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Hawai'i missing out on business

By Gene Ward

Each year, the federal government spends billions of dollars on defense contracts for Hawai'i that aren't awarded to local companies. It's money that could help develop Hawai'i's security and technology industries and create jobs. It's hundreds of millions of dollars of potential state taxes. And it will continue to be nothing more than unrealized potential for our economy unless we do something about it.

A little known fact is that if you combine military and nonmilitary expenditures, the federal government is the largest contributor to Hawai'i's economy, pouring \$13.5 billion into the state annually.

Contrary to what we have been led to believe, tourism is actually second at \$12.8 billion in contributions to the state's economy. The problem is that a significant amount of those federal dollars go to defense contractors that take the money back out of Hawai'i.

According to the Department of Business, Economic Development and Tourism, generic federal procurement contracts in Hawai'i amounted to \$2.1 billion in the 2006 fiscal year, with an additional \$2.3 billion spent on block grants and cooperative agreements. Altogether, DBEDT reported that military spending in Hawai'i was \$8.2 billion. However, Amarcor, a national research and emergency services consortium headquartered in 'Ewa Beach, says that if you follow the money, most of it goes to companies based out of the state with employees who only work in Hawai'i temporarily. They parachute employees in and fly out the money over the next two to three years. That is unacceptable.

The Pearl Harbor Naval Shipyard is just one example of how we can benefit from having more federal money going to local businesses instead of elsewhere. The shipyard has 4,700 workers, making it the largest single industrial employer in the state, according to the Chamber of Commerce of Hawaii. And those workers generate \$600 million in annual revenues for the state of Hawai'i.

Hawai'i is host to several military installations, including four Army bases, two Air Force bases, a Marine base, Tripler Army Medical Center, and a Navy base at Pearl Harbor. The Pacific Missile Range Facility, the "world's largest instrumented multi-environment range capable of supporting surface, subsurface, air, and space operations simultaneously," according to the Navy, is on Kaua'i. The state's highly developed military infrastructure offers many opportunities for private contractors to provide essential services to support national defense. With some help, more of those services can be provided by our businesses.

Several things can be done to help local companies win more contracts. We can develop programs through legislation that aid Hawai'i's companies in bidding competitively against other companies for military and nonmilitary contracts for the state. We can also help local companies become more informed about the opportunities available and how to take advantage of them. Public information strategies can be developed to educate local companies on how they can bid on federal contracts. The Office of Hawaiian Affairs, for example, has just established a Procurement Technical Assistance Center, which helps small businesses understand how to successfully market goods and services to the government, specifically for defense and other contracts.

To get us out of the status quo of doing business as usual, we should create an Office of Entrepreneurship and Job Creation in the governor's office, which would be responsible for creating new jobs and retaining the existing job base in Hawai'i using an entrepreneurial rather than bureaucratic spirit

of doing business. This office would also be an ombudsman and monitor small business development and expansion, especially eliminating barriers to job creation and job retention. Such an office could provide valuable support for helping local businesses win contracts from the federal government and putting our people back to work again.

And we can and should do all this while U.S. Sen. Daniel Inouye is serving as the chairman of the Senate Committee on Appropriations and the subcommittee on defense, and our Hawai'i-born president is in the White House. Now is the best time to build up and assert our position as a source of a local talent for federal defense contracts for Hawai'i.

Bottom line: the federal government is the largest contributor to Hawai'i's economy, yet we're not taking full advantage of that fact if most of the defense contracts for projects in Hawai'i aren't being awarded to Hawai'i's companies.

We're missing out on an opportunity for more jobs and more economic development. And with the Council on Revenue's recent projections subtracting another 1.5 percent from our already falling revenues, billions flowing elsewhere when it could be fueling our businesses is the last thing we need. Let's do something about it.