

ORIGINAL

EXECUTIVE CHAMBERS

HONOLULU

April 29, 1999

STATEMENT OF OBJECTIONS TO HOUSE BILL NO. 1338

Honorable Members  
Twentieth Legislature  
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, House Bill No. 1338, entitled "A Bill for an Act Relating to Public Contracts."

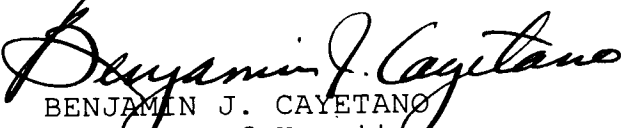
The purpose of House Bill No. 1338 is to limit the amount of retainage to be withheld by a contractor from its subcontractor on a public works contract to a maximum of five percent of the subcontractor's contact price. This limitation would also apply to subcontractors on public works contracts who subcontract work to other subcontractors.

Historically, the laws affecting public works contracts have always avoided inserting the government into the relationship between the general contractor and its subcontractors. In doing so, the government deals directly only with the general contractor and not with the numerous subcontractors on a public works project. This results in a more efficient and cost-effective project. By mandating the amount of retainage a general contractor may withhold from its subcontractors, this bill interferes with their relationship. In addition, I believe that if this bill is enacted, general contractors may begin requiring subcontractors to post performance and payment bonds for participation in public works projects, which will lead to higher costs of public works projects. Furthermore, if such bonding requirements are imposed on subcontractors by the general contractors, smaller subcontractors will not be able to participate in public works projects, thereby eliminating competition among the subcontractors that would otherwise exist.

STATEMENT OF OBJECTIONS  
HOUSE BILL NO. 1338  
Page 2

For the foregoing reasons, I am returning House Bill No.  
1338 without my approval.

Respectfully,

  
BENJAMIN J. CAYETANO  
Governor of Hawaii