

Chronological: Military Construction Contracts in Hawaii, 1996-08-05

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Dan Inouye

U.S. SENATOR FROM HAWAII



STATEMENT OF U.S. SENATOR DANIEL K. INOUE ON MILITARY CONSTRUCTION CONTRACTS IN HAWAII

Monday, August 5, 1996

FOR IMMEDIATE RELEASE

HONOLULU, HAWAII -- Thank you for convening this hearing to bring to light concerns relating to the awarding of military contracts in Hawaii. I commend you for your commitment to ensuring that the maximum amount of dollars brought home for military construction projects, not only serve the needs of our men and women in uniform, but also provide our construction trades men and women with good jobs, and our State with its share of tax revenues.

I am pleased to share with you that the House and Senate Appropriations Committees concluded their Military Construction conference just before the August recess. Hawaii will receive \$290 million in fiscal year 1997 for construction projects ranging from Kaneohe Marine Base improvements associated with the relocation of the P-3 squadrons from Barbers Point, family housing at Pearl Harbor, to a barracks renewal at Schofield. Other construction projects are pending in the Defense Appropriations bill, including funds for the Kahoolawe clean-up.

In May of this year, Senator Stevens, Chairman of the Defense Appropriations Committee, and I wrote to the Secretary of Defense Bill Perry regarding the very subject of this hearing.

We wrote:

“If the Army Corps of Engineers allows national contractors to offer bids on family housing projects in Hawaii which fail to include the taxes legitimately owed to the state, while the local contractor must account for

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these costs, then fairness has been lost. The current processes fail to credit local contractors with possessing knowledge and experience which can allow them to avoid mistakes that have been made in the past by others due primarily to the unique nature of tropical... environments.”

We have called upon the Secretary to institute reforms in the military housing construction and environmental clean-up programs. The feedback we have received to date has been positive.

The same can be said about the Department of the Navy, Pacific Division and the Army Corps of Engineers, Pacific Ocean Division's response to my request that they work with the State Department of Taxation to ensure that federal contractors, in-state and out-of-state, pay taxes. The current regulations do not provide the authority for a state tax clearance or other definitive mechanism for collection. Notwithstanding these impediments, the local officers have been working with the State Tax Director to arrive at creative solutions to increase the State's tax collection. I commend them for their flexibility and willingness to work out a solution. Let us continue our efforts in this regard.

Beginning in 1986, and continuing every year since, including those years when I served as Chairman, a provision has been included in the Defense Appropriations Bill to require the hiring of local residents for military construction jobs in Hawaii and Alaska when their unemployment rates exceed the national average. Included in the provision is a caveat -- the Secretary may waive this requirement on national security grounds.

From what I understand, this waiver is routinely used, and the provision not enforced. The purpose of this provision is to discourage the bringing in of out-of-state labor to do a job Hawaii residents are qualified to undertake, especially during times of high unemployment. Obviously, we do not include the provision every year to have it simply waived. I would be interested in learning what should be done to ensure its enforcement. I would like to see it enforced, and the waiver used only in true cases of national security.

Much attention has been placed in recent years on military contracts. The slowdown in state, county and private construction jobs have turned our collective attention to the federal jobs, which in the past have not received this heightened level of attention. A big part of aiding Hawaii contractors in their quest for federal jobs, sensitizing the Department of Defense to the local needs and talent, and ensuring that out-of-state contractors pay taxes is -- Education.

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We have enlisted the aid of the military contracting officers to impress upon all contractors the importance of paying state taxes. We need to bring the local contractors together with the military contracting officers so they feel comfortable with the process and the people. We need to spread the word about the knowledge and skills Hawaii's construction industry and trades men and women bring to a military construction job.

I wholeheartedly believe that we can accomplish our collective goals and expend our Department of Defense dollars in a most cost-effective manner. It will take education, and a commitment to work together as a team. You have my commitment. Count me in as a member of the team.