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GREGG S. SERIKAKU
EXECUTIVE DIRECTOR

Via Email

March 29, 2017

Senator Gilbert S.C. Keith-Agaran, Chair
Senator Karl Rhoads, Vice-Chair
Senate Committee on Judiciary and Labor
The Twenty-Ninth Legislature, Regular Session of 2017

LATE TESTIMONY

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

SUBJECT: HB1229 HD1 SD1 Relating to Procurement

My name is Gregg Serikaku. I am the Executive Director of the Plumbing and Mechanical Contractors Association of Hawaii.

The Association for which I speak is **strongly opposed** to HB1229 HD1 SD1.

This bill would create an arbitrary and unnecessary dollar threshold for contracts requiring a subcontractor listing. While the threshold in this draft is of an unspecified amount, we believe the inclusion of a threshold would only serve to disadvantage those subcontractors whose value of work falls below the threshold by subjecting them to the unethical and predatory practice of bid shopping. We also believe this change will degrade the integrity of the procurement process and ultimately increase bid challenges.

While the proponents of this bill may try to mislead you into believing that there has been an excessive number of protests and costs related to the sublisting requirement and that a listing threshold is necessary to reduce these protest, we believe that the 2016 report from the Procurement Task Force clearly shows otherwise. The data from this report indicates that only a very small percentage of the total construction jobs procured by the reporting agencies were protested, and that the increase in the contract price of bids going to the non low bidder due to protests was less than 1%. These results clearly show that the number and costs of protests are minimal, and in most cases prime bidders were able to correctly follow the procurement rules and subcontractor listing requirements currently in place.

In summary, there is no substantiated need to dilute the sublisting requirement by implementing a listing threshold. Other dollar thresholds that have been proposed in the past represent sizable contracts for many contractors especially for the small and medium sized companies which form the backbone of the local construction industry, and these companies should not be discounted and exposed to bid shopping.

We therefore respectfully urge the committee to hold this bill.

Respectfully yours,

A handwritten signature in black ink that reads "Gregg S. Serikaku".

Gregg S. Serikaku
Executive Director