards has grown by 41 percent over five years, to a Navy-estimated \$4.86 billion, and it will take at least 19 years through fiscal year 2036 to clear,” according to the report.

Between 2000 and 2016, 49 of 57 maintenance jobs to Pearl Harbor were delayed, resulting in 4,128 lost operational days for nuclear-powered submarines, according to the report.

U.S. Rep. Tulsi Gabbard, a Democrat from Hawaii who’s on the House Armed Services Committee, said the challenges facing Pearl Harbor are unique compared to the other shipyards. Those are Norfolk Naval Shipyard in Virginia, Portsmouth Naval Shipyard in Maine and Puget Sound Naval Shipyard in Washington state.

The shipyard is Hawaii’s largest industrial employer, with a civilian workforce of nearly 5,200 and 543 Navy personnel.

Gabbard said this workforce “will continue to overcome the challenges before them, but must have the tools and personnel necessary to do so.”

Eighty percent of Peal Harbor’s nearly 4 million square feet of facilities is

designated as historic, with many facilities being outdated for modern needs, according to the report.

“Pearl Harbor Naval Shipyard faces historic preservation challenges that have complicated its infrastructure planning and capital investment,” according to the report.

Naval Sea Systems Command is putting together a long-range shipyard infrastructure plan for each yard, officials said.

“This plan will identify and define a vision to recapitalize and optimally configure shipyard infrastructure to improve productivity and effectiveness,” the Pearl Harbor shipyard stated.

The bottom line of all this documented backlog of military construction projects in the public shipyards and the lack of private sector drydock capacity in San Diego, all clearly define the criticality of additional docking capacity in Pearl Harbor to support the Navy and preserve the critical local ship repair industrial base.

Therefore, the public purpose and need of this study is to provide a plan to save jobs in Hawaii by constructing a floating drydock that can accommodate all the surface ships and submarines in Pearl Harbor. This dock can be moored inside the Harbor, as was the Navy’s floating drydock the USS COMPETENT (AFDM-6), in the 80/90s timeframe. This dock can be designed, built and delivered in two years for significantly less than the funding to modify DD# 4 inside the CIA. This dock would benefit the Navy, the ship repair industrial base and the entire critical supply chain throughout Hawaii. Also, in the possible event of a catastrophic situation in the Pacific AOR, this National asset could be towed to the action and support a Battle Damage Repair Scenario.

4. Describe the target population to be served; and

This study is for the benefit of workers and companies in the ship repair industry and their service and material providers in Hawaii and the disastrous economic ripple effect from the potential loss of jobs throughout the State of Hawaii.

5. Describe the geographic coverage.

The work performed by private industry on Navy surface vessels at PHNSY serves the entire Department of Defense’s Pacific arena of operations.

II. Service Summary and Outcomes

The Service Summary shall include a detailed discussion of the applicant's approach to the request. The applicant shall clearly and concisely specify the results, outcomes, and measures of effectiveness from this request. The applicant shall:

1. Describe the scope of work, tasks and responsibilities;

- **Economic Impact**

The scope of work will include reference to existing economic impact studies (i.e.: DBEDT; University of Hawaii; Chamber of Commerce, Department of Defense, Federal Agencies, others) that are applicable and may be augmented as necessary to update the economic impact threats.

The SRAH will engage, or re-engage with subject matter economic resources, as necessary, to ensure maximum accuracy of the economic impacts forecast on the economy of Hawaii.

- **Asset and Infrastructure Requirements**

The scope of work will include a comprehensive study of the capability and capacity to accomplish current and projected submarine and surface vessel drydocking and "deep maintenance" requirements in Pearl Harbor. The task elements of the study will include the following focus areas:

1. Surface ship home porting in Hawaii; current, planned and potential DDGs, CGs and LCSs.
2. Submarine home porting in Hawaii; current and planned decommissioning; and projected new Virginia Class vessels.
3. Submarine home porting in Guam and effect on Pearl Harbor workload.
4. The 688 Class decommissioning plan in the Navy and effect on Pearl Harbor loading.
5. The Virginia Class submarine build program; current status; future strategy and effect on Pearl Harbor loading.
6. Review the Block V Virginia Class build plan and its direct effect and impact on existing public shipyard drydocking capability.
7. Assess the current Pearl Harbor graving dock capability and capacity based on the future Virginia Class overhaul program requirements. This will include an analysis of graving dock capability inside the Controlled Industrial Area (CIA) to

confirm that insufficient capability exists to support this intense overhaul program.

8. Based on information already available, the Navy plans to use DD# 4, outside the CIA, to support the Virginia Class overhaul program while a plan is developed to increase the capability of an existing drydock inside the CIA. It is understood this is an extensive Milcon (Military Construction) project that will compete for funding with other backlogged work in the other public shipyards in Norfolk, Puget Sound and Portsmouth.
9. Based on information available, assess the approximate time and cost to modify graving dock #3 to accommodate the larger Virginia Class submarines. This assessment will include the costs to lengthen and deepen the existing dock, environmental permitting required and the timeline to program and execute the necessary Milcon funding. Assess the impact to the surface ship drydocking work in Pearl Harbor and evaluate the Navy's plans to shift dockings, deep maintenance and modernization work to an alternate home port, presumably San Diego.
10. Assuming the alternate home port is San Diego, assess the current capability and capacity in San Diego based on the projected workload. This assessment will factor in the DOD Pivot West Plan to increase the number of ships in San Diego over the next 5 years. Also, the West Coast drydocking capability will be evaluated as it is understood that insufficient private sector capacity exists in San Diego.
11. Existing and publicly available Navy and GAO reports on Drydock Capacity, Surface Ship Readiness and Public Shipyard Infrastructure will be reviewed and comments and results included in the study.
12. The impact to the private sector ship repair workforce and related supply chain companies will be reviewed and assessed. The economic impact to all of Hawaii with the loss of the surface ship work to the mainland will also be assessed and quantitatively evaluated.
13. The study will provide recommended solutions to the drydocking capacity problem in Hawaii to include the use of a floating drydock as an alternative. Worldwide drydock assets will be reviewed and a comparison of a purposely built dock will be considered. Included will be time and cost estimates to any alternatives.
14. Potential solutions will consider an assessment of the positive economic impact that may be provided. This will include preservation of the existing jobs and potential for job growth if Hawaii can obtain additional repair, modernization and overhaul work due to the capacity shortages elsewhere. Also, with a vibrant

private sector, surge work opportunities to support PHNSY submarine backlog will be explored.

The Ship Repair Association of Hawaii (SRAH) has Subject Matter Experts in many areas of the study but it plans to utilize the services of two Marine Consultants both with significant Hawaii pedigree and extensive experience in the ship repair industrial base. Bill Clifford (CLIFFSHIPS, LLC) and retired Admiral Dick Camacho (Kona Bay Strategies, LLC) who both commanded Naval Shipyards and Maintenance Activities while on active duty, coupled with over 50 years of experience in managing and directing major private sector shipyards will be retained to support the study.

2. Provide a projected annual timeline for accomplishing the results or outcomes of the service;

Subject to approval and timely appropriation, the goal is to complete the Study by December 31, 2018 before the start of the next Legislative session.

3. Describe its quality assurance and evaluation plans for the request. Specify how the applicant plans to monitor, evaluate, and improve their results; and

A committee of SRAH members will periodically meet with the consultants via conference calls and in person to provide input into the Study, to be kept informed of the results of meetings with Navy personnel and to monitor the progress and recommendations before the report is released.

4. List the measure(s) of effectiveness that will be reported to the State agency through which grant funds are appropriated (the expending agency). The measure(s) will provide a standard and objective way for the State to assess the program's achievement or accomplishment. Please note that if the level of appropriation differs from the amount included in this application that the measure(s) of effectiveness will need to be updated and transmitted to the expending agency.

The SRAH committee and expending Agency (i.e. DBEDT) will initially meet to define the agreed upon parameters and intended results of the study, with recognition of any budget constraints. Periodic meetings will be held, as needed by both parties, to assess progress and additional needs.

III. Financial

Budget

1. The applicant shall submit a budget utilizing the enclosed budget forms as applicable, to detail the cost of the request.
 - a. Budget request by source of funds ([Link](#))
 - b. Personnel salaries and wages ([Link](#))
 - c. Equipment and motor vehicles ([Link](#))
 - d. Capital project details ([Link](#))
 - e. Government contracts, grants, and grants in aid ([Link](#))

2. The applicant shall provide its anticipated quarterly funding requests for the fiscal year 2019.

Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total Grant
\$100,000	\$134,600			\$234,600

3. The applicant shall provide a listing of all other sources of funding that they are seeking for fiscal year 2019.

Not applicable - No other sources of funding

4. The applicant shall provide a listing of all state and federal tax credits it has been granted within the prior three years. Additionally, the applicant shall provide a listing of all state and federal tax credits they have applied for or anticipate applying for pertaining to any capital project, if applicable.

Not applicable – None

5. The applicant shall provide a listing of all federal, state, and county government contracts, grants, and grants in aid it has been granted within the prior three years and will be receiving for fiscal year 2019 for program funding.

Not applicable - None

6. The applicant shall provide the balance of its unrestricted current assets as of December 31, 2017.

Current assets balance at December 31, 2017 is \$51,525

IV. Experience and Capability

1. **Necessary Skills and Experience**

The applicant shall demonstrate that it has the necessary skills, abilities, knowledge of, and experience relating to the request. State your experience and appropriateness for providing the service proposed in this application. The applicant shall also provide a listing of verifiable experience of related projects or contracts for the most recent three years that are pertinent to the request.

SRAH's membership includes 30 companies who are direct and indirect providers of ship repair overhaul, maintenance and modernization services to commercial, DOD, DOT and foreign vessel owners/operators. They have many years of experience in the ship repair industry on myriad classes of Navy, Army, Coast Guard and commercial vessels and understand the challenges of recruiting, training and retaining qualified, skilled marine craftsmen. They will be available to provide guidance and input to our outside consultants who will be engaged to perform the work outlined in Section II. Service Summary and Outcomes. In addition, our consultants and members have built important relationships with key Navy personnel who can provide valuable input into our Study. Besides our two primary consultants' whose qualifications and experience are included below, we will engage a business development consultant and an economist.

**Bill Clifford, President
Cliffships LLC**

Bill Clifford retired as President of BAE Systems Ship Repair, a leading non-nuclear ship repair, maintenance and modernization company based in Norfolk, Va. in 2015. Clifford had 46 years of experience working in the public and private maritime sector when he retired.

BAE Systems Ship Repair serviced the U.S. Navy and other defense agencies, such as the Military Sealift Command, the Maritime Administration, the U.S. Army and the U.S. Coast Guard. Ship Repair's commercial market includes tankers, cargo ships, cruise ships, and GoM drill ships, oil platforms and support vessels. As President, Clifford led more than 5,000 highly-skilled employees while managing full-service shipyards strategically located in Norfolk, Va.; Jacksonville and Mayport, Fla.; Mobile, Ala.; San Diego and San Francisco, Calif.; and Pearl Harbor, Hawaii.

Prior to assuming the position of President in 2008, Clifford was the Vice President and General Manager of BAE Systems Norfolk Ship Repair for three years. Prior to BAE, he had extensive experience in the private sector serving in senior management positions at several shipyards. Notable positions include; President of Honolulu Shipyards INC; Director of Ship Completion at Bath Iron Works (BIW); Vice President of New Construction at Atlantic Marine in Jacksonville, Fla.; and from 2001 – 2005, Clifford was the Managing Partner of Pacific Shipyards

International, LLC, a Hawaii consortium of several local Shipyards.

Clifford served on active duty in the U.S. Navy for 20 years, including sea tours on the USS Wallace L. Lind (DD 703), the USS Ault (DD 698) the USS Fairfax County (LST 1193) and the USS Papago (ATF 160), where he was the commanding officer. He served ashore at Norfolk Naval Shipyard, the Pacific Fleet Staff as the Diving and Salvage Officer and Commanding Officer of the Shore Intermediate Maintenance Activity at Pearl Harbor, HI. He is a 1969 graduate of the U.S. Naval Academy and earned a master's degree in mechanical engineering and attended the Navy's Diving and Salvage Officer course at the Washington Navy Yard.

Clifford is currently providing consulting services for the maritime industry through Cliffships LLC.

Richard G Camacho, President and CEO Kona Bay Strategies

Rear Admiral (Ret.) Camacho joined Southwest Marine (SWM) in 1986 as Senior Vice President of Business Development. Southwest Marine and its shipyards in San Diego, San Pedro and San Francisco, was acquired by Carlyle in 1997. After being acquired by Carlyle, the Company was renamed United States Marine Repair (USMR) and grew with the follow on acquisition of NORSHIPCO in Norfolk Virginia. USMR was subsequently acquired by United Defense (another Carlyle Company) in 2002, growing again with the acquisition of Honolulu Shipyard's Navy Contracts in 2004. UDI along with USMR were then acquired by BAE in 2005. BAE Ship Repair by this time, operated four shipyards in the U.S., two on the West Coast at San Diego, and San Francisco, one at Pearl Harbor and one in Norfolk, VA. BAE Ship Repair continued to grow with the subsequent acquisition of Atlantic Marine with shipyards in Jacksonville (serving the Navy ships at Mayport) and Mobile. RADM Camacho as VP Business Development, supervised the Proposal and Sales / Marketing Departments, which provided support to all shipyard units and drafted the bid strategy for all major bids. RADM Camacho also developed the long-range business plans and wrote the Corporation's Marketing Plan while continually analyzing the market to identify new opportunities for mergers and acquisitions.

RADM Camacho retired from BAE in 2012 and established Kona Bay Strategies which allowed him to provide consulting service to various customers including BAE Ship Repair, Stellex Investment Group, and MER (a ship scrapping firm).

Prior to joining Southwest Marine, Camacho served for 30 years in the U. S. Navy in various assignments, initially as a Line Officer aboard surface ships and submarines and later as an Engineering Duty Officer ashore. Significant assignments included: Program Manager at Navy Headquarters in Washington for the Design and Acquisition of New Construction Nuclear Submarines; Maintenance Officer for the Submarine Force of the U. S. Atlantic Fleet

responsible for all Submarine Intermediate Maintenance Facilities including Submarine Tenders on the East Coast, at Holy Loch (UK), Rota (Spain) and LaMaddalena (Italy); Deputy Supervisor of Shipbuilding at Ingalls Shipyard managing all Submarine repair, conversion and shipbuilding; Director of NAVSEA Field activities including Public Shipyards, SUPSHIPS, and Inactive Fleet Facilities at Philadelphia, Bremerton and Pearl Harbor; Production Officer at Mare Island Naval Shipyard in charge of all production work and facilities in the shipyard; Shipyard Commander of the Charleston Naval Shipyard in Charleston SC; followed by a tour as Commander of Pearl Harbor Naval Shipyard in Hawaii with joint responsibilities as SUPSHIPS (managing ship repair work in the Hawaii Private Sector) and NAVSEA WESTPAC Management Officer providing industrial support to Navy Repair Facilities in Guam, Sasebo and Yokosuka.

2. **Facilities**

The applicant shall provide a description of its facilities and demonstrate its adequacy in relation to the request. If facilities are not presently available, describe plans to secure facilities.

Not applicable - SRAH does not have its own facilities (it is an Association of ship repair and service providers) nor does it need one for purposes of this request.

V. Personnel: Project Organization and Staffing

1. **Proposed Staffing, Staff Qualifications, Supervision and Training**

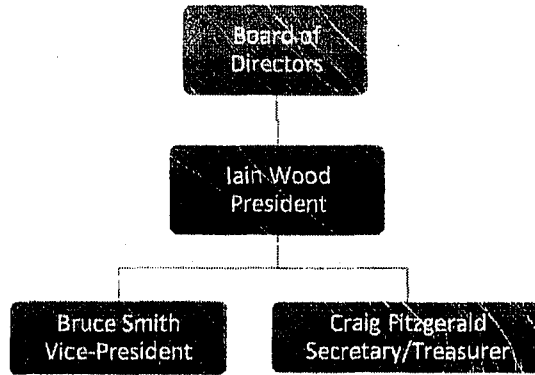
The applicant shall describe the proposed staffing pattern and proposed service capacity appropriate for the viability of the request. The applicant shall provide the qualifications and experience of personnel for the request and shall describe its ability to supervise, train and provide administrative direction relative to the request.

Not applicable - SRAH does not have its own employees (it is an Association of ship repair and service providers) and will be engaging the services of qualified consultants as noted in Section IV.1.

2. **Organization Chart**

The applicant shall illustrate the position of each staff and line of responsibility/supervision. If the request is part of a large, multi-purpose organization, include an organization chart that illustrates the placement of this request.

Ship Repair Association of Hawaii
Organization Chart



Note: SRAH does not have any employees. Officers are members of the Board of Directors

3. **Compensation**

The applicant shall provide the annual salaries paid by the applicant to the three highest paid officers, directors, or employees of the organization by position.

Not applicable - SRAH does not have any employees and does not compensate any of its directors or officers.

VI. Other

1. **Litigation**

The applicant shall disclose any pending litigation to which they are a party, including the disclosure of any outstanding judgement. If applicable, please explain.

Not applicable - none

2. **Licensure or Accreditation**

The applicant shall specify any special qualifications, including but not limited to licensure or accreditation that the applicant possesses relevant to this request.

Not applicable - none

3. **Private Educational Institutions**

The applicant shall specify whether the grant will be used to support or benefit a sectarian or non-sectarian private educational institution. Please see Article X, Section 1, of the State Constitution for the relevance of this question.

Not applicable - none

4. **Future Sustainability Plan**

The applicant shall provide a plan for sustaining after fiscal year 2018-19 the activity funded by the grant if the grant of this application is:

- (a) Received by the applicant for fiscal year 2018-19, but
- (b) Not received by the applicant thereafter.

Not applicable – This Study is planned to be completed during fiscal year 2018-19

5. **Certificate of Good Standing (If the Applicant is an Organization)**

If the applicant is an organization, the applicant shall submit one (1) copy of a certificate of good standing from the Director of Commerce and Consumer Affairs that is dated no earlier than December 1, 2017.

Certificate of Good Standing is attached.

6. **Declaration Statement**

The applicant shall submit a declaration statement affirming its compliance with Section 42F-103, Hawaii Revised Statutes. ([Link](#))

The Declaration Statement is attached.

7. **Public Purpose**


The applicant shall specify whether the grant will be used for a public purpose pursuant to Section 42F-102, Hawaii Revised Statutes. ([Link](#))

The grant is for a public purpose pursuant to HRS Section 42F-102 as documented in this grant application.

BUDGET REQUEST BY SOURCE OF FUNDS

Period: July 1, 2018 to June 30, 2019

Applicant: Ship Repair Association of Hawaii

BUDGET CATEGORIES	Total State Funds Requested (a)	Total Federal Funds Requested (b)	Total County Funds Requested (c)	Total Private/Other Funds Requested (d)
A. PERSONNEL COST				
1. Salaries	0			
2. Payroll Taxes & Assessments	0			
3. Fringe Benefits	0			
TOTAL PERSONNEL COST	0			
B. OTHER CURRENT EXPENSES				
1. Airfare, Inter-Island	0			
2. Insurance	0			
3. Lease/Rental of Equipment	0			
4. Lease/Rental of Space	0			
5. Staff Training	0			
6. Supplies	1,000			
7. Telecommunication	0			
8. Utilities	0			
9. Consultant fees	185,000			
10. Consultant travel costs	48,600			
11				
12				
13				
14				
15				
16				
TOTAL OTHER CURRENT EXPENSES	234,600			
C. EQUIPMENT PURCHASES				
D. MOTOR VEHICLE PURCHASES				
E. CAPITAL				
TOTAL (A+B+C+D+E)	234,600			
SOURCES OF FUNDING		Budget Prepared By:		
(a) Total State Funds Requested	234,600	Ben Nakaoka	784-2362	
(b) Total Federal Funds Requested	0	Name (Please type)	Phone	
(c) Total County Funds Requested	0		1/18/18	
(d) Total Private/Other Funds Requested	0		Signature of Authorized Official	Date
TOTAL BUDGET	234,600	Iain Wood, President of SRAH Name and Title (Please type or print)		

BUDGET JUSTIFICATION - PERSONNEL SALARIES AND WAGES

Period: July 1, 2018 to June 30, 2019

Applicant: Ship Repair Association of Hawaii

POSITION TITLE	FULL TIME EQUIVALENT	ANNUAL SALARY A	% OF TIME ALLOCATED TO GRANT REQUEST B	TOTAL STATE FUNDS REQUESTED (A x B)
Not applicable - no employees				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
TOTAL:				
JUSTIFICATION/COMMENTS:				

BUDGET JUSTIFICATION - EQUIPMENT AND MOTOR VEHICLES

Period: July 1, 2018 to June 30, 2019

Applicant: _Ship Repair Association of Hawaii

DESCRIPTION EQUIPMENT	NO. OF ITEMS	COST PER ITEM	TOTAL COST	TOTAL BUDGETED
Not applicable -			\$ -	0
			\$ -	
			\$ -	
			\$ -	
			\$ -	
TOTAL:				0
JUSTIFICATION/COMMENTS:				

DESCRIPTION OF MOTOR VEHICLE	NO. OF VEHICLES	COST PER VEHICLE	TOTAL COST	TOTAL BUDGETED
Not applicable			\$ -	0
			\$ -	
			\$ -	
			\$ -	
			\$ -	
TOTAL:				0
JUSTIFICATION/COMMENTS:				

BUDGET JUSTIFICATION - CAPITAL PROJECT DETAILS

Period: July 1, 2018 to June 30, 2019

Applicant: Ship Repair Association of Hawaii

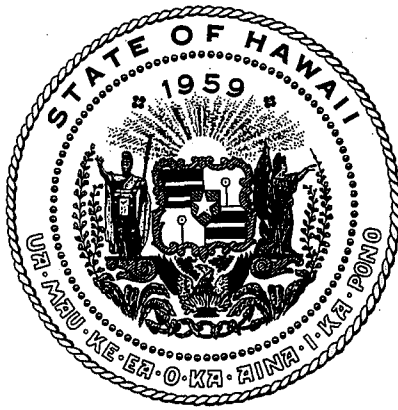
FUNDING AMOUNT REQUESTED						
TOTAL PROJECT COST	ALL SOURCES OF FUNDS RECEIVED IN PRIOR YEARS		STATE FUNDS REQUESTED	OF FUNDS REQUESTED	FUNDING REQUIRED IN SUCCEEDING YEARS	
	FY: 2016-2017	FY: 2017-2018	FY:2018-2019	FY:2018-2019	FY:2019-2020	FY:2020-2021
PLANS	0	0				
LAND ACQUISITION		0				
DESIGN	0	0				
CONSTRUCTION	0	0				
EQUIPMENT	0	0				
TOTAL:	0	0	0	0	0	0
JUSTIFICATION/COMMENTS: NOT APPLICABLE						

GOVERNMENT CONTRACTS, GRANTS, AND / OR GRANTS IN AID

Applicant: Ship Repair Association of Hawaii

Contracts Total: -

	CONTRACT DESCRIPTION	EFFECTIVE DATES	AGENCY	GOVERNMENT ENTITY (U.S. / State / Haw / Hon / Kau / Mau)	CONTRACT VALUE
1					
2	NONE				
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					



Department of Commerce and Consumer Affairs

CERTIFICATE OF GOOD STANDING

I, the undersigned Director of Commerce and Consumer Affairs of the State of Hawaii, do hereby certify that

SHIP REPAIR ASSOCIATION OF HAWAII

was incorporated under the laws of Hawaii on 04/05/2002 ; that it is an existing nonprofit corporation; and that, as far as the records of this Department reveal, has complied with all of the provisions of the Hawaii Nonprofit Corporations Act, regulating domestic nonprofit corporations.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Department of Commerce and Consumer Affairs, at Honolulu, Hawaii.

Dated: January 10, 2018

Director of Commerce and Consumer Affairs



**DECLARATION STATEMENT OF
APPLICANTS FOR GRANTS PURSUANT TO
CHAPTER 42F, HAWAII REVISED STATUTES**

I

The undersigned authorized representative of the applicant certifies the following:

- 1) The applicant meets and will comply with all of the following standards for the award of grants pursuant to Section 42F-103, Hawaii Revised Statutes:
 - a) Is licensed or accredited, in accordance with federal, state, or county statutes, rules, or ordinances, to conduct the activities or provide the services for which a grant is awarded;
 - b) Complies with all applicable federal and state laws prohibiting discrimination against any person on the basis of race, color, national origin, religion, creed, sex, age, sexual orientation, or disability;
 - c) Agrees not to use state funds for entertainment or lobbying activities; and
 - d) Allows the state agency to which funds for the grant were appropriated for expenditure, legislative committees and their staff, and the auditor full access to their records, reports, files, and other related documents and information for purposes of monitoring, measuring the effectiveness, and ensuring the proper expenditure of the grant.
- 2) If the applicant is an organization, the applicant meets the following requirements pursuant to Section 42F-103, Hawaii Revised Statutes:
 - a) Is incorporated under the laws of the State; and
 - b) Has bylaws or policies that describe the manner in which the activities or services for which a grant is awarded shall be conducted or provided.
- 3) If the applicant is a non-profit organization, it meets the following requirements pursuant to Section 42F-103, Hawaii Revised Statutes:
 - a) Is determined and designated to be a non-profit organization by the Internal Revenue Service; and
 - b) Has a governing board whose members have no material conflict of interest and serve without compensation.

Pursuant to Section 42F-103, Hawaii Revised Statutes, for grants used for the acquisition of land, when the organization discontinues the activities or services on the land acquired for which the grant was awarded and disposes of the land in fee simple or by lease, the organization shall negotiate with the expending agency for a lump sum or installment repayment to the State of the amount of the grant used for the acquisition of the land.

Further, the undersigned authorized representative certifies that this statement is true and correct to the best of the applicant's knowledge.

SHIP REPAIRERS ASSOCIATION OF HAWAII
(Typed Name) (Organization)

[REDACTED] JANUARY 18, 2018
(Signature) (Date)

IAIN WOOD PRESIDENT
(Typed Name) (Title)