



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

Wednesday, February 8, 2017

9:00 A.M.

State Capitol, Room 309

in consideration of

HB 627

RELATING TO PUBLIC-PRIVATE PARTNERSHIPS.

Chair Nakashima, Vice Chair Keohokalole, and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) **supports** HB627, which makes an appropriation and authorizes the establishment of a Public-Private Partnership Coordinator position within DBEDT to manage all public-private partnerships entered into by the State and manage all contracts, proposals, and negotiations for the partnerships.

DBEDT supports this bill and offers the following comments:

- Public-private partnerships are an effective strategy for economic development.
- Hawaii has been implementing public-private partnerships for several industries including tourism, film, agriculture, energy, broadband and innovation.
- New economic development theory indicates that long term economic growth is heavily dependent on the organization of production.
- Harvard Business School has defined cluster development as an effective strategy for economic development. A cluster is a geographic concentrations of industries related by knowledge, skills, inputs, demand, and/or other linkages (Delgado, Porter 2014).
- Public-private partnerships could be the core or leading organization for cluster development.

However, DBEDT believes that one position alone would not be able to handle all of the State's potential partnerships. We would recommend the establishment of four positions and that \$500,000 be appropriated to establish and operate an office to handle these duties provided that this measure does not replace our priorities in the Executive Budget.

Thank you for the opportunity to provide testimony.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Economic Development & Business
Wednesday, February 8, 2017 at 9:00 A.M.
Conference Room 309, State Capitol**

RE: HOUSE BILL 627 RELATING TO PUBLIC-PRIVATE PARTNERSHIPS

Chair Nakashima, Vice Chair Keohokalole, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 627, which authorizes and appropriates funds for the establishment of a State Public-Private Partnership Coordinator within Department of Business, Economic Development, and Tourism to manage all public-private partnerships entered into by the State and manage all contracts, proposals, and negotiations associated with the State's public-private partnerships.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ 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.

We understand that Public-Private-Partnerships (PPP or P3's) are being used more and more by different Federal, State and Municipal agencies on the mainland. The basic premise is to allow for private investment in public basic infrastructure as well as social infrastructure. Investors recoup their investments from revenue streams created by fees generated from the project or other sources of revenue.

"While private sector interest in funding public infrastructure projects has increased in recent years, barriers to private sector participation remain. Many government agencies lack the capacity and capabilities to plan, execute, and manage PPP projects. At the same time, productivity in the construction industry needs improvement. Managing these complexities can be challenging for even the most seasoned leaders." McKinsey & Company

Having one entity to oversee a P3 program in Hawaii will not only provide a process for assessing and implementing P3 projects but also avoid the confusion of having multiple agencies develop their own tools for assessing and implementing P3's. At this time, it may be wise to centralize this function until there is a better understanding of the P3 process and some standards established to ensure success.

We are in strong support of H.B. 627 as it will consolidate the State's efforts in development and implementing P3's in Hawaii.

Thank you for the opportunity to testify.

BIA-HAWAII

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THE VOICE OF THE CONSTRUCTION INDUSTRY

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Testimony to the House Committee on Economic Development & Business Wednesday, February 8, 2017 9:00 am Conference Room 309

RE: HB 627 – Relating to Public-Private Partnerships

Chair Nakashima, Vice-Chair Keohokalole, and members of the committee:

My name is Gladys Quinto Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-HAWAII is in strong support of H.B. 627 which appropriates funds for the establishment of a State Public-Private Partnership Coordinator within Department of Business, Economic Development, and Tourism to manage all public-private partnerships entered into by the State and manage all contracts, proposals, and negotiations associated with the State's public-private partnerships.

We understand that Public-Private-Partnerships (PPP or P3's) are being used more and more by different Federal, State and Municipal agencies on the mainland. The basic premise is to allow for private investment in public basic infrastructure as well as social infrastructure. Investors recoup their investments from revenue streams created by fees generated from the project or other sources of revenue.

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Having one entity to oversee a P3 program in Hawaii will not only provide a process for assessing and implementing P3 projects but also avoid the confusion of having multiple agencies develop their own tools for assessing and implementing P3's. At this time, it may be wise to centralize this function until there is a better understanding of the P3 process and some standards established to ensure success.

We are in strong support of H.B. 627 as it will consolidate the State's efforts in development and implementing P3's in Hawaii.

Thank you for the opportunity to express our views on this matter.