



TESTIMONY BY:
EDWIN H. SNIFFEN
DIRECTOR

Deputy Directors
DREANALEE K. KALILI
TAMMY L. LEE
ROBIN K. SHISHIDO
JAMES KUNANE TOKIOKA

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

February 7, 2023
3:00 PM
State Capitol, Room 224

S.B. 1400
RELATING TO CAPITAL ADVANCEMENT CONTRACTS

Senate Committee on Transportation and Culture and the Arts

The Department of Transportation (DOT) is in strong **support** of this measure. This bill was included in the Governor's Package at the request of DOT. This measure proposes to increase the current limits on capital advancement contracts.

The existing law authorizes the DOT Harbors Division to enter into capital advancement contracts with private parties for any public improvement to or construction of a state harbor facility when the director determines that a capital advancement contract promotes the best interest of the State. In recent years, this tool has proven effective in expediting project delivery, especially for projects that increase port resilience and operational efficiency.

The current cap of \$2,000,000 per contract or aggregate \$5,000,000 per party limits the scope and type of work and number of projects that can be done under a capital advancement contract. By increasing these caps to \$5,000,000 and \$20,000,000, respectively, DOT can accomplish more in improving harbors facilities through these contracts. DOT anticipates escalating project costs due to inflation and rising costs of materials and labor and the higher limits will facilitate improved project delivery given these factors.

Thank you for the opportunity to provide testimony.

Testimony of the Hawaii Harbor Users Group
Support of SB1400
Before the Committee on Transportation, Culture, and Arts
Tuesday, February 7, 2023

Dear Chair Lee, Vice Chair Inouye, and Members of the Committee:

The Hawaii Harbor Users Group (HHUG) is a non-profit maritime transportation industry group comprised of key commercial harbor users statewide. HHUG supports SB1400, which increases the limit of the capital advancement contracts to \$5,000,000 per contract with an annual limit of \$20,000,000 total.

As an island state, Hawaii is very dependent upon our commercial harbors to ensure the continued and unimpeded flow of cargo in and out of our State. It is estimated that over 90 percent Hawaii's imported goods pass through our commercial harbors, including consumer goods, motor vehicles, construction materials, and fuel. Given the critical role of our commercial harbors, it is imperative that the State support dependable and efficient cargo transportation and handling to service our residents and businesses.

Capital advancement contracts provide a means for the Department of Transportation to enter into an agreement with a private party to improve a state harbor, commercial harbor, roadstead, or other waterfront improvement belonging to the State when private development is likely to be cheaper than any other type of contract or is needed on a significantly more timely basis; or when public funds are not available on a timely basis. Capital advancement contracts also must ensure that public works and procurement laws are followed. These agreements have been capped at \$2,000,000 per contract for over twenty years. This measure raises the limit to \$5,000,000 per contract, recognizing inflation and escalating costs impacting design and construction materials and labor costs for future capital improvements. Increasing the limit will help also support our harbors by strengthening private-public partnership agreements for federal grant funding.

Thank you for considering our testimony in support.



February 7, 2023

Senator Chris Lee, Chair
Senator Lorraine R. Inouye, Vice Chair
Senate Committee on Transportation and Culture and the Arts

RE: Senate Bill 1400 – RELATING TO CAPITAL ADVANCEMENT CONTRACTS
Hearing date: February 7, 2023, 3:00 p.m.

Aloha Chair Lee, Vice Chair Inouye, and Members of the Committee:

Thank you for the opportunity to submit testimony on behalf of Young Brothers, LLC (“YB”) offering **SUPPORT** for Senate Bill 1400 – Relating to Capital Advancement Contracts.

YB is a common carrier by water, transporting property by tug and barge between the islands of O‘ahu, Hawai‘i, Kaua‘i, Maui, Moloka‘i, and Lāna‘i. YB is currently the only water carrier authorized to transport property under Chapter 271G, Hawaii Revised Statutes (“HRS”) (i.e., the Hawaii Water Carrier Act), subject to the regulatory authority of the Public Utilities Commission of the State of Hawaii (“PUC”). Since 1900, customers across Hawaii have relied on YB’s frequent, regular, and universal sailings to serve as the bridge that connects all communities in this island-state.

This measure would amend section 166-19.5(d), HRS, to, among other things, increase the limit of the total contract value and total aggregate value of capital advancement contracts entered into by the Department of Transportation for harbor improvements to \$5M per contract with an annual limit of \$20M total.

Capital advancement contracts enable the Department of Transportation to enter into agreements with private parties to advance the capital needed to make improvements to state harbors on a potentially more cost effective and timely basis. Such contracts remain subject to certain public works and procurement laws that protect the public interest. These contracts have been capped at \$2M per contract for over 20 years. This measure would raise the limit to \$5M per contract, in recognition of inflation and other factors that have increased construction and related capital improvement costs over the past 20 years.

For the reasons stated above, YB offers **SUPPORT** for this measure.

Thank you for your service to the State of Hawaii, and for the opportunity to testify offering comments on this measure.

Sincerely,

Kris Nakagawa
Vice President, External and Legal Affairs

Testimony of Matson Navigation Company, Inc.
Support of SB1400
Before the Committee on Transportation, Culture, and Arts
Tuesday, February 7, 2023

Dear Chair Lee, Vice Chair Inouye, and Members of the Committee:

Matson Navigation Company, Inc. (Matson) supports SB1400, which increases the limit of the capital advancement contracts to \$5,000,000 per contract with an annual limit of \$20,000,000 total.

As an island state, Hawaii is very dependent upon our commercial harbors to ensure the continued and unimpeded flow of cargo in and out of our State. It is estimated that over 90 percent Hawaii's imported goods pass through our commercial harbors, including consumer goods, motor vehicles, construction materials, and fuel. Given the critical role of our commercial harbors, it is imperative that the State support dependable and efficient cargo transportation and handling to service our residents and businesses.

Capital advancement contracts provide a means for the Department of Transportation to enter into an agreement with a private party to improve a state harbor, commercial harbor, roadstead, or other waterfront improvement belonging to the State when private development is likely to be cheaper than any other type of contract or is needed on a significantly more timely basis; or when public funds are not available on a timely basis. Capital advancement contracts also must ensure that public works and procurement laws are followed. These agreements have been capped at \$2,000,000 per contract for over twenty years. This measure raises the limit to \$5,000,000 per contract, recognizing inflation and escalating costs impacting design and construction materials and labor costs for future capital improvements. Increasing the limit will help also support our harbors by strengthening private-public partnership agreements for federal grant funding.

Thank you for considering our testimony in support.