

**GOVERNOR LINDA LINGLE'S REMARKS
BUILDING INDUSTRY ASSOCIATION ANNUAL DINNER**

Wednesday, December 3, 2008

Let me begin by congratulating the outgoing officers. Thank you for your service and your willingness to serve in the coming year. We all know that it's a challenging time, not just here but around the world. Many of the factors causing this current slowdown are beyond our control. They were not of our making and are not our fault, but they impact us: the fluctuating price of oil and the subprime loan crisis and of course the status of the big three automakers.

Residents and businesses are likely more reluctant to spend than they have been in previous years and construction industry is certainly feeling these effects. We want to make a difference, we in state government, and I want to talk about the specific positive steps that we are going to take to do everything we can to make certain that this industry remains as strong as possible during these times when all these worldwide issues are going on.

First let's talk about the existing situation. Private building authorization has decreased by \$240 million or 8.8 percent in the first nine months of 2008. Government contracts awarded decreased by \$72 million or 9.6 percent for the first nine months of 2008.

Construction jobs decreased slightly in the third quarter – 6/10 of a percent – compared to the same quarter last year; but there is some positive news. The decreases in private construction permits and government contracts were partially offset by the military housing privatization initiative. Also, the state CIP expenditures were up \$362 million or 44 percent for the first nine months of 2008.

Signs of the slowdown are undeniable. There are areas, however, where we think that government can have a measurable impact, including speeding up public construction projects, improving the regulatory environment for private construction, creating opportunities particularly in the area of clean energy.

Our Administration is focused on seizing these and other opportunities and taking proactive measures to stimulate the economy and to create jobs. You know that investing in our state's infrastructure has always been a priority for our Administration. We have initiated a large scale modernization project at the airport for \$2.3 billion over a 12-year period. I will be attending the dedication of the new parking structure on December 18.

Fitch's rating service recently rated our airport bonds as 'A' and this will help us to move forward. In addition, we launched the Harbors Modernization Plan, calling for roughly \$600 million of harbor improvements statewide. Because of the economic slowdown worldwide, nationally and here at home, we are intensifying our focus on these and other public construction projects. They are part of the five-point action plan we adopted during this tough time.

Our recently-formed cabinet level Strike Team for construction projects will ensure that at least \$1 billion of already budgeted and publicly approved construction projects start within the next 18 months. To keep the pressure on ourselves, a listing of these projects in the next 10 days will be going online.

You'll be able to see every single project that is on the Strike Force's list and what happens week-to-week with that project. If there is any slippage, we'll have it across the top. It will say when the bid is going out, when it is going to be advertised, when it will be opening and awarded, when construction will begin. You will also see if there are any missing permits because we have determined this is a big problem.

In talking to one of your members tonight, they told me they have a construction project that has been awarded by the state and they have been waiting for one year for a county permit. It wasn't this island, Wayne, it happened to be on another island. (laughter)

But, I told this member that I know that sometimes it is the state ourselves who are slowing the permit. It could be a Department of Health permit; it could be Historic Preservation, the Department of Land and Natural Resources. I don't care what level it's at – city and county, state, federal, corps of engineers – we know it's a bottleneck for getting people to work on these projects. We're going to list it online, we're going to say what permit is lacking for that project to actually begin construction so you will be able to keep the pressure on me, keep the pressure on the city, keep the pressure on whoever it is that is holding back this permit and make them explain why this isn't a priority.

Why so much focus on these projects, on these public construction projects? By the way, we have met with the BIA, we met with GCA about it, we met with the trade unions because they're a partner with us, and we're going to use them to pressure the cities and counties and others who are holding permits and not acting on them.

We're all in this together. This is not about one level of government. This is not about public-private. This is all of us having a chance to make a difference in this case and we want it to involve everyone from the very beginning. So why the extra emphasis on public projects? We're one of the only ones where money is not an issue. We can go borrow at anytime, and we borrowed today.

Our budget director is in New York. We went out with \$100 million of refunding, \$100 million of new projects and \$26 million to complete the purchase of Kukui Gardens. Our interest rate, I was very surprised by how good the rate was, was 4.76%. No one in the private sector can borrow money at those rates and can get it almost at any time.

We were scheduled to go out with this bond issue for \$600 million as opposed to \$227.8 million. We were scheduled to go out around September 23. Our budget director was actually in New York when the crisis started to unfold. We pulled out of the market at that time, we waited for it to get to a point where we thought it would make sense for us as taxpayers and we will continue to watch these next couple of months. That \$600 million will eventually go out, but this \$1 billion in projects that I have talked about is not contingent at all on us selling bonds.

We have the capability as the government, whether we sold those bonds or not, to go out to do construction on the projects that have been approved by the Legislature, the funds have been appropriated. We can use cash, of which we have \$3 billion, and then when we sell the bonds, we can replenish that. There is nothing stopping us and that is my point for getting these projects out. Nothing is financially stopping us. They're approved, they're appropriated. We have the ability to raise or use existing money. The only thing stopping us is ourselves. We need to take a good look and let the public know what is happening with these projects. This effort is being headed up by my Chief of Staff Barry Fukunaga and it's at that high level.

On the Strike Force for the state, we have all departments who have construction projects and we included in that the Department of Education because they have a bulk of the projects, and the University of Hawai'i because they also have a substantial number of projects. Brennon Morioka at the Department of Transportation, our Transportation Director has a lot of the projects. Micah Kane at the Department of Hawaiian Homelands because a lot of the projects are his. Russ Saito at the Department of Accounting and General Services is really the detail guy who is going to be putting it online and making certain that things are followed, and if you know Russ, he's the perfect guy for that job. He is a detail-oriented person. I would also want to thank Mark Anderson, our deputy director at the Department of Business, Economic Development and Tourism. You may not know him, he is an extremely bright young guy. This is an economic development issue, so he is designing these flow sheets for us that will go up and online. We will

announce it when they go online. We hope you will follow along. Hopefully this will be a way for us to keep pressure on ourselves and I want you to do that. I mean this sincerely.

We want to facilitate major private construction projects whenever possible. Again this means working with the country governments to expedite the issues of water, sewer, and this is true in all counties. We all need to let these companies know that we're standing by to help them in any way that we can. We do try to do that. I personally make phone calls on large projects to determine if there is anything they need us to do. It was great to see the Disney project actually break ground on November 19 at Ko Olina.

There are other big projects. When I was traveling on the mainland recently, I was in Cleveland, Ohio and Forest City heard that I was going to be there and asked to have a meeting. Forest City is a very large company with good access to credit and cash and they have been awarded the HHFDC project on the Big Island for 2,000 housing units as well as some infrastructure. I spent time with them because they're looking for confidence that we're going to help move these projects forward – that they're not going to get bogged down and stuck in a project. We have the DeBartolo development in East Kapolei with the Department of Hawaiian Home Lands that involves a 65-year lease with DeBartolo. It's on schedule for groundbreaking later on in 2010.

Over the last six years, the Department of Hawaiian Home Lands has built more than 750 homes for Native Hawaiian families. In the first 80 years of the Department of Hawaiian Home Lands, 5,800 leases were awarded. In the last six, we've awarded 2,500 leases. The agency is becoming much more efficient and BIA can be proud that your former staffer Micah Kane is leading that outstanding effort.

The Department of Hawaiian Home Lands is also assisting with our strike force and with other projects as well. In October, they awarded the first 205 residential leases in East Kapolei II project that will eventually include 1,000 homes, 1,000 residential units for the general public, at least two schools and the Kroc Community Center.

The State Housing Financing Development Corporation is also contributing to the construction of affordable housing in our state. Linda Smith, my senior policy advisor, is an active member of HHFDC. They have approved and provided financing for more than 5,100 affordable housing units since 2003.

Our Administration is working hard to identify a regulatory barriers that add to the cost or prevent the construction of housing in Hawai'i. Linda is the chair of that group. It's a 21-member Affordable Housing Regulatory Task Force that was established in August 2007. It includes many members of the business community, including some of you. This group's work has been recognized nationally by HUD. Their recommendations will include streamlining the delivery of affordable housing by including using the 201-H expedited approval process for mixed income housing projects and infrastructure development.

Training and workforce development also plays a critical role in the construction industry, as you well know. It's important to make certain that we have skilled laborers who are primed and ready when the industry picks up to its previous pace. We've released a \$1 million grant-in-aid in February of this year for BIA's Construction Training Center of the Pacific in Waipahu, and you should be congratulated for your foresight. Congratulations on your groundbreaking that took place on October 30. It's really gratifying to know that your pre-apprenticeship construction training program will have a permanent home.

To a large degree, the future of construction and our economy in general will depend on our pursuit and success in achieving energy independence. In January of this year, we launched in partnership with the U.S. Department of Energy – the Hawai'i Clean Energy Initiative. No other state in America has a signed written memorandum with the U.S. Department of Energy, except the state of Hawai'i. Our goal is that at least 70 percent of all our energy comes from clean energy by 2030.

After just returning from two weeks in Asia, I can tell you the difference between clean energy and energy that comes from burning fossil fuel. It's sad for citizens who have to live in a place where it's difficult just to breathe everyday. I came back with a renewed sense of environmentalism so that when we do build, we do it in a way that respects people who live here and maintains the healthy environment that we have.

This Clean Energy Initiative is so important because without it, we will remain vulnerable. Whether it's retrofitting homes or businesses to be more energy-efficient or starting an electric car project, Hawai'i has every known source of renewable energy that exists: from solar to wind, to wave, to geothermal, to biofuels. The number of private, public and residential renewable energy projects statewide is growing. Some examples include the Department of Transportation's selection of Hoku Solar to design, build and install photovoltaic systems at Līhu'e, Kahului, Kona and Hilo Airports. Forest City Military Communities is building energy-efficient homes and sustainable neighborhoods for sailors, marines and their families. The Halsey Terrace Community Center is a good example that is saving 266 barrels of oil per year. I attended the "flip switching" ceremony in June.

In October, the state signed an historic agreement with HECO that builds on the progress of the HCEI. HECO has committed to purchasing 700 megawatts of power from renewable energy producers within five years. They have agreed that there will be no more fossil fuel plants built in the state ever. This allows us to further capitalize on the interest of investors and renewable energy developers when they know that our future is reliant on renewable energy.

Just yesterday, we welcomed the Better Place electric car project to Hawai'i. It's a company that has developed a zero emission transportation solution. This will pave the way for electric car use statewide. It has the support of the Hawai'i Auto Dealers Association, as well as the general community and today if you haven't seen it yet, there are articles about it in both the Wall Street Journal and the New York Times that's

important for us because people recognize we're a good place to do business and invest in these types of projects. We're creative, we're innovative and we're out in front.

Hawai'i is the first state in the nation to commit statewide to the electric car project. I want to be clear that the company we made the announcement with yesterday is not the only company that will produce electric cars for the grid that will be created. Yesterday was an agreement between that company, Better Place, and HECO – for them to buy their power from HECO. The grid system – the plug in, the chargers that will be created – will be agnostic so that any company that comes in – and you will see another company in the next two weeks make a similar announcement – you won't get into the situation that the nation and the world did to some degree with cell phones when four different networks were built. The VHS-Beta issue that went on, the DVD-Blue Ray issue that is still going on. This will be a system that anyone with electric cars will be able to plug into. It's very exciting. It fits with us because the average vehicle trip is 22 miles in the State of Hawai'i and these cars can go 120 miles on one charge.

Earlier this year, I appointed Joshua Strickler as our state's new renewable energy facilitator. He's coordinating and streamlining energy projects and the permitting process. This is critically important as we're trying to attract investors and keep these investors on a timeline to meet that target. To give you an example, previous to Joshua coming in, in order to build a wind energy project in the State of Hawai'i, it took 31 separate permits. You know how that goes. Thirty one separate permits. Six to seven years to get the wind energy project up and yet, it's free, the wind blows. No one can charge you for wind. His task is to get that down to one year and to walk companies, who are investors in our state, through the process and help them to achieve their goal.

I was in Taiwan recently and oversaw the signing of an agreement with Lockheed Martin and Taiwan to create OTEC project on the Leeward Coast – an energy project that takes energy from the difference between the deep water temperature and the surface water temperature. That difference creates energy and it turns a turbine and the line will go right up to the power plant. It was very exciting and at that signing ceremony, someone

got up from Taiwan and he talked about wind and solar and he described it as energy from heaven. It's ours. It's just ours. The only thing stopping us from using it is ourselves.

So Joshua is going to be very important and I'm glad to know that some of our energy team is going to be addressing the BIA members on December 16 – Ted Peck, who is head of our energy division in the state; Bill Parks, who is on loan to us from the U.S. Department of Energy. He has been a key part of our ability to move as quickly as we have, and also Robbie Alm from HECO. If you heard me speak two years ago, you would have heard me speak critically about HECO – that they weren't onboard, that they weren't focused on the future, they weren't facing reality, they had a failed business model – whatever it was I happened to be saying at the time, it was critical.

I believe strongly that in order for us to succeed, we had to stop fighting each other, we had to share a common vision; and I can tell you now, we do. Connie Lau at HEI head, Robbie Alm as acting CEO right now over at HECO, without them, we would not have been able to progress to the point that we're at now. I want to say that because you may have heard me speak previously about them and I've been as open as I can about it when I'm critical, but I want to be equally-open and complimentary because they and their board have recognized that the world has changed, that we can't go on the way we were.

Hawai'i is the most oil-dependent state in America. Ninety percent of our energy comes from burning fossil fuel, and of the 90 percent 99 percent comes from foreign countries. We are so vulnerable sitting in the middle of the ocean like this, and yet we have all these renewable sources of energy. So really, my hat is off to HECO, to Connie, to Robbie for their involvement. I hope that if you see them, you can thank them for what they're doing for the state while also acting in the best interests of their shareholders.

There are so many opportunities at this challenging time and I know from experience that you are some of the best people around in finding those opportunities. We want to invite you to be a part of our efforts, whether it's in construction projects, the listing that is going to go online or other areas of the economy that you have good ideas, please don't hesitate to contact us.

To Karen and her team who always come in and share their thoughts, we really do appreciate that very much. I want to thank you for the innovation that you show day in, day out, and for being proactive partners with the state – not wringing your hands about situations that we can't do anything about.

It's just a fact of life that the price of oil is fluctuating wildly. It's just a fact that these credit markets froze, it wasn't our fault. In fact Hawai'i avoided much of the subprime. Our banks did an excellent job at a time when other banks were acting in irresponsible ways. We're very fortunate in many ways and it's refreshing for me to have this kind of cooperation. Henry Ford said, "Coming together is the beginning, keeping together is progress, working together is success."

I know we are going to have much success in these coming years. I look forward to working with you, and thanks for always giving me such a great audience to share my ideas with.