



DAVID Y. IGE  
GOVERNOR

MIKE MCCARTNEY  
DIRECTOR

## DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of  
**MIKE MCCARTNEY**  
Director

Department of Business, Economic Development, and Tourism  
before the  
**HOUSE COMMITTEE ON FINANCE**

Tuesday, February 26, 2019  
1:30 p.m.  
State Capitol, Conference Room 308

In consideration of  
**HB 821, HD1**  
**RELATING TO TELECOMMUNICATIONS.**

Chair Luke, Vice Chair Cullen and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) **Strongly Supports** HB821, HD1, which authorizes the Department of Business, Economic Development, and Tourism to enter into a public-private partnership to plan, build, and manage key strategic broadband infrastructure that benefits the State, including a cable landing station in Kakaako, on the island of Oahu.

As recommended by the Broadband Task Force, this bill recognized the importance of the construction of an open access, carrier neutral cable landing station to attract transpacific fiber optic cables to Hawaii to develop the State into a strategic communications and knowledge hub for the Pacific region.

Thank you for the opportunity to testify.

DAVID Y. IGE  
GOVERNOR



SARAH ALLEN  
ADMINISTRATOR  
BONNIE KAHAKUI  
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

FINANCE

February 26, 2019, 1:30 p.m.

HB821, HD1  
RELATING TO TELECOMMUNICATIONS

Chair Luke, Vice Chair Cullen, and members of the committee, thank you for the opportunity to submit testimony on HB821, HD1. The State Procurement Office (SPO) opposes the proposition to exempt an entire multimillion-dollar public-private partnership (P3) from the Hawaii Public Procurement Code (Code).

The Code already allows for this kind of complex partnering to take place using competitive sealed proposals. In addition, House Bill HB889, supported by a majority of the same legislators, is recommending incorporating public private partnership language within the Code for this reason.

The SPO has been participating in procurement strategy with the DBEDT Leadership and Broadband Director on this P3 for over a year, and is well informed on this cable-landing requirement as well as the large systemic system that should be considered to enable faster and cheaper internet access to the Hawaiian Islands.

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.

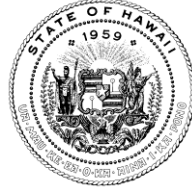
Exemptions to the code mean that all procurements made with taxpayer monies will not have the same oversight, accountability and transparency requirements mandated by those procurement processes provided in the code. It means that there is no requirement for due diligence, proper planning or consideration 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 costlier, 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.



DAVID Y. IGE  
GOVERNOR

JOSH GREEN  
LT. GOVERNOR

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CATHERINE P. AWAKUNI COLÓN  
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**Testimony of the Department of Commerce and Consumer Affairs**

**Before the  
House Committee on Finance  
Tuesday, February 26, 2019  
1:30 p.m.  
State Capitol, Conference Room 308**

**On the following measure:  
H.B. 821, H.D. 1, RELATING TO TELECOMMUNICATIONS**

Chair Luke and Members of the Committee:

My name is Ji Sook “Lisa” Kim, and I am the Cable Administrator of the Department of Commerce and Consumer Affairs’ (Department) Cable Television Division. The Department supports this bill.

The purpose of this bill is to: (1) authorize the Department of Business, Economic Development, and Tourism (DBEDT) to enter into a public-private partnership to plan, build, and manage strategic broadband infrastructure, including a cable landing station in Kakaako, and to encourage cloud-based companies to use this infrastructure; (2) allow the partnership to enter into contracts that are exempt from Hawaii Revised Statutes chapter 103D; (3) exempt the cable landing station to be built from all county permitting requirements and state permitting and requirements; and (4) appropriate funds for the cable landing station.

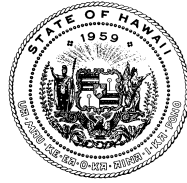
The Department supports public and private efforts to enhance and facilitate the deployment of, and access to, competitively priced broadband services across the

State. A key component to the provision of broadband in the State, indeed the lifeline for the State's connectivity to the rest of the world, is transpacific fiber. However, advancements in submarine fiber optic technology now allow transpacific crossings to bypass the State. For this reason, and because of the expected exponential growth in demand for broadband capacity by consumers and businesses in the State, as well as the potential for the development and attraction of new businesses that rely on high capacity connection, the State has taken active steps to encourage new transpacific fiber system landings in Hawaii. This includes DBEDT's current transpacific fiber optic cable landing station project in Kakaako.

The Department thus strongly supports this bill as an important next step, by providing the necessary funding to allow DBEDT to enter into a public-private partnership to plan, build, and manage the planned cable landing station. This cable landing station would be immensely valuable to Hawaii because it would strongly encourage more cable landings. More cable landings would mean increased bandwidth capacity to meet the growing demand by consumers and to encourage and support growing technology and telecommunications industries in the State. Further, it would create competition, which could translate into lower pricing for backhaul services and lower broadband service prices for consumers.

The Department defers to DBEDT on the specific provisions of the bill and to the appropriate State and county agencies regarding the provisions providing exemptions from procurement, permitting, and approval requirements.

Thank you for the opportunity to testify on this bill.



**STATE OF HAWAII**  
**DEPARTMENT OF HEALTH**  
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**WRITTEN  
TESTIMONY  
ONLY**

**Testimony in SUPPORT of HB821 HD1  
RELATING TO TELECOMMUNICATIONS.**

REP. SYLVIA LUKE, CHAIR  
HOUSE COMMITTEE ON FINANCE

Hearing Date: February 26, 2019

Room Number: 308

1 **Fiscal Implications:** N/A.

2 **Department Testimony:** The Department of Health (DOH) supports the authority for the  
3 Department of Business, Economic Development, and Tourism to enter into a public-private  
4 partnership to plan, build, and manage key strategic broadband infrastructure that benefits the  
5 State, including a cable landing station in Kakaako, on the island of Oahu. As recommended by  
6 the Broadband Task Force, this bill recognized the importance of the construction of an open  
7 access, carrier neutral cable landing station to attract transpacific fiber optic cables to Hawaii to  
8 develop the State into a strategic communications and knowledge hub for the Pacific region.

9 Telehealth is a strategic priority for DOH and a cost-effective and high-quality means of bringing  
10 health care access to underserved areas. However, since several areas of the State lack robust  
11 broadband connectivity, adoption is stymied.

12 **Offered Amendments:** N/A.

13



Written Statement of  
**Len Higashi**  
Acting Executive Director  
Hawaii Technology Development Corporation  
before the  
**House Committee on Finance**  
Tuesday, February 26, 2019  
1:30 p.m.  
State Capitol, Conference Room 308

In consideration of  
**HB821, HD1**  
**RELATING TO TELECOMMUNICATONS.**

Chair Luke, Vice Chair Cullen, and Members of the Committee.

The Hawaii Technology Development Corporation (HTDC) **supports** HB821, HD1 that Authorizes the Department of Business, Economic Development, and Tourism to enter into a public-private partnership to plan, build, and manage key strategic broadband infrastructure that benefits the State, including a cable landing station in Kakaako, on the island of Oahu, encourage cloud-based companies to take advantage of this infrastructure, exempts the partnership from certain state and county laws, and appropriates funds.

As part of HTDC's vision to create 80,000 new innovation jobs in Hawaii earning \$80,000 or more by 2030, HTDC supports initiatives aimed at promoting technology and innovation jobs. HTDC is nearing completion for the construction phase of the Entrepreneurs Sandbox in Kakaako. The project was built through State, Federal, and private sector funds. In the future, HTDC has plans to build an incubator adjacent to the Entrepreneurs Sandbox. The cable landing station will be a key asset for both facilities and help create the critical mass required for innovation to flourish.

HTDC defers to DBEDT on the technical aspects of this measure Thank you for the opportunity to offer these comments.



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Testimony Presented Before the  
House Committee on Finance  
Tuesday, February 26, 2019 at 1:30 p.m.

By

Garret T. Yoshimi, Vice President for Information Technology/Chief Information Officer  
University of Hawai'i System

### HB 821 HD1 – RELATING TO TELECOMMUNICATIONS

Chair Luke, Vice Chair Cullen and members of the committee:

The University of Hawai'i strongly supports HB 821 HD1 which authorizes the Department of Business, Economic Development, and Tourism to enter into a public-private partnership to plan, build, and manage key strategic broadband infrastructure that benefits the State, including a cable landing station in Kaka'ako, on the island of O'ahu. This bill recognizes the critical importance of the construction of an open access, carrier neutral cable landing station, together with support for convenient interconnection with terrestrial fiber networks to enable the efficient exchange of traffic with other submarine cable systems and local terrestrial networks, to attract transpacific fiber optic cables to Hawai'i. The resulting outcomes will help to ensure Hawai'i's future viability in the global economy, and provide the critical telecommunications infrastructure to keep our community from being isolated from the rest of the world on the wrong side of the digital divide.

Thank you for the opportunity to provide comments on HB 821 HD1.



Submitted Via Online  
February 25, 2019



Testimony of the  
Oahu Economic Development Board (OEDB)  
**In Support of HB 821, HD1**  
**RELATING TO TELECOMMUNICATIONS**

COMMITTEE ON FINANCE  
Rep. Sylvia Luke, Chair  
Rep. Ty J.K. Cullen, Vice Chair

Tuesday, February 26, 2019  
1:30 P.M.  
Conference Room 308  
State Capitol  
415 South Beretania Street

Aloha Chair Luke, Vice-Chair Cullen, and Members of the Committee,

The Oahu Economic Development Board supports HB 821, HD1.

In the fall of 2018 OEDB with the Economic Development Alliance of Hawaii convened various individuals with diverse expertise in Media, IT, Education, Security, Energy, and Economics to listen to their input on a Broadband Initiative for Hawaii. The conversation was not a question of support for Broadband Infrastructure but the critical unrecognized hardship or handicap our youth will need to overcome if we don't provide for it. We strongly encourage your forwarding of this very important resource for our most important resource.

Mahalo,

A handwritten signature in black ink, appearing to read "Pono Shim".

Pono Shim  
CEO, Oahu Economic Development Board



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**TESTIMONY BEFORE THE  
HOUSE COMMITTEE ON FINANCE**

**H.B. 821, HD1**

**Relating to Telecommunications**

Wednesday, February 26, 2019  
1:30 p.m., Agenda Item # 10  
State Capitol, Conference Room 308

Mindy E. Hartstein  
Director of Pole Infrastructure Enterprise  
Hawaiian Electric Companies

Aloha Chair Luke, Vice Chair Cullen, and Members of the Committee,

My name is Mindy E. Hartstein and I am testifying on behalf of the Hawaiian Electric Company, Inc., Maui Electric Company, Limited and Hawai'i Electric Light Company, Inc. (collectively, "the Companies") in support of H.B. 821, HD1, Relating to Telecommunications.

Facilitating the creation of key strategic broadband infrastructure, including the construction of an open access, carrier neutral cable landing station used to attract transpacific fiber optic cables, is critical and necessary in providing sufficient capacity for the State's ever-increasing broadband demands of the future

The Companies use broadband services to assist with key renewable and resiliency efforts such as our distributed energy resources opportunities and in providing innovative grid modernization solutions, as well as serving as a major infrastructure provider for broadband through the approximately 170,000 distribution poles and other Company assets used to attach broadband communications equipment. As an infrastructure owner, the Companies believe the appropriation of funds for the establishment of an open access, carrier neutral cable landing station in support of the



**Hawaiian Electric  
Maui Electric  
Hawai'i Electric Light**

Hawaii broadband initiative is paramount for robust connectivity, economic viability, and to create renewable, resilient, and sustainable communities for the future.

Accordingly, the Companies support H.B. 821, HD1. Thank you for this opportunity to testify.

# ACEC

AMERICAN COUNCIL OF ENGINEERING COMPANIES  
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50 Years of Excellence

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February 25, 2019

## **House Committee on Finance**

**Hearing Date: Tuesday, February 26, 1:30 p.m., Conference Room 308**

**Subject: HB 821, HD1  
Support, with Suggested Revision regarding Procurement Exemption**

Dear Chair Luke, Vice Chair Cullen, and Members of the Committee:

The American Council of Engineering Companies of Hawaii (ACECH) represents more than 60 consulting engineering firms with over 1,500 employees throughout Hawaii. ACEC nationally is a strong supporter of long-term investment in modern and efficient infrastructure as a driver of our economy. We support the intent of this bill to improve telecommunications infrastructure in the State.

The contract to develop such infrastructure under a public-private partnership would require significant State investment, and must be subject to appropriate procurement best practices, including Qualifications-Based Selection (QBS), the nationally recognized model procurement code for the procurement of design professional services. QBS protects taxpayer interests and provides for the selection of the best qualified design professional for projects, essential for public safety.

Therefore, we propose the language in Section (c) (1) (C) regarding the procurement code be revised as follows (added language underlined):

“Be exempt from chapter 103D, Hawaii Revised Statutes, but develop internal policies and procedures for the procurement of goods, services, and construction, consistent with the goals of public accountability and public procurement, including the use of qualifications-based selection for the procurement of design professional services in accordance with chapter 103D-304, Hawaii Revised Statutes.”

Please contact us if you have any questions about our testimony on HB821, HD1.

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**TESTIMONY IN SUPPORT OF HB 821 HD1**  
Before the House Committee on Finance

Aloha Chair Luke, Vice Chair Cullen and members of the Committee.

RTI supports HB 821 HD1 which requires DBEDT to establish a public-private partnership to plan, build and manage key strategic broadband infrastructure as well as establish an open access, carrier neutral cable landing station. As the largest investor in the SEA-US Cable System segment between Guam-Hawaii-California, RTI is committed to the core principles of neutrality which have led to us becoming the world's largest independent cable owner.

The lack of neutral cost-effective backhaul in Hawaii is the largest impediment to realizing the economic potential derived from local and global connectivity infrastructure investments that is now being realized by others. Embracing a neutral cable landing station and cost-effective backhaul, which will provide neutral connectivity between-and-among existing cable stations, will attract new undersea cables while helping to unlock the economic potential with Hawaii's existing undersea cables.

Overall, the appropriation to support this bill is critical to Hawaii's relevance in the Asia Pacific region to not only align itself with the growth in undersea cable construction but also to help establish Hawaii as a critical hub in the Pacific.

RTI has witnessed firsthand the benefits associated with neutral cable stations and connectivity in the United States, Asia and Australia, and, accordingly, we strongly support passage of HB 821 HD1.

Thank you for the opportunity to provide testimony in support of HB 821 HD1.

**HB-821-HD-1**

Submitted on: 2/24/2019 12:20:49 PM

Testimony for FIN on 2/26/2019 1:30:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Omar Sultan	Individual	Support	No

Comments:

**HB-821-HD-1**

Submitted on: 2/25/2019 9:59:42 AM

Testimony for FIN on 2/26/2019 1:30:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Mark Hukill	Individual	Support	No

Comments:

As a consultant in telecommunications and currently a program advisor to the Pacific Telecommunications Council, PTC, (although speaking for myself, not PTC) I strongly support HB 821 HD1 and recommend that the finance committee approve. Hawaii's position with essential infrastructure for communications connectivity is already lagging and the situation can only be remedied in the long run by the State taking a proactive role in catalyzing and facilitating long-recommended developments in this arena. A carrier neutral undersea cable landing station in Kakaako as HB 821 HD 1 proposes will not in itself be sufficient to improve the situation (undersea cable trunking to Hawaii from existing and planned trans-pacific cables must also be addressed among other issues), but it is one important step to realize a critical need in addressing Hawaii's long-term viability by taking concrete steps toward far greater broadband access and availability in a digital economy.



Statement of: Scott Schwertfager, CEO, Ocean Networks 708 Henley Fields Circle, Johns Creek, GA 30097

Testimony presented before the

**HOUSE FINANCE COMMITTEE**

Tuesday, February 26, 2019 1:30pm  
State Capitol, Conference Room 308

In consideration of

**HB 821 HD1  
RELATING TO TELECOMMUNICATIONS.**

Chair Luke, Vice Chair Cullen and members of the Committee. Ocean Networks parent corporation and builder of the South American Pacific Link system, **Strongly Supports** HB821 HD1 which authorizes the Department of Business, Economic Development, and Tourism to enter into a public-private partnership to plan, build, and manage key strategic broadband infrastructure that benefits the State, including a cable landing station in Kakaako, on the island of Oahu.

My name is Scott Schwertfager. I live in Johns Creek, GA and I am the CEO of Ocean Networks, Inc. Ocean Networks is developing a submarine cable system that's planned to connect Oahu, Hawaii to the west coast of South America, Central America and the continental United States (Naples, Florida). The System is called South America Pacific Link or SAPL.

Based on our 25 years of submarine cable experience with the state of Hawaii, we have concerns about landing the SAPL cable system there. There are two main issues: 1) The extended timeframe for obtaining permits 2) The cost of connectivity from a cable landing station to a cross-connect facility (data center). Submarine cable systems typically meet at a neutral data center (such as Oahu's DR Fortress) where different cable systems can cross-connect with each other and then provide connectivity to different parts of the world. Hawaii is an excellent mid-Pacific location for cable systems to cross-connect with each other. However, based on the issues mentioned above, cable systems have been bypassing Hawaii.



We are of the opinion that a state-owned carrier neutral cable landing station in conjunction with connectivity to DR Fortress would alleviate the issues of landing submarine cables in Hawaii. In my opinion, submarine cables are vital for Hawaii's economic growth, they are necessary to attract new business such as large data centers i.e. Federal Government, Amazon, Google, Microsoft, Facebook, Netflix. Cable systems and the proposed neutral cable station is an important infrastructure for Hawaii, they should be viewed as the infrastructure of an airport that is necessary for tourism of Hawaii. They will attract transpacific fiber optic cables and the digital content they carry. This will assist Hawaii to develop into a strategic communications and knowledge hub for the Pacific region.

Thank you for the opportunity to testify in support of HB 821 HD1.