



**LATE**

**February 9, 2017**

**TO:** Senate Committee on Government Operations

**FROM:** Blake Parsons, Executive Director

**SUBJECT:** Opposition to *S.B. 1069 - Relating to Procurement*

Chair Mercado Kim and Members of the Committee:

I am Blake Parsons, Executive Director of the Sheet Metal Contractors Association (SMCA), and we **strongly oppose S.B. 1069.**

SMCA is a trade association that represents 36 signatory sheet metal and air conditioning contractors who employ over 500 Hawaii Sheet Metal Workers (Local 293 - A.F.L.-C.I.O) and hundreds of projects managers, administrative staff and other construction related personnel.

**The bill disadvantages many small and up-and-coming contractors who are protected by the subcontractor listing requirement.** By only requiring subcontractor listing for projects over \$1 million when joint contractor and the subcontractor work is less than 5% of the total amount, the State would effectively sanction bid shopping and reduce competition in the procurement process.

The State's procurement code is explicitly written to encourage competition and prevent bid shopping and bid chiseling. This bill would allow general contractor to prey on subcontractors who are attempting to enter the State contracting arena by bidding on just a fraction of jobs under \$1 million - a starting point for most small businesses. General contractors would now be able to pit subcontractors against each other - this would only benefit the pockets of the general contractors and not the taxpayers.

A report published in 2016, created by the Procurement Task Force consisting of general contractors, subcontractors, labor, and state and city department representatives, found that there was no significant cost increase due to subcontractor listing protest issues. The report went on to say that, "*the negative impact of the protest process was not as substantial as first thought and is not likely to outweigh its merits.*"



Furthermore, the \$1 million threshold is arbitrary. There is no basis for this number and it is simply an attempt to open the door to ultimately removing the subcontractor listing requirement from the Hawaii Procurement Code, which would be devastating to small businesses across the state.

We feel the legislature has a duty to uphold the intent of the procurement code, protect small businesses, and ensure legislation is intended to benefit the taxpayers. SB1069 does none of this.

Therefore, **we strongly oppose SB1069.**

Mahalo,

A handwritten signature in blue ink, appearing to be "Blake Parsons". The signature is stylized and fluid, with a long horizontal stroke at the end.

Blake Parsons  
Executive Director