



**STATE OF HAWAII  
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

830 PUNCHBOWL STREET, ROOM 321  
HONOLULU, HAWAII 96813  
[www.labor.hawaii.gov](http://www.labor.hawaii.gov)  
Phone: (808) 586-8844 / Fax: (808) 586-9099  
Email: [dlir.director@hawaii.gov](mailto:dlir.director@hawaii.gov)

February 22, 2016

TO: The Honorable Sylvia Luke, Chair,  
The Honorable Scott Y. Nishimoto, Vice Chair, and  
Members of the House Committee on Finance

Date: Wednesday, February 24, 2016  
Time: 3:00 p.m.  
Place: Conference Room 308, State Capitol

From: Linda Chu Takayama, Director  
Department of Labor and Industrial Relations (DLIR)

**Re: H.B. No. 2475 HD1, Relating to Workforce Development**

**I. OVERVIEW OF PROPOSED LEGISLATION**

HB2475 HD1 proposes to add a new chapter to Hawaii Revised Statutes (HRS), to establish within the department a maritime industry grant program in which the department would award grants to qualified shipyards based on criteria developed by the department.

DLIR supports the intent of this proposal provided its passage does not replace or adversely affect priorities identified in the Governor's Supplemental Budget request and requests amendments as offered below.

For workforce development purposes, DLIR estimates that \$300,000 will train about twenty-seven (27) shipbuilding or ship repair workers, including the corresponding staff support for skills assessments, employment planning, and counseling. However, this allocation would not cover the provisions DLIR suggests striking in the comments section below—those functions would require procuring contracts by the department.

Projects eligible to receive grants shall include:

- (1) Capital improvement projects to foster efficiency, competitive operations, and quality ship construction repair, and ship reconfiguration;

- (2) Workforce development and training projects to improve employee skills in maritime industry; and
- (3) Purchase of machinery and equipment for use in ship repair, ship construction, or ship reconfiguration.

The measure requires the department to determine if grants applications are economically viable and beneficial.

## **II. CURRENT LAW**

There is no current law pertaining specifically to workforce development of the maritime industry.

## **III. COMMENTS ON THE HOUSE BILL**

This bill builds upon the success of a pilot project that was collaboratively designed and implemented last year by the department to develop local talent for maritime welding and ship repair. The pilot included three (3) employers from the shipyard in Honolulu Harbor as well as Honolulu Community College in addition to DLIR. This pilot project was developed because employers are forced to import mainland talent at a high cost, with high turnover, due to an insufficient number of local qualified workers.

The pilot project provided recruitment services, internship, and an accelerated maritime welding course that resulted in 13 trainees being hired by the shipyard. Funding sources were primarily federal, of which a large amount will be expiring by September 30, 2016. Employers also contributed to the cost by covering the cost of criminal background checks and equipment for all applicants selected.

This bill would enable the department, college, and employers to refine and expand upon the pilot project so that more local qualified workers can be developed to fill more high-skill occupations in the shipyard. Therefore, the department supports this bill provided its passage does not replace or adversely affect priorities identified in the Governor's Supplemental Budget request.

DLIR offers the following amendments to delete provisions in the HD1 for the Committee's consideration:

- 1. Page 3, lines 17-20 section 3(b)(1) referring to capital improvement projects—the department does not have the authority to implement capital improvement projects.
- 2. Page 4, lines 3-6 section – 3(c) relating to purchase of machinery and equipment building or ship repair—DLIR does not have the requisite

expertise to determine feasibility of equipment purchases for those purposes.

3. Page 4, lines 10-16 -3(e) relating to DLIR reviewing economic viability and benefits of grant requests— DLIR does not have the economists or capacity to determine the economic viability of the grant request or the benefits to the State.
4. Page 5, lines 2 and 4 section – 4 (2) and (4) relating to report on projected economic benefit—DLIR does not have the expertise to determine projected economic benefits of projects.



# Chamber of Commerce HAWAII

*The Voice of Business*

**Testimony to the House Committee on Finance  
Wednesday, February 24, 2016 at 3:00 P.M.  
Conference Room 308, State Capitol**

**RE: HOUSE BILL 2475 HD 1 RELATING TO WORKFORCE DEVELOPMENT**

Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 2475 HD 1, which establishes a maritime industry grant program within the department of labor and industrial relations. Establishes criteria for the awarding of grants. Appropriates funds.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

Hawaii's ship repair companies already suffers a geographical disadvantage compared to its mainland counterparts, and can be overlooked completely if the industry cannot provide the level of customer service that is expected elsewhere. Today's vessel owners are more technologically inclined as they provide computer-aided designs of equipment or parts that they need repaired or fabricated. Hawaii's shipyards needs to keep up with the machinery and equipment used in the industry, which is more precise and relies on trained staff. HB 2475 HD 1 would provide necessary support to bring the industry to a competitive level by replacing old equipment and training qualified staff.

Thank you for the opportunity to testify.

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 22, 2016 10:22 PM  
**To:** FINTestimony  
**Cc:** achung@navatekltd.com  
**Subject:** Submitted testimony for HB2475 on Feb 24, 2016 15:00PM

**HB2475**

Submitted on: 2/22/2016

Testimony for FIN on Feb 24, 2016 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
ann chung	Pacific Shipyards International	Support	Yes

Comments: Comments: As an island state, Hawaii faces many unique micro and macroeconomic challenges not found in mainland economies. Hawaii's industrial base, labor markets, and intellectual expertise are critical to the State's economic health and growth. Mainland states can compete for labor and expertise and enjoy a significant cross border transfer of skills among industries. But due to the high cost of living and remoteness, Hawaii does not enjoy the same cross border transfer of industrial skills. The trend has been that once an industrial skill leaves, it is lost to the State. If a local industry or labor skill is lost to off-island interest, the ability to replace the industry or capability is difficult at best. Since the early 1990's, the ship repair industry in Hawaii has diversified into critical industrial sectors that insures Hawaii's ship repair industrial base remains robust and viable. It employs over 750 HIGHLY SKILLED TRADE EMPLOYEES and their related support team personnel and TOTAL INDUSTRY REVENUE EXCEEDS \$100M. Vessels repaired include cargo ships delivering goods to the islands, interisland barges for cargo and fuel, workboats including Tugs, Pilot boats, and other specialty boats, USCG ships and boats, US Navy ships and boats, US Army landing craft, State and C&C security patrol and first responder boats, commercial fishing boats and passenger boats PLEASE NOTE THAT THE US NAVY HAS RECENTLY ANNOUNCED TAT FLEET HOME PORTING WILL DECLINE BY 30% IN THE NEXT 7 YEARS. THIS GRANT SUPPORT WILL ALLOW THE INDUSTRY TO PROVIDE IMPROVED SERVICE TO THE REMAINING COMMERCIAL VESSELS ALREADY LOCATED ERE AND THOSE THAT CALL ON HONOLULU - SUPPORTING AND SUSTAINING LOCAL SHIP REPAIR JOBS AND EXPERTISE.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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**To:** FINTestimony  
**Cc:** mitchel@navatekltd.com  
**Subject:** Submitted testimony for HB2475 on Feb 24, 2016 15:00PM

**HB2475**

Submitted on: 2/22/2016

Testimony for FIN on Feb 24, 2016 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Mitchel Kagawa	Individual	Support	No

Comments: I strongly support HB2475. Thank You!

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**Subject:** \*Submitted testimony for HB2475 on Feb 24, 2016 15:00PM\*

**HB2475**

Submitted on: 2/22/2016

Testimony for FIN on Feb 24, 2016 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Kacey Lock	Individual	Support	No

Comments:

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**To:** FINTestimony  
**Cc:** eschiff5@gmail.com  
**Subject:** Submitted testimony for HB2475 on Feb 24, 2016 15:00PM

**HB2475**

Submitted on: 2/23/2016

Testimony for FIN on Feb 24, 2016 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Eric Schiff	Individual	Support	No

Comments: I strongly support HB2475.

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**HB2475**

Submitted on: 2/22/2016

Testimony for FIN on Feb 24, 2016 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Susan Matsuura	Individual	Support	No

Comments: I strongly support HB2475

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**HB2475**

Submitted on: 2/22/2016

Testimony for FIN on Feb 24, 2016 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Audra White	Individual	Support	No

Comments: I strongly support HB2475.

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**HB2475**

Submitted on: 2/23/2016

Testimony for FIN on Feb 24, 2016 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Garrett Tom	Individual	Support	No

Comments: I support this bill

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**To:** FINTestimony  
**Cc:** iwood@pacificshipyards.com  
**Subject:** Submitted testimony for HB2475 on Feb 24, 2016 15:00PM

**HB2475**

Submitted on: 2/23/2016

Testimony for FIN on Feb 24, 2016 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Iain Wood	Individual	Support	No

Comments: Strong Support

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