

## 2003 Business Retention and Expansion Survey Results



**Join Our Business Success (JOBS)**

Hawaii Chamber of Commerce Foundation

March 2004

**TABLE OF CONTENTS**

INTRODUCTION ..... 3

OVERVIEW ..... 4

EXECUTIVE SUMMARY ..... 6

WHAT THEY SAY ABOUT PROJECT JOBS ..... 7

SURVEY METHODOLOGY ..... 8

VOLUNTEERS ..... 10

SURVEY RESULTS ..... 11

- Workforce Retention, Recruitment ..... 11
- Labor-Management Relations ..... 12
- Workforce Training ..... 12
- Sales, Procurement, Export ..... 13
- Sales Growth ..... 14
- Government Services ..... 15
- Business Climate ..... 18
- Perceptions of the Local Economy ..... 21
- State Agency Ratings ..... 24

ACKNOWLEDGMENTS ..... 28

APPENDICES:

- 1. Characteristics of Surveyed Companies ..... 29
  - Business Characteristics ..... 29
  - Workforce/Employment ..... 32
  - Sales and Supply Characteristics ..... 35
  - E-Commerce and IT Usage ..... 39
  - Investment Trends ..... 38
  - Facilities and Equipment ..... 39
- 2. Benefits & Outcomes ..... 40
- 3. ACS ..... 42
- 4. Infrastructure ..... 43
- 5. Government Slow Payment Issues ..... 46
- 6. Slow Permitting (Dept. of Planning & Permitting) ..... 46
- 7. Harbor Issues ..... 47
- 8. Getting Tough on Crime/Crystal Meth ..... 47
- 9. List of Volunteers ..... 50

## INTRODUCTION

Signs indicate that Hawaii, after over a decade of economic stagnation, is at the threshold of a period of renewed opportunity and prosperity. This is good news for the people and businesses of our state. Still, important issues remain to be addressed and changes made to improve the local business climate so that companies in Hawaii can compete, thrive and expand over the long term in the global economy of the 21st century. Just as dry weather is the best time to fix the roof, a period of prosperity is the best time to make changes that will fundamentally strengthen Hawaii's economy and prepare it to weather the more difficult times that the future may bring.

National studies show that existing businesses provide up to 80 percent of a community's new-job growth. So if we are to strengthen and grow Hawaii's economy, we must do everything we can to foster conditions that will help existing businesses thrive. Those conditions, of course, will also benefit any new, diversified businesses we can attract. In fact, they will help attract them.

Project JOBS (Join Our Business Success) is a comprehensive business retention and expansion program designed to identify the impediments to business success in our state and to serve as a resource to help companies succeed, grow and create jobs for the people of Hawaii.

This document presents the results of the first set of surveys Project JOBS conducted in its initial year, finding out from local businesspeople what it's really like to do business in Hawaii. The survey results are based on a sampling of 156 interviews that focused on five business sectors. From these interviews, we have developed a database that identifies and quantifies business retention issues and concerns, a body of information that will ultimately be used to bring about fundamental changes in regulation as well as legislation. We expect that this data will serve as a basis for future programs, advocacy and legislation to improve the business climate and bolster the economy of the state.

Project JOBS is an initiative of the Hawaii Chamber of Commerce Foundation. The information developed and compiled in this report will be used by The Chamber of Commerce of Hawaii, as well as other businesses, organizations and government agencies, which are encouraged to use this information to address issues that have been raised through the Project JOBS interview process. The information provided in this report represents a first step in a continuing process that will be expanded in the future as we work to create a better business climate and strengthen economic opportunity for the people of Hawaii.

Sincerely,



Jim Tollefson  
President and CEO  
Hawaii Chamber of Commerce Foundation

## OVERVIEW

Project JOBS (Join Our Business Success), a Hawaii Chamber of Commerce Foundation program for Business Retention and Expansion (BRE), is an initiative designed to help local businesses grow and diversify in Hawaii's economy. The purpose of Project JOBS is to strengthen Hawaii's economic vitality and expand employment opportunities for local residents through the retention and growth of existing businesses.

Why focus on existing businesses? Because based on national studies, existing businesses are responsible for up to 80 percent of new-job growth in a community. Thus, the retention and growth of existing businesses are just as vital to our state as new business recruitment and development. In fact, business retention and expansion are the most important ingredients of a strong and diverse economic base.

Project JOBS consists of two main elements:

- **Identifying the problems** facing existing businesses. This is done through:
  - o **Surveys** of CEOs of existing businesses in five selected areas: agribusiness, the cruise industry, edutourism, government contracting and healthcare.
  - o The compilation of a database and reports based on these surveys that identify impediments to the growth and prosperity of businesses in Hawaii.
- **Acting to rectify the problems** identified and/or to assist businesses.
  - o **Actions**, often taken in concert with partners in government and elsewhere in the community, intended to improve Hawaii's business climate and eliminate or ameliorate conditions (e.g., shortcomings in infrastructure problems) that weaken its economic vitality. (These are mostly medium- or longer-term actions, although they may be initiated quickly.)
  - o **Fast Track Actions** – Efforts to seek prompt remedial action wherever possible on specific problems that surface during the survey process, or that come to the Chamber's attention in other ways.
  - o **Resource Referrals** – Efforts to respond to problems by directing businesses to resources, including other businesses that can help in their resolution.

(The conduct of the surveys and the compilation of the database and reports are the work of the Hawaii Chamber of Commerce Foundation. The efforts to rectify the problems identified are the responsibility of The Chamber of Commerce of Hawaii itself.)

### **SURVEY:**

This study is the fruit of the project's first initiative, the Project JOBS 2003 Survey. The survey results reported in the pages that follow will be used to benchmark Hawaii's business climate and government services as well as to identify areas where improvement is necessary if we are to strengthen Hawaii's economic vitality. Survey responses were fleshed out and made more useful by asking respondents who rated a factor "fair" or "poor" to explain their rating. This will provide more detailed information upon which to develop recommendations and plans to rectify problems or to work with partners in government or elsewhere in the community whenever their action might be required to implement needed changes.

The Project JOBS survey program is also intended to establish and improve relationships among businesses, community leaders, unions and support networks, including government agencies. The survey process also establishes an ongoing database. The information gathered can be used for a variety of purposes – to:

- Facilitate and support advocacy
- Facilitate coordination among business and assistance networks – ***Fast Track***
- Develop trend analyses
- Develop action plans to address issues.

#### **ACTIONS:**

Because the business community cannot by itself resolve all the problems facing Hawaii's businesses, Project JOBS seeks to bring the business community together in partnerships with top-level government officials and agencies, legislators, educational institutions, social service agencies, and community groups. To achieve success, these groups must work together to create a climate that fosters the growth and development of businesses in Hawaii.

Gratifyingly, both city and state administrations and their respective department heads have made commitments to resolve problems and improve the business environment in Hawaii. These are more than pious hopes. Already, as a result of problems identified in the course of this initial survey, our government partners have begun addressing problems in the following areas:

- ACS/MedQuest – see Appendix 3
- Road conditions – see Appendix 4
- Slow government payments – see Appendix 5
- Permitting process – see Appendix 6
- Harbor improvements – see Appendix 7
- Getting tough on crime – see Appendix 8

For additional information on efforts to resolve problems, see Benefits & Outcomes, Appendix 2, below.

Project JOBS is just the first step in building community awareness. The next step is to expand the development of partnerships with government and other institutions with a stake in Hawaii's economic health that will result in a coalition to improve the overall business climate.

Hawaii should not only be the most desirable place to live, but also to do business. In fact, **the more desirable Hawaii is as a place to do business, the more desirable it becomes as a place to live.**

## EXECUTIVE SUMMARY

The following pages present the results of the 2003 Project JOBS Business Retention and Expansion (BRE) Survey. Of the executives interviewed, 85 percent felt the climate for economic development in Hawaii needs improvement. Nonetheless, a solid majority – 71 percent – felt that Hawaii's business climate will be better three years from now.

The survey identified the following critical issues that need to be addressed in order to improve the business climate and foster economic growth, development and good jobs for the people of Hawaii:

- Hawaii's public schools, from kindergarten through high school, need to better prepare students for either higher education or careers. By the conclusion of grade 12, Hawaii's graduates should have a strong command of basic communication and mathematical skills. They should also understand the work ethic required for a successful career, have developed a positive attitude, and be able to visualize their career opportunities.
- Workforce development is required to address the shortage of qualified workers in the following areas: construction trades, nurses, medical and dental professionals and technicians, maritime/cruise workers, civil engineers, surveyors, and farm workers.
- The cost of workers' compensation, liability, and health insurance has been rising to the point that it has become a heavy burden, especially for small businesses.
- Affordable housing and rentals are critical to enabling Hawaii's businesses to attract and retain young workers with families, both at the entry and professional/supervisory level.
- Oahu's roads have deteriorated at least in part because of the need to repair aging infrastructure such as sewer and water lines.
- The pyramiding effect of the general excise tax (GET) increases the cost of goods and services as they move through the system.
- Many health, environmental, and other regulations are outdated and do not reflect current national standards. Because they are often more stringent than necessary, they can stifle business opportunities.
- Hawaii's piers and other harbor infrastructure are in disrepair, which impedes growth and development of the maritime and cruise industries. And good maritime transportation is the lifeline that supports Hawaii's entire economy.
- Laws and courts are too lenient, resulting in criminals either not being incarcerated or being released after little time served, resulting in a "revolving door" syndrome.
- Many government agencies and employees do not view or treat businesses like customers, thereby creating an adversarial environment rather than a supportive one.

## **WHAT THEY SAY ABOUT PROJECT JOBS...**

"Project JOBS is an excellent tool to expand our understanding of business needs. Because the business climate is affected largely by the city, state and federal governments, they must be active partners in creating a nurturing climate for business growth." – *House Speaker Calvin Say*

"This is a grass roots effort to really find out why we're gaining or losing jobs in the state. I like it because it directly links real job creation to the process of what really needs to be done for our economic future. There is nothing theoretical or hypothetical about this program; it is intended to create high-paying jobs for Hawaii's workforce, and there is nothing more important for the future of the state." – *Mitch D'Olier, President & CEO, Kaneohe Ranch*

"This is the most important endeavor the Chamber has ever undertaken. We need to know where we are and what needs to be improved. Benchmarking is critical in measuring results and improvement." – *Kitty Lagareta, Chairman & CEO, Communications Pacific*

"From a parochial perspective, the healthier and more vibrant our economy is, the better it is for the construction industry. So anything we can do to help the economy as a whole will ultimately benefit our industry and our company." – *Bill Wilson, President, Hawaiian Dredging Construction Company*

"The information gleaned and included in the report has to be of great interest to any conscientious legislator or councilperson, as well as the community in general." – *Perry Sorenson, COO, Outrigger Hotels & Resorts*

## **...AND WHAT THE GOVERNOR SAYS ABOUT A VIBRANT ECONOMY AND JOB GROWTH**

"A sustainable, vibrant economy is neither the result of wishful thinking nor chance. It is the result of eliminating obstacles to business creation and job growth, encouraging the entrepreneurial spirit in our citizens, investing in both existing and emerging industries, and fostering the attitude that labor, government and business can work cooperatively for their mutual benefit." – *Governor Linda Lingle in her State of the State address, January 26, 2004*

## SURVEY METHODOLOGY

To gather the information for this report, meetings were held with the chief executive officer of identified businesses (in the case of local branches of national companies, we met with regional managers). Personal, in-depth discussions were conducted, ranging from one to two-and-a-half hours per meeting. The field work started in late May 2003 to test the Hawaii-specific survey instrument and refine it. The questionnaire was revised in August, and intensive field work was then conducted from August thru mid-December.

The Project JOBS Advisory Council, chaired by Jean Santos, Vice President of Business Consulting Resources, directed the focus of Project JOBS to five potential growth sectors: Agribusiness, Cruise Industry, Edutourism, Government Contracting and Healthcare.

- **Agribusiness** is defined as those businesses in the farming of vegetables, seed corn, eggs, flowers, nurseries, aquaculture and the manufacture of Hawaii-grown products.
- **Cruise Industry** is defined as ship companies, supporting services and related activities.
- **Edutourism** includes schools, hotels, travel industry consultants and other organizations with special expertise that could attract conferences.
- **Government Contracting** includes firms in a wide range of fields, from construction to high-tech, that contract with the city, state and/or federal government.
- **Healthcare** includes medical and dental health-related products, services, diagnostics and insurance.

Those businesses included in this study were both members and non-members of The Chamber of Commerce of Hawaii. They ranged from single-person businesses to large national corporations. To ensure consistency in data gathering, a Chamber of Commerce of Hawaii staff member was present at almost all the meetings.

In Phase I, our objective was to initiate Project JOBS by completing 150 surveys by the end of 2003. (In fact we modestly exceeded this goal, completing 156 surveys.) In Phase II, we will continue by surveying 200 companies in 2004, expanding our sample especially in underrepresented areas and revisiting those businesses that said they expected substantial growth over the following 12 months. Although we contacted only Oahu-based firms in 2003, we will be surveying neighbor island firms in the second half of 2004.

As reflected in the small sample size, this project is being implemented in stages and will be used as a benchmark. The focus in Phase II will be to develop partnerships with government agencies as well as private sector resources that will be included in an electronic referral process between Project JOBS and the New Economy Transition Program (NET – see page 42). NET will utilize the Project JOBS database system so that our government partners receive referrals of businesses that need assistance. The referrals will be tracked by this system. Shirleyanne Chew, Executive Director – Economic Development, is coordinating the Project JOBS program.

Notes on the statistics:

- *Please note that this was not a stratified statistically representative sample because in some cases, these industries are in the developmental stage. Also note that due to the small sample size in each sector, caution should be used in drawing conclusions by sector.*
- *For the Government Services, Business Climate and State Agencies summary tables, non-responses were included with the "no opinion/not applicable" category.*
- *Percentages may not add up to exactly 100% for each question due to rounding. In some cases, sums of percentages from tables may also be affected by rounding.*
- *The sample size of respondents for each question has been denoted on charts and tables as "Base=n." Where no base is mentioned, it should be assumed to be all survey respondents.*

## VOLUNTEERS

Over 60 volunteers from 48 firms were recruited and trained in Phase I of Project JOBS. In most cases, the volunteers conducted the meetings with the president/CEO of the firms surveyed, while a Chamber staff member recorded the information. In only a few cases did a representative or team of executives respond in place of a president or CEO.

The importance of involving volunteers in the development of Project JOBS is twofold. First, with more of the business community involved, we are all getting an education about the issues facing local businesses. Executives from large, national corporations are being exposed to the hurdles entrepreneurs face in Hawaii. Secondly, having volunteers provides reputable support, beyond Hawaii Chamber of Commerce Foundation staff, to substantiate these findings.

This project has given many of our volunteers a new perspective, especially those who come from large corporations.

- Graham Pearce, a Smith Barney vice president, remarked, "It definitely opened my eyes to the challenges of being a small business person. There are so many issues that I had never even thought of."
- Bill McKillop of City Bank was enlightened. "I never realized what was involved in aquaculture; it's a fascinating industry. Despite the challenges, the person I interviewed was passionate about what she does, her company, and her industry. And that's true of many small business people."
- Jeff Shonka, the CFO, vice president and treasurer of First Insurance Company of Hawaii, noted, "It was very enlightening for me."
- Dean Okimoto, president of Nalo Farms, Inc., said, "It's interesting to look at businesses outside your own industry. I'm a farmer and I visited a health care facility and development firm. It was a new experience for me. I learned about another business and I also learned some things that I can take back and apply to my own operation."

In Phase II, we plan to have interested legislator volunteers visit businesses with our teams. This is intended to provide them with a current perspective on what it takes to run a successful company in Hawaii. Project JOBS information and updates will be available in the future on the Project JOBS Web site:

[www.projectjobshawaii.org](http://www.projectjobshawaii.org)

## SURVEY RESULTS

### WORKFORCE RETENTION, RECRUITMENT

Do you have problems retaining employees?

<b>Problems Retaining Employees</b>	<b>%</b>
<b>Yes</b>	<b>23%</b>
<b>No</b>	<b>77%</b>

Base = 154

The "yes" results are usually for entry-level positions or for very highly skilled employees that are in great demand. It was noted that local Hawaii employees tend to be loyal. Some high-tech firms tried to find employees with a local connection in order to increase retention. Some employees have a difficult time adapting to Hawaii because their extended families are so far away. A number of healthcare organizations described difficulty in retaining specialty physicians and nurses because these employees can command higher salaries on the mainland. They also noted that these employees can also get better housing in most other areas and do not have to send their children to private schools on the mainland. Private schools add to the cost of living in Hawaii.

Do you have problems recruiting new employees?

<b>Problems Recruiting New Employees</b>	<b>%</b>
<b>Yes</b>	<b>55%</b>
<b>No</b>	<b>45%</b>

Base = 156

Reasons for difficulty recruiting new employees were:

- Shortage of skilled trades
- Shortage of technical skills – civil engineers and surveyors, nurses, medical and dental technicians, physicians, scientists
- High cost of housing, taxes, etc.
- Poor public schools – difficult to recruit professionals with children
- Too many applicants lacking in proper work ethic and attitude

**LABOR-MANAGEMENT RELATIONS**

<b>Rating of Relationship With Union</b>					
	<b>Union</b>	<b>Excellent</b>	<b>Good</b>	<b>Fair</b>	<b>Poor</b>
Agribusiness	9%	75%	--	25%	--
Cruise Industry	26%	20%	40%	40%	--
Edutourism	70%	--	43%	43%	4%
Govt. Contracting	25%	25%	58%	17%	--
Healthcare	26%	18%	73%	9%	--
<b>Overall</b>	<b>25%</b>	<b>23%</b>	<b>54%</b>	<b>21%</b>	<b>2%</b>

The agriculture sector must often resort to immigrant labor; therefore, it is less likely to be unionized. Due to the fact that the sample size for edutourism was small and included many public institutions and hotels, the percentage of respondents that have a union appears high for this sector.

**WORKFORCE TRAINING**

**Are you familiar with the publicly supported workforce training program and services?**

51% of respondents were not familiar with the program.

**What types of public training programs and services would be helpful to your business today?**

The following is a list of the types of training mentioned in the responses:

- CIC training
- Communication skills
- Computer training
- CPR
- Cultural sensitivity
- Customer service
- Driver training
- EAD training
- First aid
- Interpersonal relations
- Leadership
- Management training
- OSHA
- Safety
- Speech (improving English)
- Supervisory training
- Training for the trades
- Work ethic
- Workplace violence

**SALES, PROCUREMENT, EXPORT**

**Do you do any work for any level of government?**

**Over 64% of those surveyed do business with government.** Agribusiness is the sector that does the least work with the government, at 34%, which usually consists of selling to the (military) commissary.

**International Trade Status:**

<b>International Trade Status</b>	<b>%</b>
<b>Export</b>	<b>22%</b>
<b>Import</b>	<b>4%</b>
<b>Both</b>	<b>3%</b>

Base = 139

Agribusiness, edutourism and the cruise industry provide products or services to foreign purchasers.

There appears to be untapped potential to expand exports in agribusiness and edutourism.

For agribusiness, the core issues are land (where zoning is changing and short term leases are the norm), the increasing cost of supplies, shipping of goods, and stringent government regulations. Aquaculture markets have tremendous export potential, but need state support for zoning, access to the ocean, and long-term leases that would permit them to expand. Many businesses have month-to-month or yearly leases, which make it difficult to invest in capital improvements at these sites. To expand exports, the aquaculture firms need to invest; yet without long-term leases, they are afraid to make costly improvements.

## SALES GROWTH

What is your company's projected sales growth in the next year in Hawaii?

More than four out of five of those surveyed projected sales growth for 2004:

Industry Sector	Over 25%	10-24%	1-9%	0 or declining
Overall	16%	29%	39%	17%
Agribusiness	10%	39%	32%	19%
Cruise Industry	21%	26%	32%	21%
Edutourism	9%	9%	73%	9%
Govt. Contracting	22%	31%	27%	20%
Healthcare	13%	22%	54%	11%

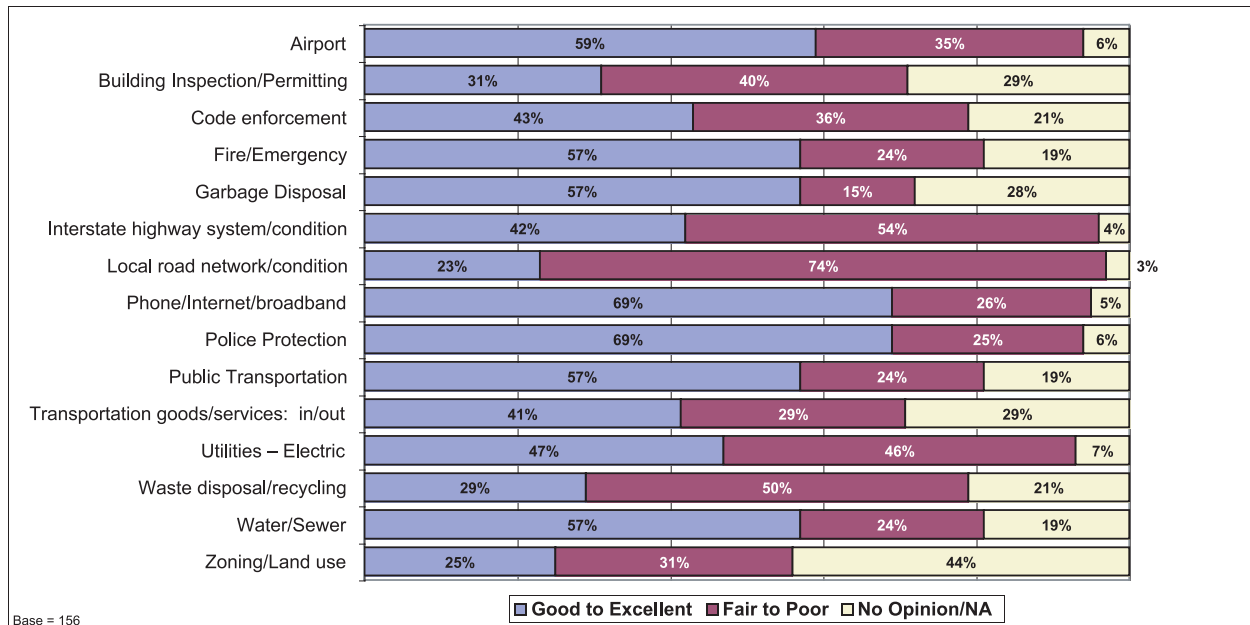
Base = 153

Contractors working with the federal government expect the highest increase in sales in 2004. Due to the financial condition of the city and state, contractors that focus on these levels of government predict declines. Although the cruise industry is stimulating growth, other business lines of cruise-related companies are declining. Within each industry there are growing, maturing and declining products and services. To survive and grow, small companies must develop new markets and products or services. The larger established healthcare and educational organizations are mature and foresee less dynamic growth.

Due to government health regulations relating to water standards, aquaculture for clams, oysters and other products has not been developed. It was noted that Hawaii has stricter environmental standards in some areas than the federal government. Some businesses also mentioned that there is strict regulation of American products but less control or oversight on comparable imported products. This puts American businesses at a disadvantage.

## GOVERNMENT SERVICES

Respondents were asked to associate government services with the following ratings: **Excellent, Good, Fair, Poor, No Opinion and Not applicable**. Those who responded excellent and good and those who said poor and fair were combined because they usually expressed similar reasons.



### SUMMARY OF GOVERNMENT SERVICES NOTES:

Below are highlights of the respondents' elaborations on fair or poor ratings.

#### Airport

Some of the 35% who rated the airport poor to fair compared it with airports that are laid out better and have more modern transport to the terminals. Another issue mentioned was slow processing by security and the quality of the security personnel.

#### Building Inspection and Permitting

40% rated building inspection and permitting as poor to fair, most often citing long waits in the permitting office and delays in getting plans approved as the reason for their low rating. A number of executives complained of being held "hostage" by the permitting process because road and sewer improvements were tied to the approval of building permits.

### **Code Enforcement**

36% of surveyed companies rated code enforcement as poor to fair. In some cases, it appears that inspectors are intent on finding fault. As one executive put it, "If government wants to help us, instead of fining businesses for their first infraction, a warning should be given instead of the fine."

### **Fire/Emergency**

The majority of the respondents, 57%, rated fire/emergency services good to excellent. Those who rated them fair to poor did not express any specific concerns other than staffing shortage.

### **Garbage Disposal**

Most businesses must pay a private contractor to remove their waste. For office buildings trash removal is handled by building management and included in the lease. 57% of companies surveyed rated garbage disposal as good to excellent.

### **Interstate Highway System/Condition**

54% of businesses rated the interstate highways poor to fair. Traffic congestion and rough pavement were cited as reasons.

### **Local Road Network/Condition**

74% rated the local road network poor to fair due to congestion and poor road quality.

One of the issues that has been cited repeatedly by both businesses and individuals is the poor quality of Oahu's roads. There are potholes, large cracks, steel covers over trenching, incomplete work, and overall rough-riding streets and highways. Not only do poor roads cause damage to cars, they hurt the businesses that front them. Potholes and uneven roads also pose a danger to pedestrians, especially the elderly and handicapped who must cross these streets. Poor road conditions also impact development because upgrading roads is sometimes tied to getting building permits. Adding road improvements raises the cost of new developments. Some interviewees asked why federal funding and the gas tax are not being fully utilized for the roads.

### **Phone/Internet/Broadband**

Most respondents (69%) rated phone/Internet/broadband as good to excellent while only 26% rated service poor to fair. The lower ratings were for delays in getting service and support.

### **Police Protection**

The 25% poor to fair ratings for police protection were attributed to the number of unsolved crimes. Agribusinesses are experiencing difficulty with farm thefts. In most cases, it is impossible to make positive identification of stolen produce/fruits unless suspects are caught in the act and videotaped. A corporate executive said, "The police are getting bureaucratic, they need to be more efficient." Another executive said, "There is not enough focus on drug problems."

### **Public Transportation**

The 24% poor to fair ratings were attributed to the 2003 bus strike. An executive said, "The bus strike shows the union's disregard for the public." Another said, "TheBus, OTS, is bad. We need competition."

### **Transporting Goods/Services**

Poor to fair ratings (29%) here were largely attributed to increasing container costs and fees. "Hawaii is vulnerable to shipping strikes because of the union's control," noted one respondent.

### **Utilities – Electricity**

47% of the surveyed companies rated electricity good to excellent while 46% rated it poor to fair. Some 15% rated the service poor primarily due to its high cost. Those with 24-hour operations were most vocal about the cost of electricity. A few executives mentioned outages/surges as a problem, especially those with sensitive electronic equipment.

### **Waste disposal/recycling**

50% of the surveyed businesses rated the city poor to fair on waste disposal/recycling because they felt the city should do more in the area of recycling. Many executives are very conscious of the need to reduce the use of our natural resources and pointed out that other localities have separate bins to sort materials.

### **Water/Sewer**

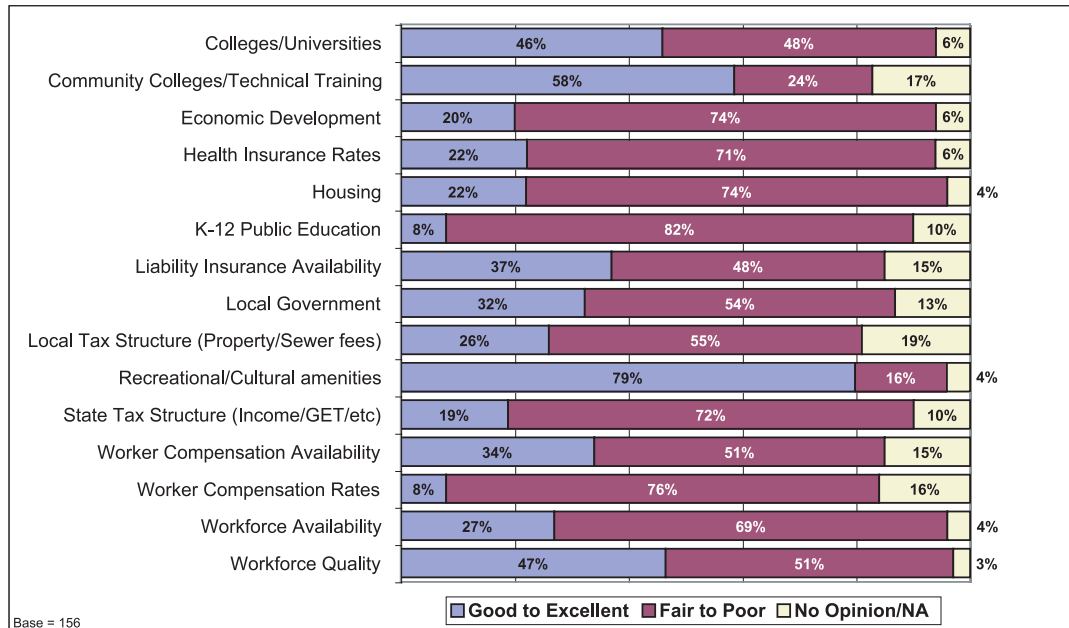
24% rated water/sewer poor to fair. The lowest ratings in this category came from those involved in construction or development, who made plain their familiarity with the condition of the sewers. As one interviewee stated, "The city's infrastructure is old and poorly maintained." This impacts new developments and major renovations since building permit approvals are often tied to upgrading the sewers. Due to the cracks in Oahu's sewer lines, heavy rains in late December 2003 caused rainwater to flood the sewers, leading to overflows that contaminated beaches and even residential areas. Not only is this a health problem, it also hurts the tourist industry. One respondent said that water and sewers should be rated separately since they are handled by different departments.

### **Zoning and Land Use**

31% rated zoning and land use poor to fair. This was mostly because zoning changes are viewed as very slow. In addition, there appears to be overlapping jurisdiction between the counties and the state (Land Use Commission). A frustrated executive said, "They have got to get rid of the duplication and over-regulation in the development of land." A farmer said, "They do not have a good land-use plan for agriculture."

## BUSINESS CLIMATE

Respondents were asked to associate government services with the following ratings: **Excellent, Good, Fair, Poor, No Opinion and Not applicable**. Ratings are combined to form three groupings – those who rated factors excellent and good and those who rated them poor to fair were combined because they generally expressed similar reasons for their ratings.



### SUMMARY OF BUSINESS CLIMATE NOTES:

Below are highlights of the respondents' elaborations on fair or poor ratings.

#### Colleges/Universities

While 46% of respondents rated colleges and universities as good to excellent, slightly more, 48%, rated them poor to fair. A number of respondents said that the University of Hawaii has some wonderful departments, but that consistency of excellence is lacking. One respondent said, "The University is unfocused and does not support the business community. For example, the TIM School is too small for the size of the industry here in Hawaii."

#### Community Colleges/Technical Training

In contrast, 58% rated the community colleges good to excellent while only 24% rated them poor to fair. It was mentioned that community colleges are very easily accessed by location and low cost.

#### Economic Development

74% rated the state's economic development as poor to fair because of a perceived anti-business climate, archaic regulations, heavy bureaucracy, and the lack of action in this area. An entrepreneur said, "There is no economic development, because the state controls so much." Others said the state ignores manufacturing and agriculture. Another executive said, "The bureaucratic levels don't understand business needs and hinder progress."

### **Health Insurance Rates**

71% rated health insurance rates poor to fair because respondents felt that rates are rapidly increasing. One executive said, "We want our employees healthy, but the cost of health insurance keeps rising, and as a small business owner, it is getting more difficult to afford." In contrast, those businesses with access to national health insurance rates felt rates in Hawaii were fair.

### **Housing**

Housing was rated poor to fair by 74% mostly due to high costs, poor quality and short supply. This was also mentioned as a barrier in recruiting professionals to Hawaii. Lack of affordable housing was also cited as an obstacle to attracting young workers back to the state. To change this situation, respondents want government to provide zoning, permits and tax incentives to stimulate development of affordable rentals and housing in areas close to where the jobs are.

### **K-12 Public Education**

A near-unanimous 82% rated public schools as poor to fair, in great need of improvement. This is a major issue for businesses trying to recruit to Hawaii highly skilled professionals with children. Poor education also negatively affects the quality of the work force. Security in the schools – e.g., bullies and racial attacks – is another concern.

A hiring manager for an expanding high-tech firm stated, "Most people just brag about the excellence of private schools but ignore the inherent problems that exist in the public schools. To me, this is one of the biggest roadblocks preventing Hawaii from being a center of excellence. We have already lost two top-notch employees because of the schools here and the problems their children encountered."

The CEO of a firm that hires high school graduates rates the quality of Hawaii's workforce fair. He said, "Our high school graduates lack command of the English language. Many cannot handle written instructions or do not have basic skills." (With this basis for his rating, "fair" seems a generous evaluation.)

### **Liability Insurance Availability**

Liability insurance is available but at an ever-higher cost. Some executives reported that rate increases ranged from 30% to over 400%. For physicians, malpractice insurance has always been high. It would require tort reform to alleviate the high cost of liability insurance. An executive of one business said, "We are being penalized for being an international business. The insurance company does not understand our business and charges us high rates because our employees travel a lot. This could also be because there is a lack of competition."

### **Local Government**

54% rated local government poor to fair because of problems in getting quick responses from some of the departments they have experience with.

### **Local Tax Structure**

55% of respondents rated the local tax structure as poor to fair. Those who rated it poor said they felt taxes and fees are high.

### **Recreation/cultural amenities**

Recreation and cultural amenities were rated good to excellent by 79% of respondents. Those who rated this category fair to poor cited poor park maintenance, lack of bike trails, dirty restrooms, scenic lookouts in disrepair and littered, and the lack of parking at parks and beaches.

### **State Tax Structure**

72% rated state taxes as poor to fair. Many executives said the pyramiding of the general excise tax (GET) has a negative impact on Hawaii businesses. The GET also hurts local businesses competing with mainland firms that do not have to add the GET into their bids. High income tax affects not only income, but also recruitment. Those benefiting from Act 221 rated the state tax system as good to excellent, while other businesses felt left out. Many respondents felt all businesses should be given incentives for staying in business, since the cost of doing business in Hawaii is very high. A government contractor said, "Act 221 is too limited. Instead, the state should remove taxes on IT services and provide incentives for businesses to upgrade their IT equipment/systems."

### **Workers' Compensation Availability**

51% rated workers' compensation insurance availability poor to fair. Many said there was a need for more competition in the workers' compensation insurance area. Some felt they were forced into using HEMIC (Hawaii Employers Mutual Insurance Company).

### **Workers' Compensation Rates**

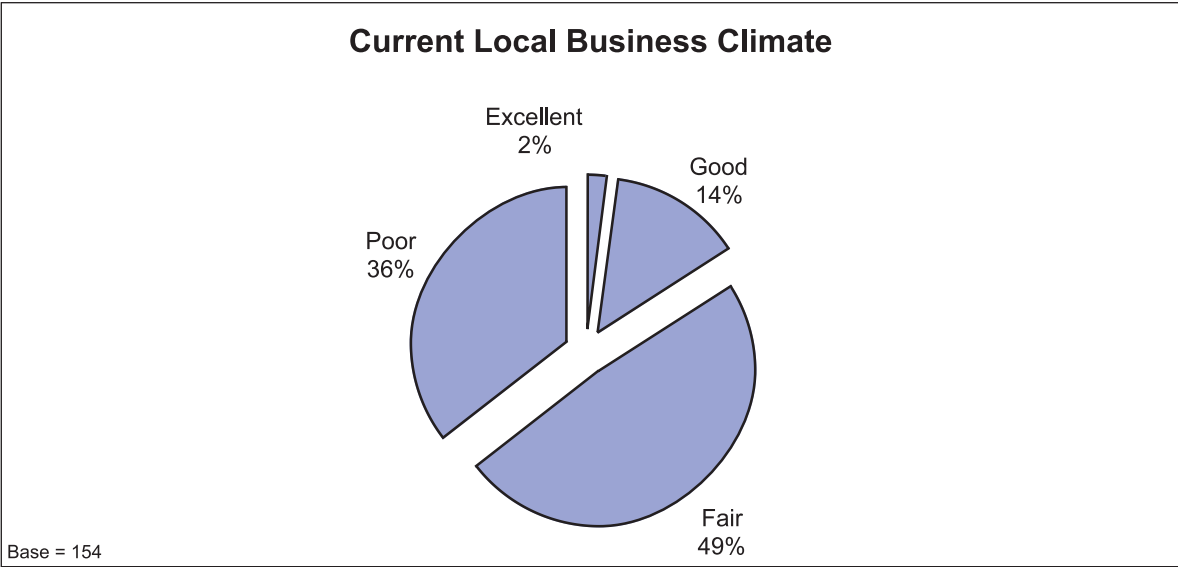
76% of businesses rated WC rates poor to fair. While employers care about the welfare of employees hurt on the job, the concern is that rates have been rapidly increasing and by large amounts. It was noted that workers' compensation rates are negatively impacted by the cost of processing claims and by those who seek to take advantage of the system. In one case, a local farmer formed an LLC and his workers' compensation rates jumped from \$800 to \$8,000 per year. An executive of a nonprofit healthcare firm, with fewer than 40 full-time employees, said, "Hawaii's workers' compensation rate was \$50,000 to \$60,000 per year, which we could not afford. Fortunately we were able to get a national source related to our industry which was much lower."

### **Workforce Availability and Quality**

For entry-level positions, attitude and work ethic were a concern. As pointed out by one executive, "Business needs to work with the educators at the grade school level to communicate the opportunities which are achieved through hard work and a positive attitude." One employer said, "Some workers avoid hard work, and others don't understand that being on time is required in order to hold a job." An agribusiness executive said, "Some applicants are just not interested in steady work. Some are surprised that they are expected to come to work on time."

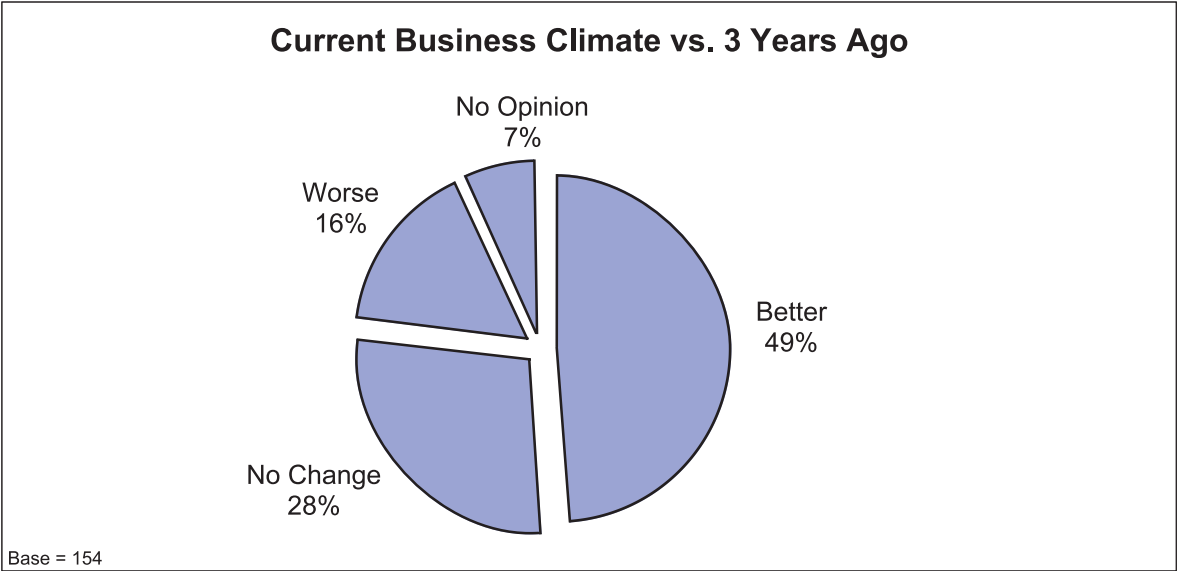
**PERCEPTIONS OF THE LOCAL ECONOMY**

Please rate the state's business climate.

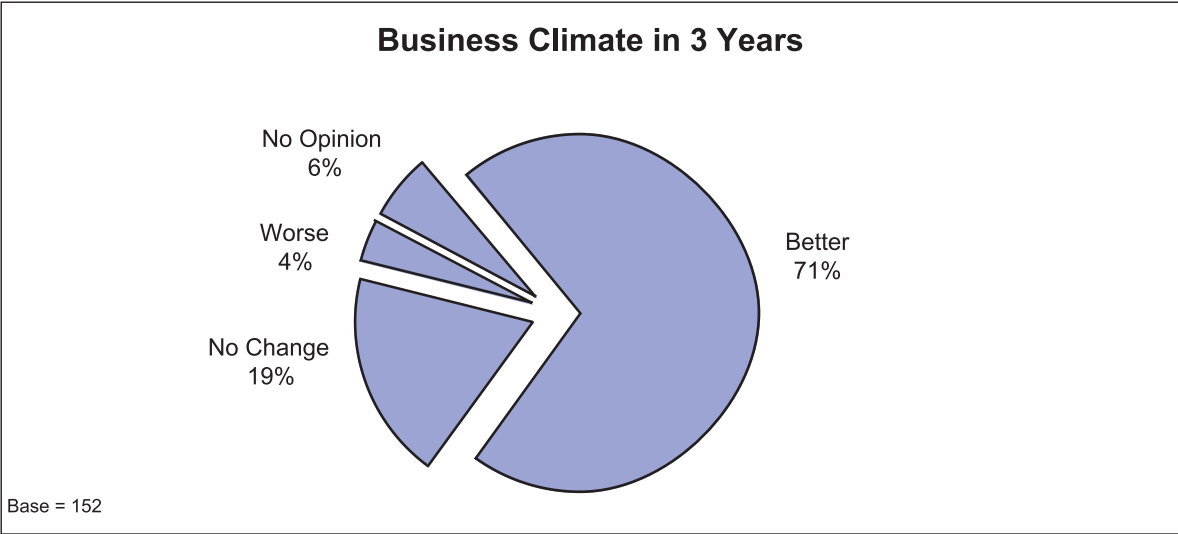


Note: With 85% rating the current business climate poor to fair, there is a clear need for improvement.

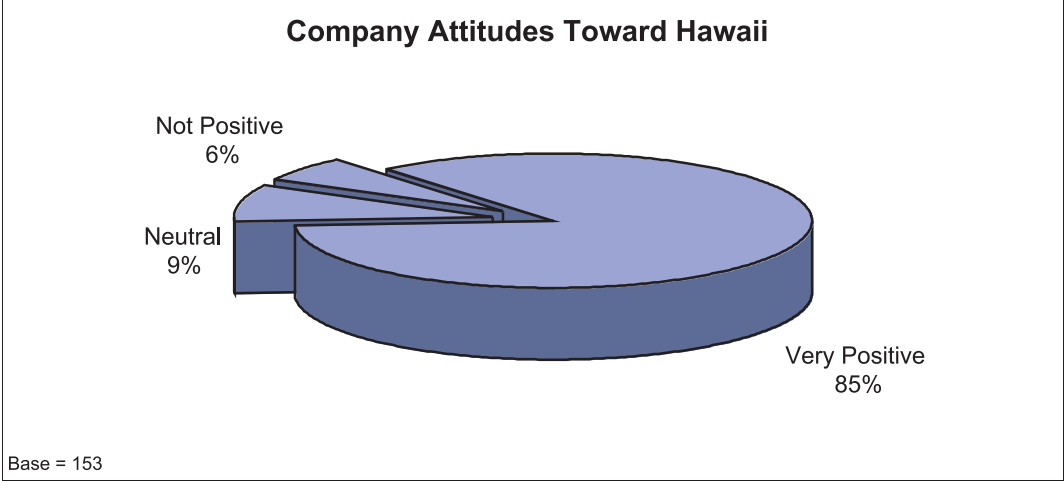
Please compare the state's business climate versus 3 years ago.



Please forecast the condition of the state's business climate three years from today.



Please indicate the company's attitude towards Hawaii.



Please describe an event or situation in Hawaii that is a good example of what Hawaii's business climate is all about.

Unfortunately the examples of Hawaii's business climate were not favorable ones. The responses could be grouped into three categories.

- Politics/favoritism/incentives for few.
- Labor-driven activity – bus strike, nurses' strike, teachers' strike, etc.
- Slowness in getting approvals through government bureaucracy.

References were made to news articles of payoffs to government employees, illegal campaign donations, and non-bid contracts. The great influence of unions was exemplified by the strikes and threats of strikes which negatively impact Hawaii, especially shipping strikes. Many said doing business is difficult because it takes so long to get permits through the bureaucracy of both city and state agencies. One executive gave this example:

"Although we were planning to move in 18 months, we wanted to renovate one of our stores, but because the permit was taking months, it became uneconomical to do the renovation. We cancelled the job."

### **Do cultural values influence the way we do business in Hawaii?**

68% rated cultural values and their impact as very influential; whereas 28% said it was somewhat influential. The impact of cultural values was noted with particular emphasis in the healthcare, cruise, and edutourism sectors, which directly interface with people. A healthcare executive said, "We need to train our caretakers on tone of voice and body language when caring for certain elderly people." (Among respondents in government contracting and agribusiness, fewer than 20% rated cultural values as "very" influential.) Business in Hawaii is based more relationship building than on the mainland and therefore takes longer here. A successful woman entrepreneur said, "It's harder for women business executives to get respect because of the Asian culture. This culture tends to be passive and is not direct in expressing negative sentiments."

### **How important is it to protect the natural environment in Hawaii?**

80% rated preserving the natural environment as very important because that is why many want to live here and it is critical for the tourism industry. However, some respondents noted that there must be a balance with development, and that some environmental issues, such as saving an insect, go too far. Interestingly, among respondents in the government contracting sector, only 25% said environmental protection was very important. In agribusiness, a lower percentage of respondents believe this.

### **Advantages of doing business in Hawaii:**

- Weather/climate
- Beautiful environment
- Multi-cultural population

### **Disadvantages of doing business in Hawaii:**

- High costs
- Politics/favoritism
- High taxes/pyramid effect of the GET
- Remoteness/time difference from markets
- Government bureaucracy/anti-business attitudes
- Limited land and short-term leases (mentioned most by agribusiness respondents)

### **Suggest a pro-business program from another state that Hawaii should consider.**

The following states were recommended as pro-business models: Florida (especially with its support of the maritime/cruise industry), Colorado, Oregon, Nevada, Utah, Washington and Wyoming. Lower taxes in many of these states were cited in addition to their pro-business programs.

California's support of farmers was mentioned, particularly in certain regions.

Arizona's tort reform was recommended.

Colorado has a surcharge to protect the environment, but it is kept separate from the general fund.

Oklahoma has a tax credit program which encourages high-tech development.

Pennsylvania has the Appalachia Alliance which provides tax incentives to businesses.

Most states do not charge sales taxes on professional services.

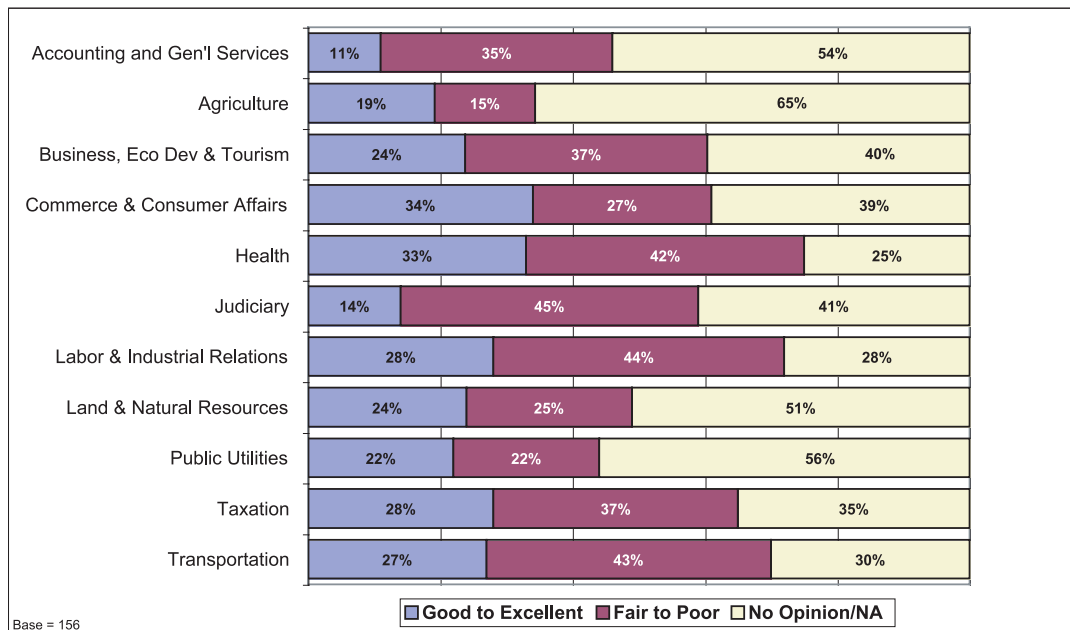
Many states have Port Authorities which insure proper flow of shipping traffic. The following states were identified as having exemplary Port Authorities: Florida, Alaska, California – San Diego, Oakland and Long Beach.

More information about other states will be available on the Web site, [www.projectjobshawaii.org](http://www.projectjobshawaii.org), in March 2004.

### STATE AGENCY RATINGS

Respondents were asked to associate government services with the following ratings: **Excellent, Good, Fair, Poor, No Opinion and Not applicable**. Those who rated agencies excellent and good and those who rated them poor to fair were combined because they generally expressed similar reasons.

It is worth noting that with only three exceptions (Agriculture, DCCA, PUC) and one "near miss" (DLNR) among these 11 agencies, respondents rated them "Fair to Poor" far more often than "Good to Excellent." (The "No Opinion/NA" responses were generally from those who have little or no experience with the agency in question.)



## **SUMMARY OF STATE AGENCY NOTES:**

Below are highlights of the respondents' elaborations on fair or poor ratings.

### **Department of Accounting and General Services (DAGS)**

DAGS received most of its fair and poor ratings (35%) from those in government contracting because of slow payments, delays in awarding contracts, burdensome criteria for awarding contracts (such as listing all the sub-contractors down to 1%, which also did not appear to be equally administered), and delays in paying retainage (see Appendix 5). DAGS does pay interest when payments have been delayed a year or longer, however.

One government contractor said, "Mainland companies have an advantage on products/services that have never been provided in Hawaii, for they have experience with these products/services on the mainland that we do not. They get these jobs because the way the Request for Proposal (RFP) is written eliminates the local company."

Furthermore, requiring local companies to include the GET in bids places them at a disadvantage. Contracts are going to out-of-state companies that are not paying the GET.

For the healthcare sector, Affiliated Computer Services' (ACS) payment delays were causing problems. This was tied to the Department of Human Services, which was not included in this survey, however. Since this new system was started in November 2002, constant changes and delays in payment were mentioned as problems. See Appendix 3.

### **Department of Agriculture**

The fair and poor ratings (15%) here were related to slow response and lack of support in helping with zoning and getting financial support for this industry to expand. It was noted that the department's emphasis should be less on regulation and more on advocacy. Many felt that the department has improved and provides more support than before. This more positive response was from the agribusiness sector, which rated the Department of Agriculture 44% good and 38% fair, which are significantly higher scores than the overall ratings.

### **Department Business, Economic Development and Tourism (DBEDT)**

DBEDT's fair to poor ratings (37%) were attributed to the lack of economic development and improvement in Hawaii's business climate. "No results" was a common response. Also frequently mentioned: the lack of advocacy for existing businesses in the community, too heavy a focus on tourism, and problems with the Hawaii Convention Center.

### **Department of Commerce and Consumer Affairs (DCCA)**

DCCA received positive comments regarding its online registration, which has simplified the process and increased responsiveness. Because insurance regulation is under this department, the fair to poor ratings (27%) were related to the increasing cost of insurance and difficulty in obtaining it for small businesses. When a consumer files a complaint, it appeared to some businesses that DCCA demonstrated a consumer bias. A small business owner said, "A customer filed a complaint that my company would not provide them services, so the DCCA steps in and forces me to provide service. Why should I be forced to provide service to a customer that won't pay me?" DCCA also has regulations that some respondents cited as a problem.

### **Department of Health**

The Department of Health received positive comments regarding its protection of the community during the SARS scare and its ability to provide information to businesses about health concerns. The fair to poor ratings (42%) were attributed to: 1) permit approvals being slow, 2) rigidity on issues where Hawaii's standards are more stringent than national standards and 3) archaic codes not in line with national environmental codes. This can make it difficult for businesses to expand, especially in regard to some of the aquaculture water quality/shellfish regulations. According to one business executive, the Department of Health has outdated codes that are 10 years behind states like California. The outdated codes block development and should be modernized to reflect the National Health code. Besides a lack of responsiveness by some Health Department personnel, inconsistencies in interpreting the regulations can also cause delays and raise costs. Another business owner said, "This department can be very heavy-handed in fining businesses."

### **Hawaii State Judiciary**

The Judiciary was rated poor to fair by 45% of respondents. Many businesses deemed this branch too lenient with criminals who are released with little jail time, even for repeat offenders. It was also noted that decisions are sometimes handed down that conflict with other laws or department regulations. The case of the Hokulia development was cited as such an example. Although the county approved permits, a state court stopped the development. This was seen as very adverse to business. Agribusiness has also suffered from farm theft where it is difficult to enforce the laws.

### **Department of Labor and Industrial Relations (DLIR)**

DLIR was rated poor to fair by 44% of respondents. This was mostly due to apparent bias against employers for unemployment, workers' compensation, OSHA and civil rights issues. They were responsive in providing information, but difficult when it came to regulatory issues. It was mentioned that inspectors are overzealous in trying to find violations and appear to be on a mission to find fault with businesses. This "heavy handed treatment" in conjunction with paperwork and slow hearings creates a poor business climate.

### **Department of Land and Natural Resources (DLNR)**

DLNR was rated poor to fair by 25% because of its slow response to inquiries and requests. Lack of planning and the use of state lands and poor management of forest lands, especially koa trees, were mentioned as needing improvement. It was also mentioned that some DLNR personnel display an anti-development attitude, making it difficult to obtain support for business. DLNR's small boat harbors are in disrepair. If properly managed, they could present an opportunity for expanding Hawaii's pleasure boat business.

### **Public Utilities Commission (PUC)**

Over half the respondents (56%) had no opinion or did not interface with the PUC. Those who rated the PUC fair to poor (22% – equal to the percent that rated it good to excellent) said that this agency is very slow. They also cited the many fees on PUC-regulated trucks, buses and shipping, which drive costs up. A small businessman complained that the PUC's rules are too strict.

### **Department of Taxation**

The Department of Taxation is responsive to inquires, as noted by several respondents. Nonetheless, this department had more fair to poor ratings (37%) than good to excellent ones (28%). One business owner recommended that tax refunds be paid automatically and that having to request a tax refund is time-consuming and costly. A number of government contractors noted there appears to be a lack of state tax law enforcement

on out-of-state competitors, which gives out-of-state firms an unfair advantage. A business owner complained about the state government's double standard – even though it was often slow on payments owed to businesses, it was punctilious in assessing late fees on overdue tax payments.

### **Department of Transportation (DOT)**

DOT was rated poor to fair by 43%, who cited slow response to inquiries, poor maintenance of harbors and piers, and delays in letting contracts. The planning and design of piers have not met the needs of the cruise industry. The need to improve support for the maritime industry generally (not just cruise ships) was also mentioned as an issue. Although DOT has an opportunity to get federal funding for roads and harbors, this department does not appear to be effective in obtaining and employing these funds to improve roads and harbors. Many respondents felt that this department has been bureaucratic and slow in responding to business needs. It was noted that there have been articles in the paper regarding corruption in both the airport and harbor contracts. One business owner said, "Security at the airport is poor," citing a guard who had been unaware of him when he drove into the cargo area. See Appendix 6.

## **ACKNOWLEDGMENTS**

Project JOBS is being conducted through the Hawaii Chamber of Commerce Foundation. This endeavor has been made possible through the support of numerous companies and foundations. The project was initiated by a generous early commitment from Mitch D'Olier and the Harold K. L. Castle Foundation. This enabled the Hawaii Chamber of Commerce Foundation to contract with ExecutivePulse, Inc., a nationally recognized consulting firm specializing in business retention training and an extranet database system that is currently being used for similar purposes in numerous states.

Listed in chronological order of their donations: Verizon Foundation, Alexander & Baldwin Foundation, Servco Foundation, Chevron, Texaco, Bank of Hawaii Charitable Foundation, Gannett Foundation, HEI Charitable Foundation and First Hawaiian Bank.

The support of our numerous volunteers and their respective companies is greatly appreciated. Their involvement added another dimension to Project JOBS, because the business community's involvement is essential to initiating change. Beverly Harbin, Business Advocate for The Chamber of Commerce of Hawaii's Small Business Council, was instrumental in the start-up of this project and trained many of the volunteers. See Appendix 9.

Ernest Cachero, Heald College's intern, provided data entry support in Phase I. Miles Burkart, a China-focused MBA intern from the University of Hawaii's College of Business Administration (CBA), provided valuable support in the preparation of this report and Web site content development. Market Trends Pacific, Inc. and Communications Pacific provided consultative and report preparation support. Jackie Smythe and Howard Daniel of Communications Pacific provided communications support and editing services, respectively. At Communications Pacific's advertising division, CP Advertising, Teri Yamashige and her staff finalized the layout in preparation for printing. Hagadone Printing provided support. Cyberlink Pacifica's Robin Tjioe developed the Project JOBS Web site: [www.projectjobshawaii.org](http://www.projectjobshawaii.org).

For Phase II, we have commitments from ADECCO/Personnel Services, Manpower Temporary Services and Olsten Staffing Services for data entry support. The funding, volunteers and donated services demonstrate the private sector commitment to improving the business climate in Hawaii. Laurie Ohta, a University of Hawaii CBA undergraduate intern for the spring semester, is assisting with Project JOBS Web site content and sample selection in Phase II.

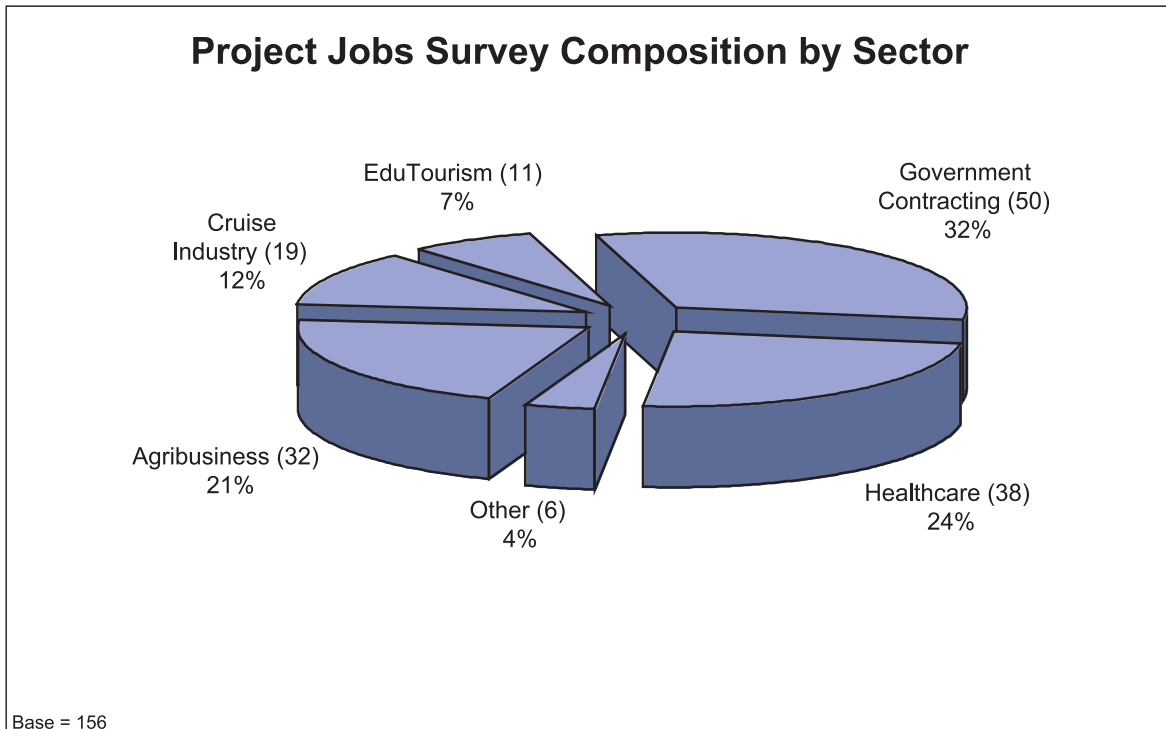
Special thanks to the Project Jobs Advisory Council: Jean Santos, chairperson – Business Consulting Resources; Kitty Lagareta – Communications Pacific; Joel Matsunaga – Verizon Hawaii, Inc.; James Wills, Jr. – University of Hawaii College of Business Administration; Jeanne Schultz; Perry Sorenson – Outrigger Hotels & Resorts; Bill Thayer – Waldron Steamship Co.; Bill Wilson – Hawaiian Dredging Construction Company; Bruce Coppa – Pacific Resource Partnership; Jeff Dinsmore – General Growth Properties, Victoria Ward; Wanda Kakugawa – Market Trends Pacific; Richard Lim – City Bank; and James Tollefson – The Chamber of Commerce of Hawaii. They provided much-appreciated guidance, resources and support.

## Appendix 1 – Characteristics of Surveyed Companies

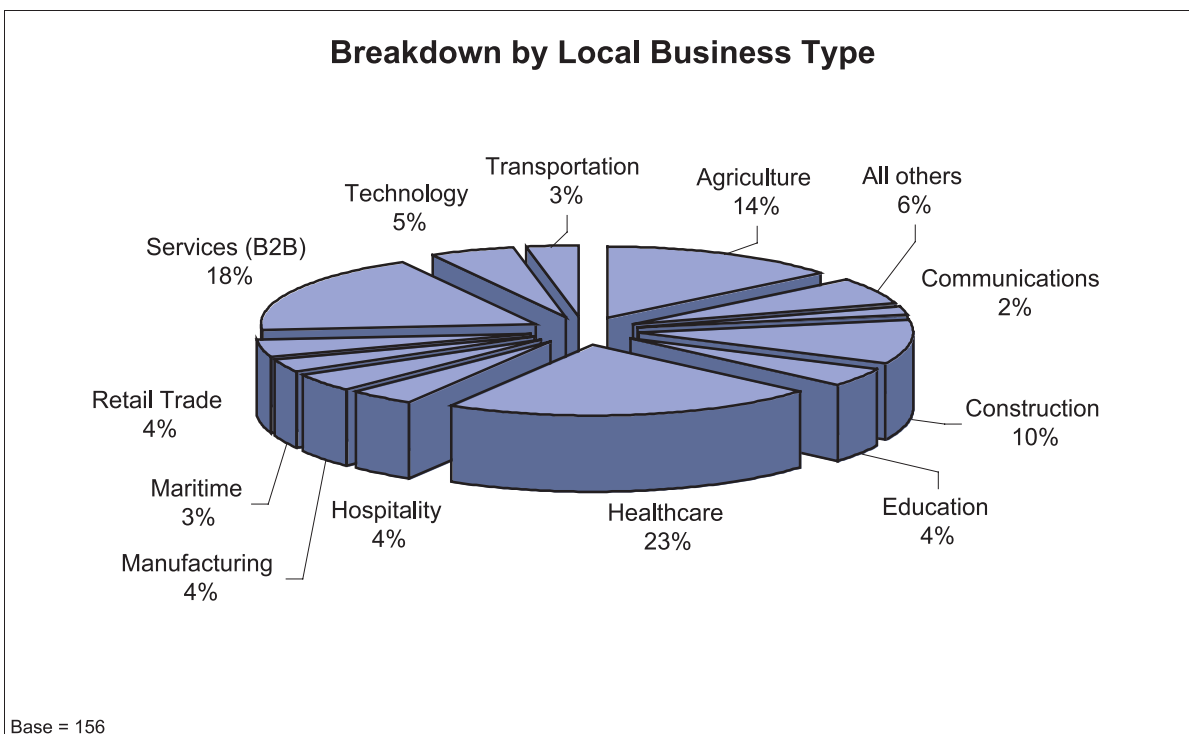
### BUSINESS CHARACTERISTICS

#### INDUSTRY SECTORS

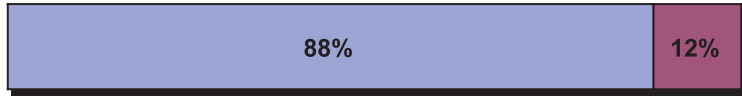
The chart below shows the breakdown of the sampled businesses by major sectors.



#### BUSINESS TYPE



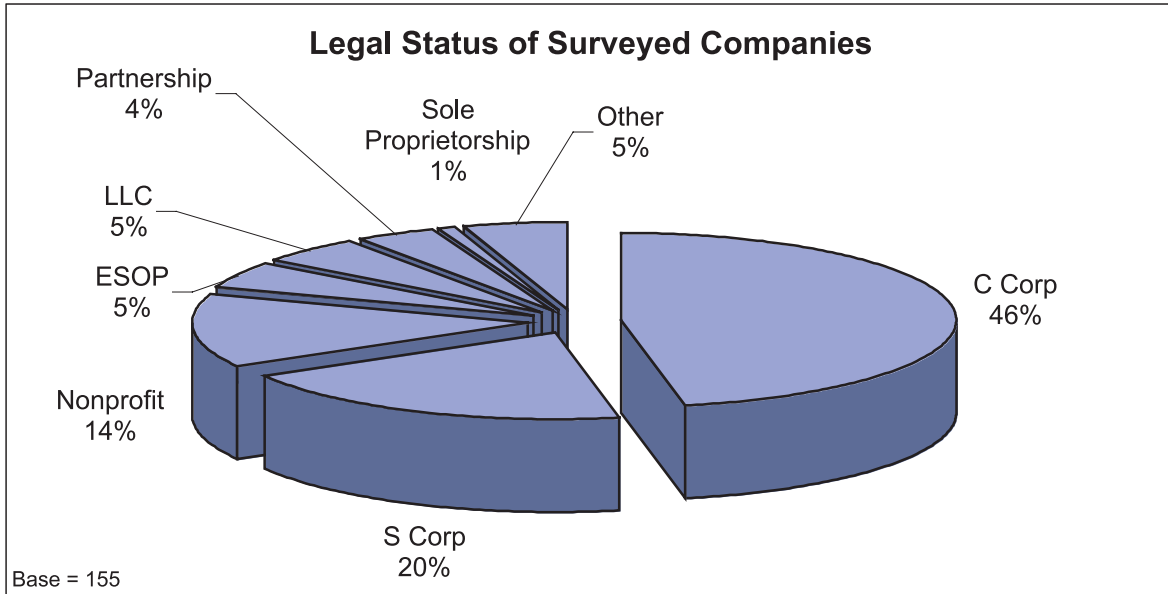
**OWNERSHIP STATUS**



Base = 154



**LEGAL STATUS**



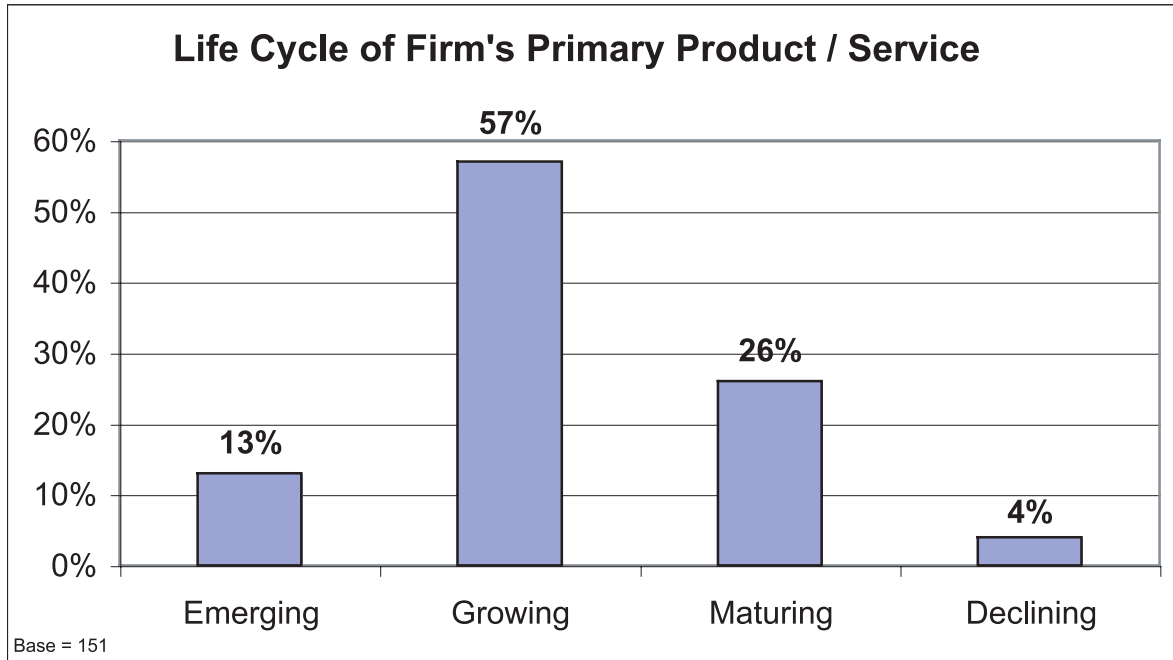
**HEADQUARTERS LOCATION**



Base = 154



**LIFECYCLE STAGE OF PRIMARY PRODUCT/SERVICE**



**LONGEVITY OF OWNERSHIP**

Has this location changed owners in the past 5 years?



Base = 155

**SUCCESSION PLAN**

Is there a formal succession plan?



Base = 152

Respondents with a regional office or very small operations responded "not applicable."

**STRATEGIC PLAN**

Does your firm currently have a strategic plan?



Base = 151

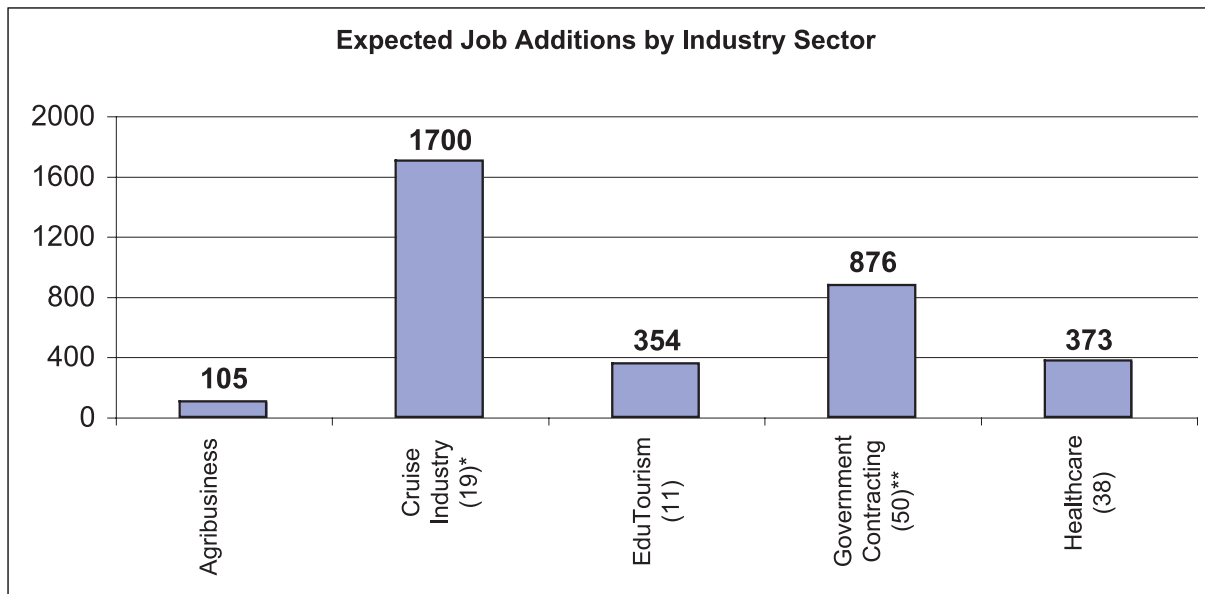
## WORKFORCE/EMPLOYMENT

### WORKFORCE TREND

Workforce / employment trend	%
Workforce increasing	52%
Workforce staying the same	36%
Workforce declining	12%

Base = 155

### EXPECTED JOB ADDITIONS OVER NEXT 12 MONTHS



\*Based on the assumption that new American-staffed cruise ships will be operational by third quarter 2004.

\*\*Based partially on the opening of two new stores which were staffed in 2003.

### WORKFORCE SKILLS

Skills by Sector	Skilled/Professional	Semi-skilled	Entry-level
<b>Overall</b>	46%	34%	20%
Agribusiness	29%	33%	38%
Cruise Industry	48%	33%	19%
EduTourism	40%	45%	15%
Govt. Contracting	57%	28%	15%
Healthcare	50%	28%	22%

Base = 156

**WAGES**

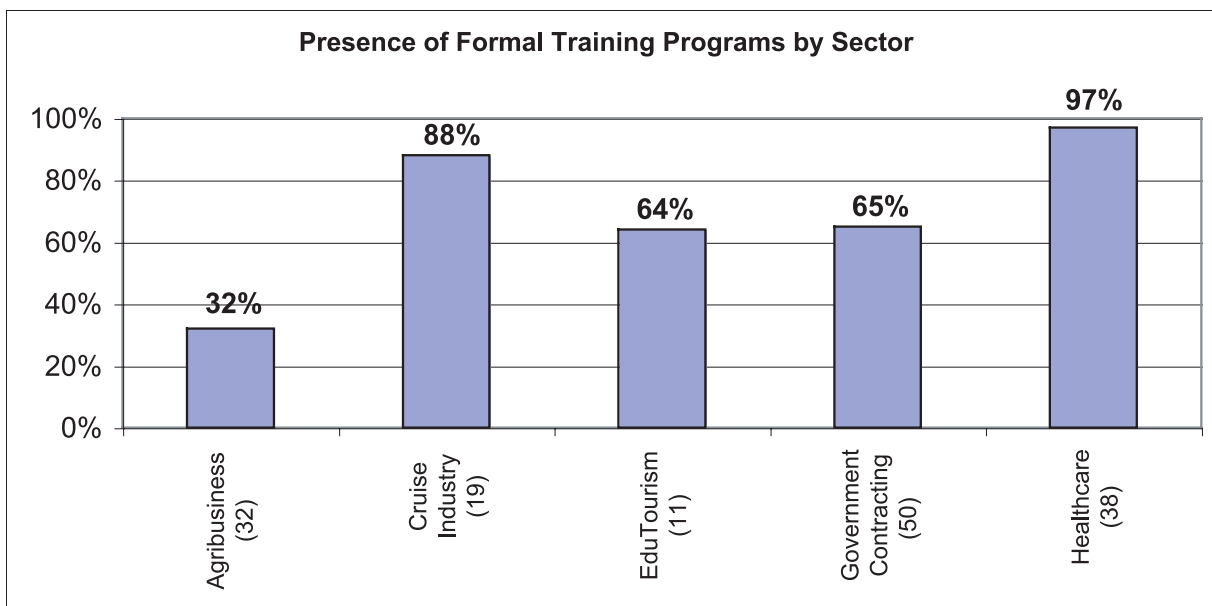
Hourly Wage by Sector	Skilled/Professional	Semi-skilled	Entry-level
<b>Overall Average</b>	<b>\$29.80</b>	<b>\$13.72</b>	<b>\$8.42</b>
Agribusiness	\$20.74	\$10.51	\$7.04
Cruise Industry	\$24.68	\$14.56	\$7.92
EduTourism	\$27.64	\$14.45	\$8.99
Govt. Contracting	\$33.43	\$14.89	\$10.15
Healthcare	\$34.33	\$14.00	\$8.09

Base = 156

Note: State minimum wage is \$6.25 per hour, but for employees who receive tips, the minimum is \$6.00. Doctors and executives are not included in these averages.

**FORMAL TRAINING PROGRAMS**

Overall, 68% of the surveyed companies have a formal training program.



Because of government regulations, compliance, complexity of work, and safety issues, formal training programs are most prevalent in the cruise and healthcare sectors. Unions also have formal training programs which affect the edutourism/hospitality and government contracting sectors.

### WORKFORCE RESIDENCY

Place of residence	%
Oahu	90%
Hawaii	4%
Maui County	4%
Kauai	2%

Base = 156

Note: Despite the fact that all 156 firms surveyed in 2003 are located on Oahu, 10% of their employees call a neighbor island home.

### WORKFORCE AGE

Age of Essential Personnel	%
25 and under	3%
26 to 55	88%
Over 55	4%
No Response	4%

Base = 156

### INTENSITY OF OPERATIONS

Hours of operation at this location	%
One shift	61%
Two shifts	16%
24-hour operations	22%

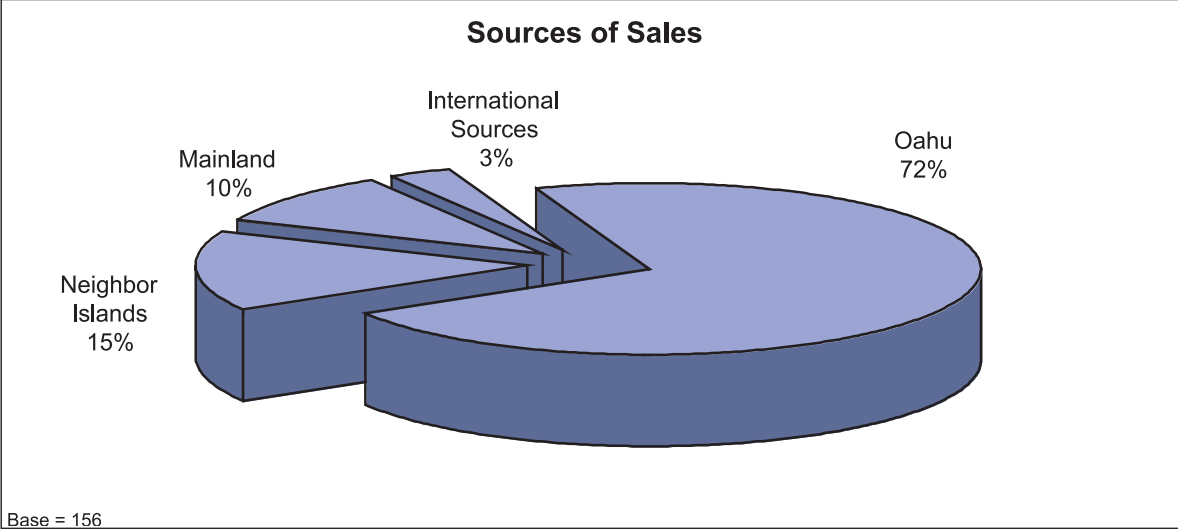
Base = 153

The 24-hour operations are prevalent in healthcare and cruise/maritime sectors.

**SALES AND SUPPLY CHARACTERISTICS**

**SOURCE OF SALES**

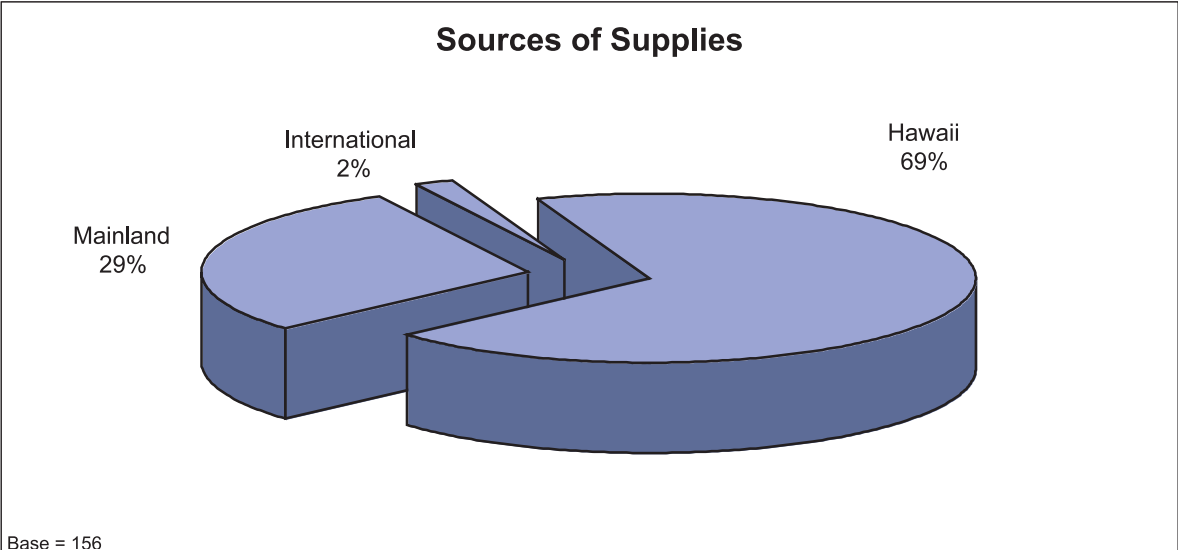
Identify the sources of your sales revenues by percentage.



On average, 87% of sales revenues are generated within the state of Hawaii.

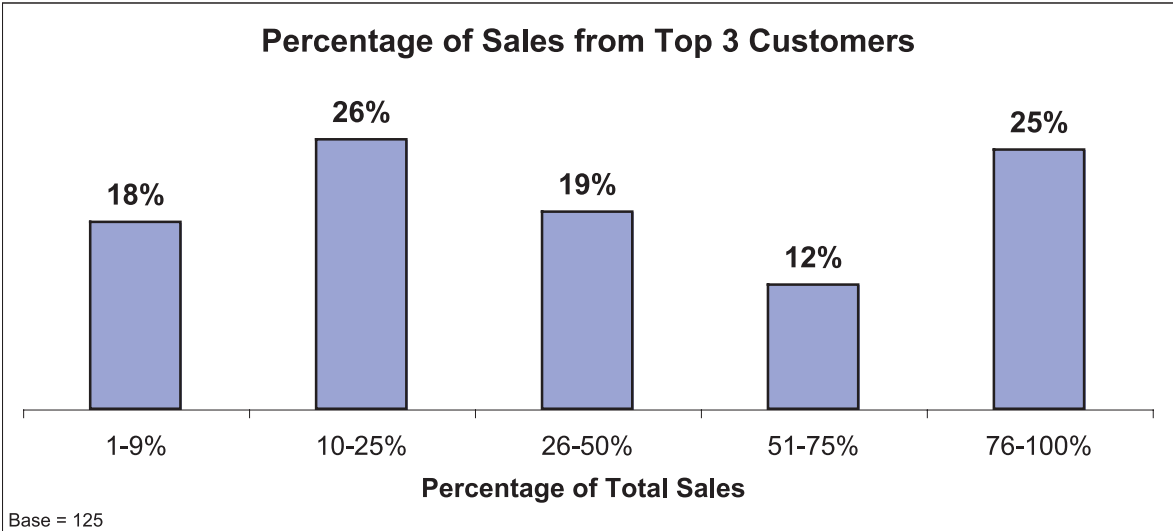
**SOURCES OF SUPPLIES**

Identify the sources of your business purchases by percentage.



Because the majority of equipment is manufactured outside Hawaii, some businesses buy directly from the manufacturer. Agricultural and medical equipment suppliers usually do not have representatives locally due to low volume.

**CUSTOMER DIVERSIFICATION**



One quarter of those companies surveyed rely on three customers to support sales for over 75% of their business. These large customers are often the federal or state government in the form of grants or contracts. This dependence on government customers is most prevalent in the government contracting and healthcare sectors where 30% relied on three customers for 76-100% of their business.

**E-COMMERCE AND IT USAGE**

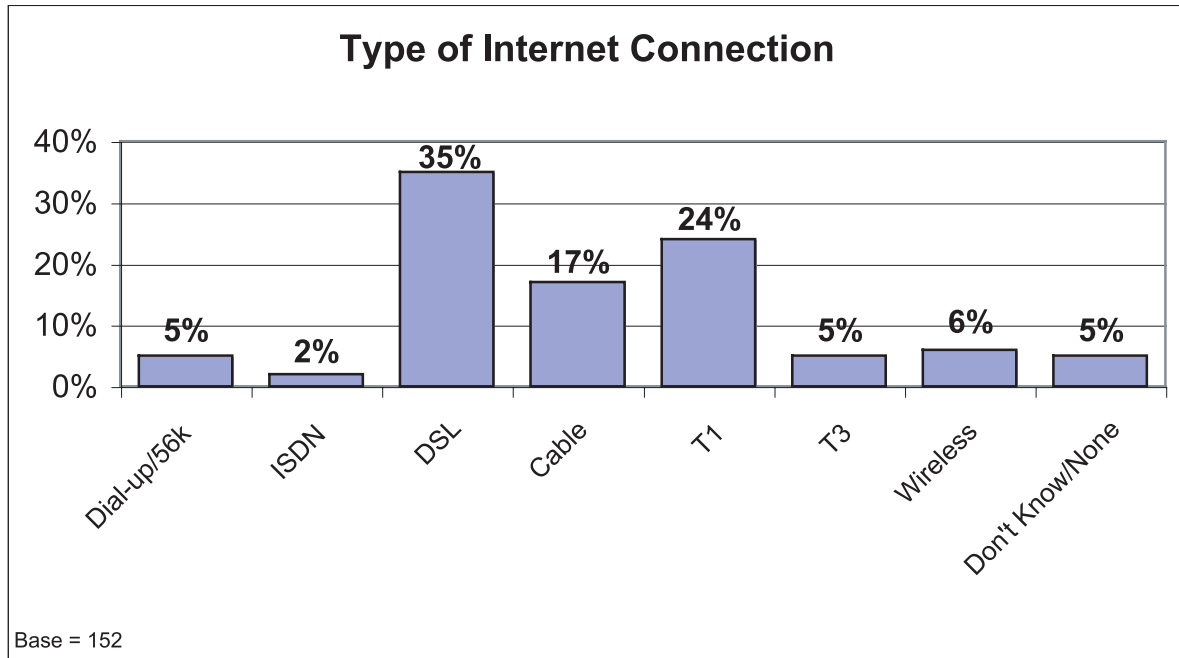
**IMPORTANCE OF INTERNET**

Importance of Internet for your business	%
Very Important	71%
Somewhat Important	22%
Not Important	7%

Base = 154

Over 86% of the respondents from the edutourism and government contracting sectors rated the Internet as very important, while agribusiness ranks it lower than the other sectors.

**INTERNET CONNECTION**



**DEDICATED STAFF OR VENDOR FOR IT**

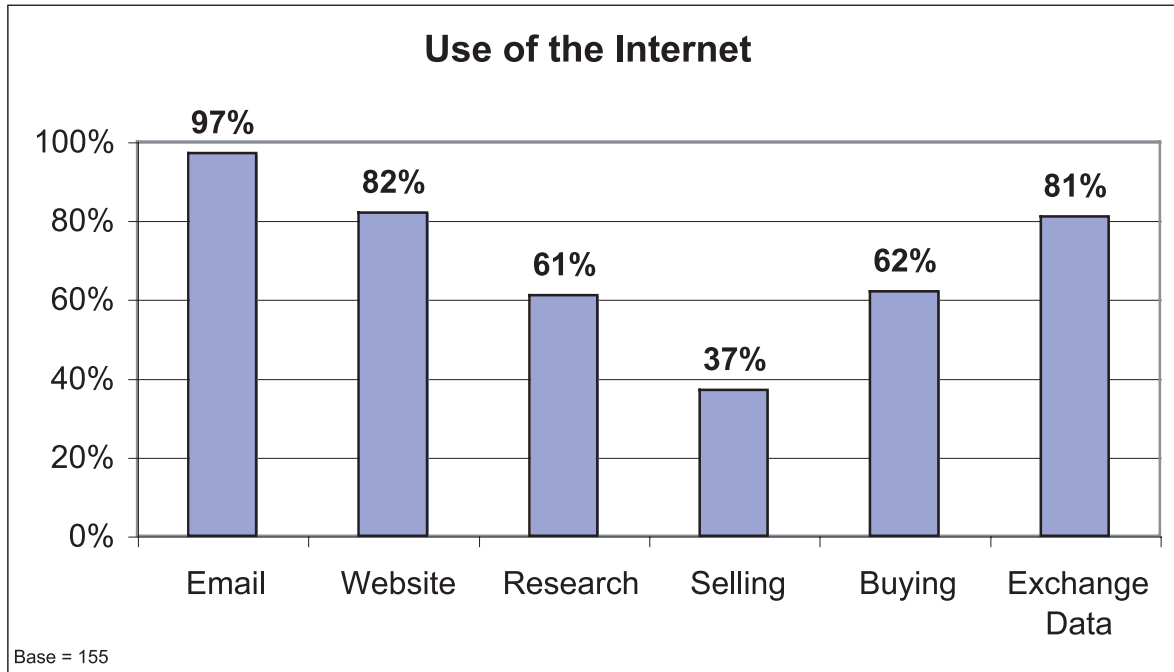
Do you have dedicated staff or a vendor to handle your IT?

Dedicated staff or vendor for IT	%
Yes	76%
No	24%

Base = 155

Over 85% of the respondents in the edutourism, government contracting and healthcare sectors have dedicated staff or vendors to support their Information Technology needs.

**USE OF THE INTERNET**



**INVESTMENT TRENDS**

**IT INVESTMENT OVER PAST 18 MONTHS**

IT investment	%
Increased	72%
Stayed the same	26%
Decreased	2%

Base = 149

**INVESTMENT IN FACILITY OVER PAST 18 MONTHS**

Investment in this location/facility	%
Increased	54%
Stayed the same	37%
Decreased	9%

Base = 150

## INVESTMENT IN EQUIPMENT OVER PAST 18 MONTHS

Investment in equipment at this location	%
Increased	67%
Stayed the same	28%
Decreased	5%

Base = 149

## FACILITIES AND EQUIPMENT

### FACILITY STATUS

Status of this business location	%
Owned	25%
Leased	75%

Base = 151

### USE OF SPACE

71% of the companies surveyed use over 90% of their available space – this will impact the need for office space. A few companies were in the process of moving into new office space due to growth.

### CONDITION OF FACILITY

81% rated the condition of their facility good to excellent.

### CONDITION OF EQUIPMENT

84% rated the condition of their equipment good to excellent.

### CONDITION OF COMPUTERS/IT EQUIPMENT

Condition of computers/IT equipment	%
Excellent	38%
Good	49%
Fair	11%
Poor	3%

Base = 148

87% of companies surveyed rated the condition of their IT equipment as good to excellent. Some businesses buy new computers every two to three years.

## Appendix 2 – Benefits & Outcomes

### **Fast Track:**

While meeting with executives in the course of the survey, a number of issues affecting their businesses were uncovered. Project JOBS took these issues to the appropriate partnering government agencies to try to get

**Fast Track** Project JOBS results. The following problems were resolved:

- Road work blocking store driveways – Practice by the Honolulu Department of Transportation Services of notifying businesses 48 hours before road work starts was reinstated.
- Two street signs misdirecting clients – The Honolulu Department of Transportation Services installed arrows on the signs to improve directions.
- Delays in registering fleet of chassis – Institutional Section of the Motor Vehicle License and Permit Division at the city's Chinatown Gateway office handles fleet registration and supports this type of registration.
- Shortage of staff at nursing school – Connected health-related companies as a resource for UH Nursing School. These contacts could provide a forecast of the workforce required and of medical staff who could teach part-time at the university.
- Consultant has expertise for Chinese farmers – Connected travel packagers to nonprofit that wants to market classes/seminars. Many small firms do not have the expertise to set up a conference or seminar involving out-of-state participants, so a travel packager could provide support to facilitate edutourism expansion.
- Schools have special classes – Connected to convention marketing product development resource that would provide the marketing of these classes to conventioners visiting the island. This would be an economical way for these institutions to expand their sources of revenue, by partnering with an organization from the visitor industry.

**Fast Track** Work In Progress that requires more time and follow-up because of its complexity:

- Affiliated Computer Services (ACS) delayed payments – Coordinating work with state Department of Human Services, ACS and affected businesses. See Appendix 3.
- Road conditions – Contacted city and state transportation departments to encourage release of maintenance contracts so repairs can be made. See Appendix 4.
- Retainage payments – Gained support from the comptroller (Department of Accounting and General Services) to help resolve the problems. See Appendix 5.
- Permitting – Met with city government and supported alternative means of plan review to speed up process. More online services planned. See Appendix 6.
- Fenders on the Piers – Notified head of Department of Transportation of need for inclusion in harbors upgrade plan. See Appendix 7.
- Toughen Crime Laws – Prosecutor's office is proposing changes in legislation which will be reviewed by the Chamber. See Appendix 8.

Referrals:

### SUMMARY REFERRAL REPORT

**Referral Report:**

There are 75 companies that have referrals.

Referral Type	Count	Percent
Domestic/global marketing/sales:	1	1.33%
Environment/government regulations:	6	8.00%
Entrepreneurship/management:	3	4.00%
Financing/capital:	6	8.00%
Information technologies:	1	1.33%
Local government services:	22	29.33%
Location assistance:	3	4.00%
Operations/production	0	0.00%
Product development	3	4.00%
Trans/logistics/supply chain:	3	4.00%
Workforce:	56	74.67%

In conducting the survey, a number of issues/questions came up which lent themselves to resolution through referrals to other entities. Subsequently, the following types of information were provided in response to these business entities' needs: consulting firms specializing in strategic or business planning, government funding agencies for small businesses, prompt payment statute, prepaid healthcare act, and ISO information.

We have worked or are continuing to work with the following government agencies: Department of Accounting & General Services, Department of Human Services, Department of Agriculture, Department of Health, Department of Planning and Permitting, Department of Facility Maintenance, Department of Transportation (state), Department of Transportation Services (city), Customer Services Department, Department of Design and Construction, and the Department of the Prosecuting Attorney.

Workforce referral entailed providing information regarding the Educational Training Fund and the Department of Labor and Industrial Relations Web site which provides the funding levels, acceptable classes, and the application process and form.

### **New Economy Transition (NET) Program and Project JOBS:**

The New Economy Transition (NET) Program of the Department of Business, Economic Development and Tourism (DBEDT), initiated in 2002, is designed to encourage the adoption of technology by small businesses in the private sector. The two components of the program are (1) an outreach function that helps businesses identify and address their technological needs and (2) the development of a general technology best practices education resource for the broad small business community. By working together, Project JOBS and the NET Program create valuable synergies that benefit both programs.

With its force of over 60 volunteers visiting with hundreds of business owners and executives, Project JOBS is already conducting an extensive business outreach program. Among over 200 questions in the Project JOBS survey are several questions about each company's use of technology and opinions on e-commerce. Thus, Project JOBS field volunteers are immediately identifying businesses with technology needs and are capturing the necessary information that determines how the NET Program can step in to help.

The database system that Project JOBS uses to capture, store and retrieve information gathered from the field also includes features that track referrals made to service providers and agencies. The NET Program is serving as a technology referral resource provider in a beta-test phase over the next few months in order to create the protocols that will eventually be followed for all Project JOBS referrals.

The database system facilitates electronic referrals to be made directly to the NET Program and captures documentation of the NET Program's activities when it steps in to assist a business. Notes will be entered directly into the system to document needs assessment, vendor selection, solutions deployment, and follow-up. Over time, performance metrics can be retrieved from the database system to measure the effectiveness of both programs in assisting Hawaii's small business community in adopting technology for business efficiency and growth.

The NET Program will also leverage the Project JOBS database, among other channels, to make available, by the middle of this year, the best practices education resource.

## **Appendix 3 –ACS**

### Department of Human Services

For the healthcare sector, Affiliated Computer Services' (ACS) delays in Med-Quest (MQD) and Medicaid payments, which began when a new system was introduced in November 2002, were causing problems. This was connected with the Department of Human Services, which was not included in this survey. The Department of Human Services and ACS have been supportive in working with the individual companies that were experiencing delays in payment.

The following information was obtained from the Department of Human Services:

Great progress has been made over the last year in identifying the root cause of these issues and making changes, on both the providers' side as well as the ACS/MQD side, to remedy any errors.

Many of the claims problems in the beginning were the result of provider billing errors. In conjunction with the

implementation of the new system, MQD made some changes to billing policies and this caused many providers' claims to be delayed or denied because they were not billing in compliance with the new policies. The Department of Human Services has devoted many hours to provider education, both before and after the implementation of the new system and is continuing its efforts. It has held many community sessions involving all providers, held sessions with specific provider types, and also sessions with individual providers. It has also updated the Provider Manual which gives very specific billing information to providers. In addition, it publishes a Medicaid Provider Bulletin, which gives updates on issues that have appeared as specific problems with provider billing. All this information is available to providers on the Web site: [www.med-quest.us](http://www.med-quest.us).

In addition, providers with the home and community based waivers (H&CBS) were switched from an invoicing system to a claims payment system. This caused some confusion in the beginning as providers adjusted from submitting a monthly invoice to submitting individual claims for each recipient served. The majority of the continuing problems are in the area of Developmentally Disabled/Mentally Retarded waiver services. This will need further work.

The key to resolving these problems is providing more communications between the parties involved. ACS is working directly with the businesses that experienced slow payment problems and is clearing up many of them; it continues to work on more complex issues. It is instituting new, automatic procedures for entering prior authorizations for all waiver providers. Through these efforts the Department of Human Services is helping to improve the business climate for healthcare providers.

## **Appendix 4 – Infrastructure**

The heavy rains in late 2003 brought concerns about Oahu's infrastructure to the fore. Many roads have been dug up to repair aging water lines and sewers. In addition, a regular maintenance backlog has caused the resurfacing required by the utility work to be delayed. Although the city plans to fast track pothole repairs, the backlog of regular maintenance and the need to repair or replace water and sewer lines is bringing city and state roadways into a serious condition. More coordination and initiative must be taken to properly maintain the roads and prevent further deterioration. The City Council will need to ensure that proper funding is provided.

The amount of unspent TEA (Transportation Equity Act) funds allocated to Hawaii for state highways by the federal government continues to rise and now totals over \$550 million (Deloitte & Touche Single Audit dated June 30, 2002). The City and County of Honolulu collected over \$100 million in revenues in the Special Revenue – Highway fund in the year 2001. Only about \$12 million of this found its way to highways and street expenditures through the general fund. The amount allocated specifically to road maintenance is unknown.

Honolulu motorists pay an average of \$549 in auto repairs every year because of poor road conditions. This is nearly 50% above the national average of \$369. Over 30% of 160 miles of roads surveyed in Honolulu were rated unacceptable (Honolulu Advertiser, 5/28/03). Poor roads also cause greater gasoline consumption.

More important, poor road conditions are a factor in an estimated 30% of the traffic fatalities in the state. (Rosemarie Bernardo, Honolulu Star-Bulletin, 4/22/03).

From a discussion with a City Department of Facility Maintenance (Road Maintenance Division) representative, there are ways of changing the way things are done to improve road durability. For example, if concrete or stone matrix asphalt were used in bus lanes, the need for frequent pothole repairs would be reduced substantially.

The City and County of Honolulu's Customer Services Department reports that the city has budgeted over \$163 million for road resurfacing and road reconstruction from 1995 to the present. This year the city has \$30 million in the budget for roads. It will use \$27 million of that to rehabilitate 132 lane-miles of streets all over the island. The remaining \$3 million is being applied to the emergency road repair program that is under way right now on major urban core streets such as Kapiolani, Beretania, Dillingham, Kalihi, Iwilei, etc.

City crews fill potholes; road construction has to be contracted out due to all the requirements that must be met (ADA and other items) in the design and construction process.

Several years ago the city formed a Utility Task Force to coordinate utility work on city streets. The city is also requiring utilities to pave curb to curb when their work is done. It will not allow a newly paved street to be trenched for one year after the paving.

Utility work is business-driven and sometimes the city must make a decision whether to allow a utility to open up a street that has been paved recently or stop a business from proceeding with a development or improvement. There are also unanticipated repair jobs that a utility needs to do that may require opening up the street.

The Department of Environmental Services (ES) develops 20-year plans for sewer improvements and maintenance. There are over 2,100 miles of sewers in the City & County of Honolulu. Some sewers have been in place for over 100 years. Most of the older sewer lines are in metropolitan Honolulu. To reduce the amount of trenching in the roads, the Department of Environmental Services has been utilizing trenchless technology to reduce sewer maintenance disruption. To ensure that there is a minimum of trenching, the utilities work together to share plans, and costs are allocated to the utility needing access. ES is completing a system in the Ala Moana area and will be installing a major system on the Windward side within three years that will resolve many of the problems seen with recent heavy rainstorms. Cracking of the pipes has a number of causes, including shifting ground, large tree root systems, and illegal connections.

The state Department of Transportation is expected to get approximately \$74 million from the state fuel tax for fiscal year 2005.

The following information was provided by the state Department of Transportation to increase awareness of how road work is funded:

The state portion of the fuel tax is put in a special maintenance fund and helps pay for about \$50 million of statewide road maintenance each year (pothole repair, resurfacing, roadside repairs). The balance helps pay for everything from the state's share of highway construction projects to debt service from revenue bonds.

Some state highway projects coming up this year:

- Widening of H-1 Freeway Waimalu Viaduct from five lanes to six (\$65 million)
- Farrington Highway improvements, Nanakuli to Makaha, phase I (\$7.5 million)

- Widening of Fort Weaver Road (\$5.4 million)
- Extension of the zipper lane into town and connection with the Nimitz contraflow lane (\$4.4 million)
- North-South Road from Kapolei to Farrington Highway (\$40 million)
- Widening of Queen Kaahumanu Highway on the Big Island, Henry Street to Kealakehe Parkway (\$20.1 million)
- Widening of Mokulele Highway on Maui (\$33 million)

Regarding the pothole situation along state roads following the heavy winter rains, several resurfacing jobs are scheduled for later in 2004.

- Moanalua Freeway from Likelike Highway off-ramp to Aloha Stadium
- Kamehameha Highway from Waiahole to Punaluu
- Puuloa Road from Kamehameha Highway to Salt Lake Boulevard
- Nimitz Highway through the downtown area (resurfacing will begin once the city completes its water main replacement work)
- Queen Kaahumanu Highway on the Big Island

Fuel taxes are imposed by federal, state and county governments. The retail price of gasoline in the City and County of Honolulu presently includes fuel taxes of \$0.509 (\$0.184 federal + \$0.16 state + \$0.165 county) per gallon plus the state 4% general excise tax, of which taxes only the \$0.16 is the state fuel license tax. (In late 2003/early 2004, these taxes amounted to roughly one-quarter of the average price of unleaded regular at the pump, a bigger tax bite than in any other state.)

The feasibility of imposing additional taxes and fees on fuel and motor vehicles is affected in part by the amount and rate of fuel and other taxes and fees imposed by federal and county governments. These other taxes and fees are not pledged to the payment of the bonds and are not available for such payment. The following is a summary of the various fuel taxes presently imposed by the federal government and fuel and vehicle taxes presently imposed by county governments:

**Federal Fuel Taxes:** The Internal Revenue Code imposes federal fuel taxes at the rate of \$0.184 per gallon of gasoline and \$0.244 per gallon of diesel fuel.

**State General Excise Tax:** Hawaii's 4% general excise tax on goods and services extends to gasoline, diesel fuel and liquid petroleum gas. Since 1991, general excise tax collections have been paid to the state's general fund, not the State Highway Fund.

**County Fuel Taxes:** Each county imposes a tax on gasoline, diesel oil and liquid petroleum gas for highway use. County fuel taxes are collected by the state's Department of Taxation together with the fuel license taxes and deposited into the respective county highway funds to be expended by each county on county highway improvements. The fuel tax rates for the County of Honolulu are \$0.165 per gallon of gasoline and diesel oil and \$0.11 per gallon of liquid petroleum gas.

**County Vehicle Weight Taxes:** Each county imposes and collects a tax on all vehicles, including motor vehicles based on weight. Each county collects both state and county vehicle taxes and remits the state vehicle weight tax to the state to be paid into the State Highway Fund.

**Other Taxes for Highways:** Rental Motor Vehicle Surcharge Tax (\$3/day or portion of the day/vehicle), Tour Vehicle Surcharge Tax (\$65/month/25 passenger vehicle and \$15/month/8-15 passenger vehicle), Vehicle Registration Fee (\$20/vehicle), and Motor Carrier Safety Inspection Fee of \$1.50/vehicle every 6 months.

## **Appendix 5 – Government Slow Payment Issues**

### **Government Slow Payment Issues**

Retainage is the 10% routinely withheld till the satisfactory completion of each government contract. A number of contractors reported that retainage payments were sometimes over a year late. This was said to be due to slow paperwork by inspectors, outstanding issues, plans to add to a job, or disputes.

When we conferred with the Department of Accounting and General Services (DAGS), the comptroller (the head of DAGS) made it plain that he feels a strong commitment to work with businesses to address the slow payment issue. To help resolve these problems, we developed a form that businesses can use to submit retainage problems directly to the comptroller.

## **Appendix 6 – Slow Permitting (Department of Planning & Permitting)**

In following up with the city's Department of Planning and Permitting on the issue of slow permitting, it was learned that some of the reasons for permitting delays are that incomplete plans are sometimes submitted or may not meet requirements; therefore, they are returned for correction.

The following is an update from the Department of Planning and Permitting on steps being taken to streamline the process:

Online building permit applications are available through the department's Web site, [www.honoluludpp.org](http://www.honoluludpp.org). Its purpose is to allow an applicant the convenience of faster submittals without the problems associated with parking and waiting in line at the One-Stop Permit Center. Applicants must still submit building plans; however, a "drop-off" box is provided so that there is no waiting in line. Departmental staff checks the box throughout the work day for assignment to plan examiners. The department is also in the process of converting space at the One-Stop Permit Center to accommodate additional computer terminals so that the public can enter "self-service" permit applications, thereby reducing waiting time.

The Department of Planning and Permitting is currently working toward the creation of electronic payment of building and sign permit fees. Completion of this task will expedite permit issuance as well as add convenience to the process. Implementation of this service is expected to be in place by this spring (2004).

Lastly, the department is amending its rules to allow "third party" plan reviewers who could be hired by applicants who cannot wait for building permit approvals through the regular review process. Third-party reviewers would be licensed architects and engineers in the private sector, approved by the Department of Planning and Permitting to conduct building code reviews and sign-offs. Upon receiving a sign-off from the reviewer, the department would issue the building permit to the applicant.

The department held a public hearing in December 2003 and is currently finalizing the draft rules for submittal to the City Corporation Counsel. Upon approval by the Corporation Counsel, the draft rules will be submitted to Mayor Harris for final approval. The Chamber of Commerce of Hawaii supports this initiative with reservations regarding liability.

## **Appendix 7 – Harbor Issues**

The Hawaii State Department of Transportation is addressing the harbor/pier issue with the following capital improvements:

Cruise ship/harbor improvements:

- \$11 million construction of Pier 2 cruise terminal, Honolulu Harbor (to be completed by end of 2004)
- \$2.3 million pier improvements at Kahului Harbor (Fall 2005)
- \$3 million extension of Pier 3 at Hilo Harbor (Spring 2005)
- \$5.8 million extension of pier at Nawiliwili Harbor (Fall 2005)
- \$825,000 to upgrade perimeter fencing at Hilo, Kahului and Nawiliwili
- \$800,000 for security barriers at harbors statewide
- \$300,000 to install video monitoring system for Oahu's commercial harbors
- \$1.4 million to remove methane from state fishing village at Honolulu Harbor

## **Appendix 8 – Getting Tough on Crime/Crystal Meth**

The city's Department of the Prosecuting Attorney is focusing on the problem of crystal methamphetamine (ice) and its use in Hawaii. According to the Department of Health, Hawaii has the highest rate of adults who have tried ice. There is a high correlation between drug use and crime, and 38% of those arrested test positive for ice. The prosecutor is asking the community to take action to prevent the sale and use of crystal methamphetamine through:

- A Healthy Start
- Drug testing in the schools
- Early treatment
- Sentencing reforms for habitual criminals
- Coordinated community response
- Incapacitation through incarceration

Prosecutor Peter Carlisle is proposing sentencing reform for habitual misdemeanants and career criminals. He wants to repeal Act 161 which allows automatic parole for criminals who are first-time drug offenders even if they have a history of many crimes. Others are discussing modifications because they want to focus on a treatment program, but unfortunately, even drug dealers who have never been caught for drug use have been released under this law. The law related to wiretapping drug dealers' phones should mirror the federal law for wiretapping. Hawaii law requires public hearing/notification of the person who is under surveillance. The Prosecutor's Office is also proposing that the law as to how a trial is started be modified to reduce delays and the associated drain on police resources.

The following are some of the Prosecutor's Office's proposals to get tough on crimes that impact business:

### **Law Enforcement Coalition Legislative Package, 2004**

HONOLULU - Attorney General Mark Bennett announced today that the Hawaii Law Enforcement Coalition has introduced a six-bill legislative package designed to fight illegal drugs, expedite the prosecution of felonies, reform Hawaii's sentencing laws, and deter public corruption. The Hawaii Law Enforcement Coalition is comprised of the Chief of Police of each county, the Prosecuting Attorney of each county, the United States Attorney for the District of Hawaii, and the Attorney General of the State of Hawaii.

The members of the Hawaii Law Enforcement Coalition support a broad range of bills that further the goals of law enforcement and help to try to restore balance to a criminal justice system in which that balance has been lost. However, only six bills are included in the actual legislative package. Each bill in the package must have the unanimous support of the entire Law Enforcement Coalition before it can be included in the package, and thus, each and every bill in the Law Enforcement Coalition legislative package is supported by every Chief of Police in the state, it is supported by every Prosecuting Attorney in the state, it is supported by the United States Attorney for the District of Hawaii, and it is supported by the Attorney General of the State of Hawaii.

The following bills comprise the Law Enforcement Coalition 2004 legislative package:

1. **Information Charging** (A Bill for an Act Relating to Criminal Procedure, SB 2861, HB 2386) - The purpose of this bill is to implement the unanimous recommendation made by the task force created by the legislature in Act 190 of the 2003 legislative regular session. The task force recommendation is that information charging for certain class B and class C felonies be authorized and recommends the charging procedures set forth in this bill.

Under current criminal procedures, felony cases must be initiated in one of two ways. A felony charge must be presented to either a grand jury or a district court judge for a hearing to determine if there is sufficient probable cause to require the defendant to be arraigned in circuit court for the charge. In 2002, the Hawaii Constitution was amended to allow for a third way to initiate felony charges. This bill would implement the procedures necessary to add "information charging" as a third means of initiating a felony charge. It would allow particular class B and class C felonies to be initiated by the procedures that are set forth in the bill.

This bill will have a beneficial effect on the public because it will allow the majority of felony cases to be prosecuted without the need for witnesses to testify on multiple occasions. The need to testify on multiple occasions is both traumatic and expensive for the typical citizen witness. This bill will also save the taxpayers large amounts of money. The taxpayers currently spend large amounts of money paying for the preliminary hearings and grand jury hearings that require police overtime pay and other expenditures by courts, police, prosecutors, and public defenders. This bill would eliminate the need for most of these hearings.

2. **Sentencing Reform** (A Bill For an Act Relating to Crime, SB 2844, HB 2369) - The purpose of this bill is to reform the sentencing laws of Hawaii.

The problem of recidivism has plagued Hawaii for many years and continues to be a concern under current sentencing provisions. Far too often, criminals and their attorneys have manipulated our system of justice, with the net result being the creation of a revolving door of crime, followed by arrest, minor sanctions, release, and more crime.

Hawaii's citizenry and police are fed up with this revolving door. This bill is designed to end the revolving

door by increasing the penalties for those who commit crime after crime. These changes will deter some repeat offenders. For those who are not deterred and insist on becoming a "one-man-crime-wave," the bill provides protection for our citizens and their property by incapacitating these recidivist criminals through incarceration.

**3. Amendment to allow drug interdiction using the "Walk and Talk" technique** (A Bill For an Act Proposing an Amendment to Article I of the Constitution of the State of Hawaii, SB 2851, HB 2376) - The purpose of this bill is to allow police and prosecutors to obtain and use evidence derived from two valuable drug interdiction investigative techniques commonly known as "walk and talk" and "knock and talk."

This bill would initiate the process necessary to pass a constitutional amendment designed to remove the judicially created ban on the use of evidence obtained directly or indirectly from consensual conversations between law enforcement officers and other persons. Due to judicial rulings, two investigative techniques, commonly known as "walk and talk" and "knock and talk" cannot be used in Hawaii. These are valuable investigative techniques used in many other jurisdictions for the purpose of interdicting drugs.

Hawaii can no longer afford to hobble law enforcement efforts to prevent the importation of drugs. This amendment would, in effect, adopt the rulings of the United States Supreme Court on this issue. Therefore, the rights of Hawaii's residents and visitors would still be well protected by the United States Constitution, but law enforcement officers would be bound by federal court rulings, rather than the current, and extremely restrictive, Hawaii court rulings.

This amendment will have a beneficial effect on the public because it will provide more protection from the importation of illegal drugs. If our constitution is amended as provided by this bill, the Hawaii constitution will be amended in a way that allows Hawaii's law enforcement agencies to be far more effective at keeping illegal drugs and illegal drug dealers off our streets, but it will do so in a way that still provides for every single constitutional protection afforded to every accused person under the United States Constitution.

**4. Electronic Surveillance** (A Bill For an Act Relating to Electronic Surveillance, SB 2845, HB 2370) - The purpose of this bill is to repeal Hawaii's outdated electronic surveillance statute and to make Hawaii's electronic surveillance laws compatible with the federal laws on electronic surveillance.

With the recent increase in methamphetamine use, and after the terrorist attacks on the east coast, it has become apparent that Hawaii law enforcement officials will need statutory authorization to conduct electronic surveillance. While, in theory, that statutory authority already exists, in practice, Hawaii's current electronic surveillance laws are hopelessly behind recent technological developments and are so restrictive that wiretaps are virtually never used by Hawaii law enforcement.

Hawaii needs an electronic surveillance statute that: (1) provides strong privacy protections for Hawaii's residents; (2) is up to date with current technology; (3) is not so restrictive that it is usable; (4) is in conformance with federal electronic surveillance statutes (without adopting the USA PATRIOT Act modifications to federal law); (5) allows electronic surveillance evidence that is obtained pursuant to a federal order authorizing the electronic surveillance to be used in Hawaii courts; and (6) strikes an appropriate balance between protecting the rights of Hawaii's residents and giving law enforcement officials the tools needed to protect Hawaii residents against terrorists and other criminals. Enacting a new statute patterned after the federal law regarding electronic surveillance will accomplish all of these goals.

*[Item 5 concerns "Megan's Law," which is not directly related to business issues.]*

6. **Bribery** (A Bill For an Act Relating to Public Administration, 2848, HB 2373) - The purpose of this bill is to create two new offenses related to illegal compensation of public servants: bribery in the second degree and unlawful gift to public servants by persons subject to their jurisdiction, and to modify the language and strengthen the penalty for Hawaii's existing bribery statute.

Hawaii has had many unfortunate instances of public corruption in the last several years. It is apparent that the existing bribery statute is insufficient to deter financial misconduct by public servants. Another weakness in Hawaii's law is that the Model Penal Code's prohibition of giving gifts to public servants under inappropriate circumstances was not adopted when Hawaii adopted the rest of the Model Penal Code. Hawaii needs this type of prohibition because improper financial influence over public servants, although clearly wrong, often cannot be charged as bribery.

This bill will be beneficial to the public interest because it will promote greater confidence that decisions by public officials are made without improper influence. This bill will also help public agencies because public officials who are accepting bribes or improper gifts will be easier to prosecute. Therefore, the administration of these agencies will be made more efficient by the removal of public officials convicted of the crimes created or modified by this bill.

**Appendix 9 – List of Volunteers**

<b>First Name</b>	<b>Last Name</b>	<b>Title</b>	<b>Company</b>
Steven	Ai	President & CEO	City Mill Co. Ltd.
Greg	Ahlstom	Manager	Parsons-UXB Joint Venture
Rob	Anderson	Business Development	CTA Business Solutions
William	Brown	Vice President – Human Resources	Outrigger Hotels & Resorts
Jo Kamae	Byrne	President & CEO	Honolulu Information Services, Inc.
Robert	Carstairs	President	Business Factoring Hawaii
Derek	Chang	Vice President, Corporate Banking	Bank of Hawaii
Timothy	Chang	Vice President, Commercial Banking	Bank of Hawaii
Bruce	Chapman	CPA	SCORE
Matthew	Delaney	President	Marc Resorts Hawaii
Gregory	Dunn	Executive Director	Hawaii Nature Center
Lei	Enomoto	Vice President, Human Resources	Island Insurance Co., Ltd.
Andrew	Friedlander	CEO	Colliers, Monroe, and Friedlander
Derrick	Fujioka	District Sales Manager	AFLAC
Linda	Gilchrist	President	Island Insurance Co., Ltd.
Signe	Godfrey	President	Olsten Staffing
Mark	Haley	Vice President	Morgan Stanley
Doris	Hannaford	Area Manager	Manpower International
Michael	Herb	Principal Consultant	Hawaii Business Connections
Kathryn	Inkinen	President	Inkinen & Associates
Elden	Ito	Partner	RevaComm
Valerie	King	Vice President	GAC, Inc.
Gloria	Koch	Procurement Manager	Parson's – UXB Joint Venture
Kitty	Lagareta	Chairman & CEO	Communications Pacific
Patrick	Leahy	Vice President	First Insurance Company of Hawaii

<b>First Name</b>	<b>Last Name</b>	<b>Title</b>	<b>Company</b>
Gabe	Lee	Senior VP, Commercial Markets	American Savings Bank
Elvira	Lo	President & CEO	Hawaii Monarch Chocolate
Pat	Loui	President	OmniTrak
Randy	Lu	Assistant Vice President	City Bank
Bobbie	Ma	Project Manager	First Insurance Company of Hawaii, Ltd.
Susan	Maglaya	Assistant Vice President	City Bank
Joel	Matsunaga	Vice President – External Affairs	Verizon Hawaii, Inc.
Peggy	Maxwell-Luke	Business Relationship Manager	Ceridian
Gary	McCarty	Associate Consultant	Business Consulting Resources
Terry	Mullen	President	John Mullen & Company, Inc.
Galen	Nakamura	Vice President	Bank of Hawaii
Nick	Ng Pack	President & CEO	Milici Valenti Ng Pack
Sandra	Ohara	Director of Corporate/Govt. Accounts	Adecco Technical
Dean	Okimoto	President	Nalo Farms, Inc.
Jarrett	Oshiro	Manager	Hawaii National Bank
Jeffrey	Owens	Owner	Transcend, Inc.
Graham	Pearce	Vice President	Smith Barney -Citigroup
David	Reber	Partner	Goodsill Anderson Quinn & Stifel
Dean	Senda	Business Banking Officer	City Bank
Jeff	Shonka	CFO, Vice President & Treasurer	First Insurance Company of Hawaii
Gregory	Sokolowski	Business Banking Officer	City Bank
Julie	Sumiki	Business Banking Officer	Bank of Hawaii
Jeff	Swartz	President	Booklines Hawaii, Ltd.
Cheryl	Terrill	Director of Career Services	Heald College
Bill	Thayer	President	Waldron Steamship
Robin	Tjioe	President & CEO	Cyberlink Pacifica
James	Tollefson	President	Chamber of Commerce of Hawaii
Roger	Wall	Executive VP & CFO	Foodland Supermarkets, Ltd.
Stephanie	Whalen	President & Director	Hawaii Agriculture Research Center
James	Wills	Interim Dean	University of Hawaii
William	Wilson	President	Hawaiian Dredging Construction Co.
Robert	Wo	President	C.S. Wo & Sons, Ltd.
Pauline	Worsham	Owner	Pauline Worsham Advertising
Jane	Yamashiro	Director, Economic Development	Enterprise Honolulu
Dirk	Yoshizawa	Assistant Vice President	Bank of Hawaii
Edward	Young	Assist. Vice President & SBIC Officer	City Bank