



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

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February 8, 2016

TO: The Honorable Mark M. Nakashima, Chair,
The Honorable Jarrett Keohokalole, Vice Chair, and
Members of the House Committee on Labor and Public Employment

The Honorable Henry J.C. Aquino, Chair,
The Honorable Matthew S. LoPresti, Vice-Chair, and
Members of the House Committee on Transportation

Date: Tuesday, February 9, 2016
Time: 9:30 a.m.
Place: Conference Room 309, State Capitol

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

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

I. OVERVIEW OF PROPOSED LEGISLATION

HB 2475 proposes to add a new chapter to Hawaii Revised Statutes, HRS, to establish within the department a maritime industry grant program to be developed and administered by the department and under which the department shall award grants to qualified shipyards based on criteria to be developed 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.

Grants are awarded if the department determines that an application is economically viable and beneficial.

DLIR supports this proposal with suggested amendments, provided its passage does not replace or adversely affect priorities identified in the Governor's Executive Budget request.

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 Executive Budget request.

The department suggests the following amendments to the bill:

- Page 3, lines 17-20, referring to capital improvement projects –suggest deleting this item because the department does not have the authority to implement capital improvement projects; and
- Page 5, lines 11-14, Exemption from chapter 42F—if the intent of the bill is to award funds directly to private sector shipyard employers of Honolulu Harbor through grants and not through a competitive selection process, then the department recommends adding an exemption from chapter 103F and chapter 103D, HRS.

DLIR also notes the provision (page 4, lines 3-6) allowing the use of grant funds to purchase equipment for ship repair, construction or reconfiguration puts the

department in a position to make decisions about equipment where it lacks the requisite expertise.

Further, page 4 lines 10-16, requires DLIR to make decisions about economic viability and benefits, but the department does not employ economists nor have the expertise to make those kinds of decisions.

In addition, the language is unclear as to ownership of the machinery and equipment. If the intent is for DLIR to purchase and lend to private entities, then the department notes that State law considers the equipment property of the department, which requires the department to maintain it on its inventory.



Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the House Committee on Labor & Public Employment and
Committee on Transportation
Tuesday, February 9, 2016 at 9:30 A.M.
Conference Room 309, State Capitol**

RE: HOUSE BILL 2475 RELATING TO WORKFORCE DEVELOPMENT

Chairs Nakashima and Aquino, Vice Chairs Keohokalole and LoPresti, and Members of the Committees:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 2475, which establishes a maritime industry grant program within the department of labor and industrial relations.

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 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: Saturday, February 06, 2016 4:59 PM
To: LABtestimony
Cc: achung@navatekltd.com
Subject: Submitted testimony for HB2475 on Feb 9, 2016 09:30AM

HB2475

Submitted on: 2/6/2016

Testimony for LAB/TRN on Feb 9, 2016 09:30AM in Conference Room 309

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

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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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 06, 2016 12:39 PM
To: LABtestimony
Cc: eschiff5@gmail.com
Subject: Submitted testimony for HB2475 on Feb 9, 2016 09:30AM

HB2475

Submitted on: 2/6/2016

Testimony for LAB/TRN on Feb 9, 2016 09:30AM in Conference Room 309

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

Comments: I strongly support HB2475.

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 06, 2016 1:26 PM
To: LABtestimony
Cc: klock@navatekltd.com
Subject: *Submitted testimony for HB2475 on Feb 9, 2016 09:30AM*

HB2475

Submitted on: 2/6/2016

Testimony for LAB/TRN on Feb 9, 2016 09:30AM in Conference Room 309

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

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 06, 2016 1:47 PM
To: LABtestimony
Cc: awhite@navatekltd.com
Subject: Submitted testimony for HB2475 on Feb 9, 2016 09:30AM

HB2475

Submitted on: 2/6/2016

Testimony for LAB/TRN on Feb 9, 2016 09:30AM in Conference Room 309

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

Comments: I strongly support HB2475.

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 08, 2016 7:33 AM
To: LABtestimony
Cc: iwood@pacificshipyards.com
Subject: *Submitted testimony for HB2475 on Feb 9, 2016 09:30AM*

HB2475

Submitted on: 2/8/2016

Testimony for LAB/TRN on Feb 9, 2016 09:30AM in Conference Room 309

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

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 08, 2016 7:51 AM
To: LABtestimony
Cc: smatsuura@navatekltd.com
Subject: Submitted testimony for HB2475 on Feb 9, 2016 09:30AM

HB2475

Submitted on: 2/8/2016

Testimony for LAB/TRN on Feb 9, 2016 09:30AM in Conference Room 309

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

Comments: I strongly support HB2475

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 08, 2016 3:50 PM
To: LABtestimony
Cc: alan.hayashi@baesystems.com
Subject: Submitted testimony for HB2475 on Feb 9, 2016 09:30AM

LATE

HB2475

Submitted on: 2/8/2016

Testimony for LAB/TRN on Feb 9, 2016 09:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
alan hayashi	Individual	Support	No

Comments: The Ship repair industry is a key to rebuilding Hawaii's manufacturing and major repair base. However, it is sometimes sporadic work and 2017 is projected to be a slow work year. Due to the construction industry's need for many similar skilled workers, the ship repair industry finds itself the target for workforce reduction. Once the critical reduced workforce level is reached, it will be very difficult for the ship repair industry to grow again when needed. It is critical, the Ship repair industry continue to train new apprentices and re-train older employees to develop the skill sets required for the new generation of non-steel (aluminum, etc) hulled ships. The military tensions in N. Korea and China are cause for great concern, as Pearl Harbor's ship repair capability could be called upon at any time.

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