

UNIVERSITY OF HAWAII NOTICE OF EXEMPTION FROM STANDARD METHODS OF SOURCE SELECTION

The Vice President for Budget and Finance/Chief Financial Officer, University of Hawaii, is in the process of reviewing the request from
Information Technology Services (Department/Campus) for exemption from Standard Methods of Source Selection for the following goods, services, or construction:
Modification to contract C060084 to increase labor rates with Hawaiian Telcom, Inc. to provide telecommunications equipment, installation, maintenance, infrastructure support and related services for Manoa campus copper and fiber optic cable infrastructure.

Vendor: Hawaiian Telcom, Inc.
(If known)
Address:

Term of Contract: (If known)	From: -----	To: -----	Cost: Requirements Contract
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Direct any inquiries to: Department: Information Technology Services Contact Name/Title: David Lassner/VP for Info Tech & Chief Info Officer Address: 2444 Dole Street, Bachman Hall 204, Honolulu, HI 96822	Phone Number: 956-3501 Fax Number: 956-5025
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Date Posted: October 27, 2010

Submit written objections to this notice to issue an exemption from Standard Methods of Source Selection, within seven (7) calendar days from the date posted to:

Office of Procurement and Real Property Management
1400 Lower Campus Road, Room 15
Honolulu, Hawaii 96822

REQUEST FOR EXEMPTION FROM STANDARD METHODS OF SOURCE SELECTION

TO: OFFICE OF PROCUREMENT AND REAL PROPERTY MANAGEMENT

FROM: Information Technology Services
(Department/Program)

Pursuant to APM Section A8.220, the Department requests a procurement exemption to purchase the following:

Description of goods, services, or construction:

Modification to increase labor rates for the University's existing contract with Hawaiian Telcom, Inc., Contract No. C060084, to provide telecommunications equipment, installation, maintenance, infrastructure support and related services for the Manoa campus copper and fiber optic cable infrastructure.

Estimated Cost: \$ N/A - Requirements Contract

(1) Explanation describing how procurement by standard competitive means is either not practicable or not advantageous to the University;

In 2005, the University solicited proposals for the aforementioned services via a Request for Proposals. A contract was issued to Hawaiian Telcom, Inc. to provide the services for a period of one year commencing on January 1, 2006, annually renewable for up to ten years. The University is currently in the fifth year of the contract. Hawaiian Telcom, Inc. has informed the University in writing that it will not agree to renew the contract effective January 1, 2011 at the current contract rates due to substantial labor rate increases over the past five years. The current contract labor rate is set at \$41.00 per hour and Hawaiian Telcom, Inc. has proposed a new contract labor rate of \$81.60 per hour.

(Continued on the attached page.)

(2) Details of the process or procedures to be followed in selecting the vendor to ensure as fair and open competition as practicable;

The current contract provides for annual extensions upon mutual agreement to 2015. After this contract modification to increase the labor rates, we will assess the marketplace each year to determine whether or not it would be in the University's best interest to continue with the contract at the increased labor rates or to conduct a new competitive solicitation.

(3) A description of the Department's internal controls and approval requirements for the exempted procurement; and

The contract is administered by Janice Kawachi, Manager, Network Operations, Information Technology Services, Technology Infrastructure, and monitored on a regular basis by David Lassner, Vice President for Information Technology and Chief Information Officer.

(4) A list of Department personnel, by position title, who will be involved in the approval process and administration of the contract:

Janice Kawachi, Manager, Network Operations, Information Technology Services, Technology Infrastructure
Craig Shinsato, Administrative Officer, Information Technology Services, Administrative Services
Scott Yamashita, Manager, Information Technology Services, Administrative Services

Direct questions to: David Lassner Phone: 956-3501

I CERTIFY THAT THE INFORMATION PROVIDED ABOVE IS TO THE BEST OF MY KNOWLEDGE, TRUE AND CORRECT.

Janice Kawachi
Full Name of Principal Investigator, Department Head, or Administrator

Janice Kawachi 10/27/10
Signature Date

Craig Shinsato
Full Name of Fiscal Officer

Craig Shinsato 10/27/10
Signature Date

APPROVED:

David Lassner
Full Name of Vice President or Chancellor

David Lassner OCT 26 2010
Signature Date

FOR OPRPM USE ONLY

OPRPM COMMENTS:

Recommend Approval.

APPROVED DENIED

Howard A. Sob... 10/27/10
VICE PRESIDENT FOR BUDGET & FINANCE/CHIEF FINANCIAL OFFICER, UNIVERSITY OF HAWAII DATE

- (1) Explanation describing how procurement by standard competitive means is either not practicable or not advantageous to the University;

Based on our careful review of the marketplace for these services, the following considerations are provided:

- a. A formal rebidding of the contract would not be practicable before the impending termination date of December 31, 2010 of the current contract. Having no contract in place for the months it would take to repeat the RFP process would result in significant services disruptions and delays for both major and minor construction and renovation projects on all UH campuses.
- b. Based on our assessment of the marketplace for this type of labor, a new competitive procurement would result in a labor rate higher than that proposed by Hawaiian Telcom, Inc. The new rates proposed by Hawaiian Telcom, Inc. are the result of Hawaiian Telcom Inc.'s extensive negotiations with the subcontractors that they utilize for the delivery of services statewide, and are highly advantageous for the University based on our knowledge of market rates charged for similar services at the level of quality required by the University. For example, the State Procurement Office Price List Contract No. 09-10 for Telephone Services and Equipment Statewide for the period from January 14 2009 to January 13, 2013 uses a labor rate of \$85 per hour for similar services. This is comparable and in fact higher than the direct subcontractor rate increase proposed by Hawaiian Telcom, Inc.
- c. The rate increase proposed by Hawaiian Telcom, Inc. will only affect the labor portion of the contract. If we were to re-solicit this requirement, the University would also be subject to potential increases in the costs of materials and supplies over those in our current contract. This would be highly disadvantageous to the University.
- d. There is no vibrant marketplace for these advanced services in Hawaii. In addition to providing these services to the University, Hawaiian Telcom, Inc. has been selected twice through competitive processes and has also consistently won the State contract for similar services in multiple competitive solicitations over the past three decades. In addition, the two major Hawaii Telcom Inc. subcontractors who could potentially provide these services directly to the University have entered into "non-compete" agreements with Hawaiian Telcom, Inc. As such, they would not compete directly for our business. Lastly, Hawaiian Telcom, Inc. would have no incentive in a re-bid situation to provide prices for labor, or materials and supplies as low as they currently provide to the University under the current contract, even with the proposed increases to its labor rates.