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STATE PROCUREMENT OFFICE NOTICE OF AND REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS

HAR-EM
5635.08

- 1. TO: Chief Procurement Officer
- 2. FROM: DIR (Barry Fukunaga)

DATE: OCTOBER 26, 2007

Department/Division/Agency

Pursuant to §103D-102(b)(4), HRS, and Chapter 3-120, HAR, the Department requests a procurement exemption to purchase the following:

3. Description of goods, services or construction:
 This request consist of procuring a contractor to construct maintenance improvements necessary for the safe operation of a tenant moving into the Piers 24-29, Honolulu Harbor. Structural Engineering calcuations are presently being done and items are currently being identified which are necessary to be strengthened. The identified items that presently need to be addressed include, Storm Drains, utility box covers, placement of concrete barriers and security fencing..

4. Name of Vendor: Will get bids for work based on engineered drawings. Address: N/A	5. Price: \$500,000
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6. Term of Contract: From: November 2007 To: December 2007	7. Prior Exemption Ref. No.
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8. Explanation describing how procurement by competitive means is either not practicable nor advantageous to the State:
 See Attachment

9. Details of the process or procedures to be followed in selecting the vendor to ensure maximum fair and open competition as practicable:
 A minimum of 3 contractors who are immediately available and can complete work on a expedited bases will be considered. Partial plans are being draw up to detail the scope of work to allow everyone to bid on the same work. Timely completion will be part of the bid evaluation process for award.

10. A description of the agency's internal controls and approval requirements for the exempted procurement:
 All work to be completed will be inspected by the Harbors Division. The need for the work in the short period of time is certified and deemed necessary by the Harbors Engineering Program Manager, Harbors District Manager, Harbors Administrator, the Hawaii Harbors Project Director, and the Deputy Director for Harbors.

REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS (Cont.)

12. A list of agency personnel, by position, who will be involved in the approval process and administration of the contract:		
Name	Position	Involvement in Process
Frederick Nunes <i>FN</i> 10/29/07	Engineering Program Manager	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Administration
Barry Kim <i>BK</i> 10/29/07	Harbors District Manager	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Administration
Davis Yogi 11/1/07 <i>DY</i>	Harbors Administrator	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Administration
Micheal Formby 11/1/07 <i>MDF</i>	Deputy Director for Harbors	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Administration
		<input type="checkbox"/> Approval <input type="checkbox"/> Administration
		<input type="checkbox"/> Approval <input type="checkbox"/> Administration

13. Direct inquiries to: Department: Transportation
 Contact Name: Carter Luke *CL*
 Phone Number: 587-1878
 Fax Number: 587-1864

Agency shall ensure adherence to applicable administrative and statutory requirements

14. *I certify that the information provided above is, to the best of my knowledge, true and correct.*

Department Head *[Signature]* Date 11/2/07

Reserved for SPO Use Only

15. Date Notice Posted 11/02/07

The Chief Procurement Officer is in the process of reviewing this request for exemption from Chapter 103D, HRS. Submit written objections to this notice to issue an exemption from Chapter 103D, HRS, within seven calendar days or as otherwise allowed from the above posted date to:

Chief Procurement Officer
 State Procurement Office
 P.O. Box 119
 Honolulu, Hawaii 96810-0119

Chief Procurement Officer's comments:

This approval is for the solicitation process only, HRS section 103D-310(c) and HAR section 3-122-112, shall apply.

16. APPROVED DISAPPROVED NO ACTION REQUIRED

[Signature] 11/9/07
 Chief Procurement Officer Date

Around February 13, 2007, the Harbors Division was informed by Matson Navigation Company (See Matson Letter of February 13, 2007, Item 3, Pier 29 Maintenance Dredging) that it will introduce a new and much larger cargo ship into service from Long Beach to Honolulu effective November 23, 2007. Matson currently utilizes pier 29 for vehicle roll-on and roll-off operations. The larger cargo ship requires a deep draft pier. Pier 29 is not sufficiently deep to berth the new Matson cargo ship.

The Harbors Division explored the option of dredging Pier 29 but the option was rejected because of the time required to execute a sealed competitive bid and government permits to complete the work. On June 8, 2007, Matson offered to dredge Pier 29 (See Matson Letter of June 8, 2007, Item 5, Matson RoRo Terminal – Honolulu Harbor.) The Harbors Division also considered the Matson proposal. However, in the Honolulu Modernization Project, Pier 29 is not planned to be a Matson facility; therefore any capital outlay by Matson to dredge Pier 29 could result in Matson laying monetary claim to be reimbursed for the cost of dredging should the Harbors Division direct the new Matson cargo ship to operate at the planned expanded Sand Island Matson facility.

The Harbors Division determined that the alternative of Matson remaining at Pier 29 was not feasible. The Harbors Division proceeded with a plan to place Matson's new cargo ship at Pier 1 or 2 that has a deeper draft for its new cargo ship. This alternative meant the Harbors Division working with existing tenant, Aloha Cargo Transport (ACT) to relocate to another pier. ACT is a container barge operator and uses larger and much heavier equipment than the Matson vehicle roll-on and roll-off (RoRo) operations.

Discussions with ACT to relocate from Pier 1 to Pier 29 were complicated by existing environmental issues at Pier 29 and the ongoing remediation of the site that is under the Department of Health's review. Remediation is currently being funded by the Harbors Division and other land owners and operators around the Iwilei area. Relocating ACT to Pier 29 required time to resolve because it involved other government agencies and other landowners involved in the environmental issues. On October 16, 2007, the Harbors Division resolved the outstanding issues and concerns expressed by ACT and ACT has agreed to relocate to Pier 29. Matson acknowledges its agreement on or about October 25, 2007 (See Matson Letter of October 25, 2007, Berthing Schedule for Matson Navigation Company vessels and barges at Pier 2 and/or Pier 1, Honolulu Harbor.)

In accommodating the arrival of the Matson new cargo ship on November 23, 2007, the Harbors Division finds that formal competitive bidding under chapter 103D of this construction project for the safe operations at Pier 29 is not possible. The Harbors Division finds that work necessary to protect the sub-surface storm drains at Pier 29 to prevent the drains from collapsing from the weight of the ACT container loading and unloading equipment and minimize any unsafe work conditions. The ACT container barge operation is different from the current Matson vehicle roll-on and roll-off operations at Pier 29; the ACT operations require heavier equipment to load and unload containers.

For the reasons stated above, the Harbors Division is seeking an exemption from formal competitive bidding under chapter 103D.

LINDA LINGLE
GOVERNOR

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STATE PROCUREMENT
STATE OF HAWAII



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

BARRY FUKUNAGA
DIRECTOR

Deputy Directors
MICHAEL D. FORMBY
FRANCIS PAUL KEENO
BRENNON T. MORIOKA
BRIAN H. SEKIGUCHI

IN REPLY REFER TO:

HAR-EM
5653.08

November 6, 2007

TO: AARON S. FUJIOKA, ADMINISTRATOR
STATE PROCUREMENT OFFICE

FROM: BARRY FUKUNAGA
DIRECTOR OF TRANSPORTATION 

SUBJECT: REQUEST FOR PROCUREMENT EXEMPTION FOR CHAPTER 103D,
HAWAII REVISED STATUTES – HAR-EM 5653.08

As requested by Justin Fo of your office, on November 5, 2007, we are submitting additional clarification for the subject request for Procurement Exemption to clarify the reason that Piers 24-29 are mentioned in the cover letter of our request but is not listed on the back-up justification sheets for Item Number 8.

Aloha Cargo Transport (ACT) will be berthing their vessels at Pier 29, Honolulu Harbor; however, actual cargo operations will occur in the cargo yard areas behind Piers 24-29. Therefore, it is necessary to strengthen portions of the cargo yard prior to ACT beginning operations so that their use of heavy operational equipment and heavy container loads will not crush utilities and create safety hazards. Further, their operations will require redefinition of the security zone and relocation of existing security fencing.

Should you have any questions, please call Carter Luke, Maintenance Engineer, of the Harbors Division Engineering Maintenance Section at 587-1878.

RECEIVED

FEB 20 2007

February 13, 2007

Honorable Barry Fukunaga
Director
Department of Transportation
Aliiimoku Hale
869 Punchbowl Street
Honolulu, HI 96813

Dear Barry:

Thank you and the Harbors' staff for taking the time to meet with Matson on February 9, 2007. Please find below a summary of the issues discussed and proposed actions to be taken by Matson and Harbors. We look forward to receiving Harbors' comments and response at the earliest convenience.

1. Sand Island Street Queue

Based on the Austin, Tsutsumi & Associates study commissioned by Matson, our preference is to have trucks queue on Sand Island Access Road on the Diamond Head side of Matson's truck ingate. This will involve some slight modifications to the alignment and relative position of the through traffic lane, striped median and bike lane. Matson will pursue this matter further with DOT Highways. We will also forward a copy of the Austin, Tsutsumi & Associates study when it is finalized.

2. Mobile Harbor Crane at Kahului

Thank you for Harbors Engineering's acceptance of the Liftech wharf analysis which shows that the wharf at Kahului Pier 1C is adequate for operating loads and the backlands are adequate for traveling loads for the Gottwald HMK 6407 and Liebherr LHM 400 S-Version mobile harbor cranes.

Matson will work with DOT Harbors Planning (Fred Pascua) to ascertain whether there is a need for FAA approval and proceed accordingly.

3. Pier 29 Maintenance Dredging

Matson is in the process of converting the MV MOKIHANA to a combination vessel (C9G). As in the case of MATSONIA and LURLINE, Matson plans to conduct Ro/Ro operations for the C9G at Pier 29. In support of this, Matson requests that Harbors perform maintenance dredging along side Pier 29 to achieve the control depth of 35 ft by the time the C9G enters the Hawaii service in mid-September 2007.

4. Relocation of University of Hawaii Snug Harbor and Pacific Shipyard

One of Matson's primary concerns with the relocation of UH Snug Harbor and Pacific Shipyard is that both these moves be "capacity neutral" with respect to the existing cargo capacity on Oahu.

Matson is generally in agreement with the UH Snug Harbor activities relocating to Piers 34-35 on an interim basis and the northwest corner of Sand Island on a future permanent basis. In addition, we will have HHUG work with Harbors to approach Pearl Harbor Naval Shipyard, and explore Kaneohe as alternate sites for UH Snug Harbor.

In addition to the resultant loss of storage capacity, Matson is not in agreement with Pacific Shipyard relocating to Piers 24-29 in that shipyard industrial activities (particularly blasting and painting) are not compatible with Matson's auto and other cargo activities. This will unduly disadvantage Matson with respect to its competition, and result in a loss of market share and revenue to Matson.

5. Piers 24-29 Container Storage

As you are aware, a significant amount of paving has been accomplished by Matson at Piers 24-29 – including the area recently used to store containers. For this area, Matson should therefore be invoiced storage costs at the unimproved property rate. Matson looks forward to receiving a favorable proposal from Harbors on this matter.

6. Oahu Off-Dock Livestock Facility

Matson will review internally with regard to providing the livestock shippers notice to relocate their storage facility away from Piers 51C-53.

7. Young Brothers Vacate Kahului Pier 1 Auto Lot

Matson again requests that Harbors direct Young Brothers to relocate from Kahului Pier 1 auto lot to the former Valley Isle Ford property. In the event that auto volumes increase, it is imperative that Young Brothers relocate immediately.

8. Sand Island Lightpole Replacement Schedule

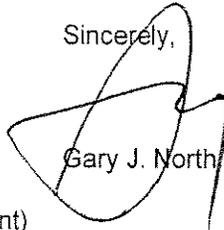
Harbors advised that the replacement lightpoles would probably be received within three to four months. Harbors went on to say that typically lightpole replacements occur towards the end of projects – which for Matson is scheduled for April 2008.

In November 2006, Harbors Engineering indicated that they felt the existing lightpoles could remain in service for another year with the corroded band areas. To avoid the cost of repairing the existing lightpoles (estimated at \$60K), Matson requests that Harbors work with their contractor to expedite the installation of the lightpoles. In addition, Matson will have its contractor structural engineer try to determine at which wind speed the lightpoles are prone to fail at.

Mr. Barry Fukunaga
February 13, 2007
Page three

Matson looks forward to continuing to work with Harbors and the rest of the DOT Organization.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary J. North". The signature is stylized with a large loop at the top and a vertical line extending downwards on the right side.

cc: ✓ Sandy Pfund (Aloha Tower Development)
Myrna Chang
Enriqueta Tanaka
David Franco
Mike Choo
Paul Johnescu

RECEIVED

JUN 14 2007

www.matson.com
Tel 808.848.1275
Fax 808.842.6048

June 8, 2007

The Honorable Barry Fukunaga
Director
Department of Transportation
Aliiimoku Hale
869 Punchbowl Street
Honolulu, HI 96813

Dear Barry:

Thank you and the Harbors' staff for taking the time to meet with Matson on June 5, 2007. Please find below a summary of the issues discussed and proposed actions to be taken by Matson and Harbors. We look forward to receiving Harbors' comments and response at the earliest convenience.

1. Mobile Harbor Crane, Kahului Harbor

The mobile harbor crane is expected to arrive mid-July to early August 2007.

Matson has requested the manufacturer, Liebherr, send Harbors an offload plan. Two weeks prior to operating the crane, Matson will notify Harbors. In addition, Matson will coordinate a press release.

Finally, Matson will re-send a copy of the FAA approval for the crane to Harbors

2. Sand Island Gate Queue – Alternative Traffic Assessment Study

Matson has received DOT Highways response to this matter. Matson will work with Austin, Tsutsumi & Associates to further refine the Westbound Right-Turn Lane Alternative with regard to DOT roadway standards. However, we would appreciate assistance and assurances from DOT that:

- once the standards are incorporated and
- consultation of surrounding businesses is completed

DOT that will proceed with implementation.

3. West Oahu Off-Dock Site

Thank you for providing Matson a contact to further pursue matter. Following a review of the DOT proposed sites, we will advise our findings.

4. Hawaii Superferry - Nawiliwili

As indicated, Matson had been approached by Hawaii Superferry to change our Saturday night berth window in Nawiliwili. Since the Matson Nawiliwili Saturday barge call is already time constrained, changing our berth window would have an adverse impact on our barge schedule integrity and, in turn impact cargo availability for our customers. Matson has, therefore, declined Superferry's request.

In addition, due to a potential hazard to other maritime traffic, Matson believes that the Superferry ramp should only be deployed when Superferry is on berth.

5. Matson RoRo Terminal – Honolulu Harbor

As stated, Matson prefers to remain at its current location at Piers 24-29 for its RoRo operations. Matson has made significant infrastructure and technology investments at Piers 24-29. In addition, relocating to Piers 1 and 2 will result in longer drayage distances for dealer autos and increased operating costs – putting Matson at a competitive disadvantage.

However, given the State tenant relocation initiative, Matson will consider a proposal from Harbors to move its operation from Piers 24-29 to Piers 1 and 2 – provided Harbors compensates for Matson's investments and to offset costs.

In the even that Matson and Harbors cannot come to an agreement for Piers 1 and 2, Matson will pursue dredging of Piers 29 and 30 to the control depth of 35 ft. We would expect repayment of these expenses incurred on Harbor's behalf. Matson appreciates Harbors offer to assist with expediting the permits required to perform the dredging and include Matson under their blanket EA exemption.

6. Oahu Off-Dock Livestock facility

Matson appreciates Harbor's involvement in developing the livestock off-dock staging facility with the Department of Agriculture and the Cattle Industry. Matson will now implement the 24-hour rule as of June 16, 2007.

7. Pier 29 Container Storage Costs – Unimproved Rate

As you are aware, a significant amount of paving has been accomplished by Matson at Piers 24-29 – including the area recently used to store containers. For this area, Matson should, therefore, be invoiced storage costs at the unimproved property rate. Matson looks forward to receiving a favorable proposal from Harbors on this matter.

8. Kahului Harbor Dredging

Matson requests that Harbors expedite dredging Kahului harbor to the control depth. Harbors' plan to begin the dredging in February 2008, a full eight months from now and over an extended period of time, makes Hawaii sugar exports less competitive as HC&S is unable to load the vessel to capacity.

9. Pier 52 MOA

Matson will provide a response regarding the Pier 52 MOA.

Matson looks forward to continuing to work with Harbors and the rest of the DOT Organization. If I can provide any additional information, please contact me at (808) 848-1275.

Sincerely,


Gary North

cc: ~~Sandy Pfund~~ (Aloha Tower Development)

Myrna Chang

Enriqueta Tanaka

David Franco

Mike Choo

Jeff Hull

Paul Johnescu



Matson[®]
Navigation Company

Sand Island Parkway
P.O. Box 899
Honolulu
Hawaii 96808
(808) 848-1211

OC3 _____

PLEASE REVIEW +
CONFIRM - ANY
QUESTIONS/PROBLEMS
LET ME KNOW.

OC
JH

October 25, 2007

Mr. Scott Cunningham
Honolulu Harbor Master
Harbors Division
700 Fort St.
Honolulu, Hawaii 96813

RE: **Berthing schedule for Matson Navigation Company vessels and barges at
Pier 2 and/or Pier 1, Honolulu Harbor**

Dear Scott:

Thank you for your kind support in our effort to transition Matson Navigation Company operations from Pier 29 to Piers 2 and when necessary, Pier 1. I offer the following pro-forma schedule for your review and herein request vessel bookings through the year 2015. Berthing conflict issues will be resolved through discussion with both NYK and Harbors Division.

Pro-forma schedule as follows:

Barge WAIALEALE, will call weekly Monday 0001hrs through 1130 hrs.

MOKIHANA, will call every other Thursday commencing November 29, 2007 0500 hrs through 0001hrs Friday.

LURLINE, will call every other Thursday commencing December 6, 2007 0500 hrs through 0001hrs Friday.

MATSONIA, will call every other Friday commencing December 7, 2007 0500 hrs through 2300 hrs Friday.

Due known conflicts with existing passenger vessel bookings on Pier 2 we are requesting Pier 1 bookings as follows:

MOKIHANA, Thursday January 10, 2008

MOKIHANA, Thursday January 24, 2008

MATSONIA, Friday February 1, 2008

LURLINE, Thursday March 27, 2007

Berth occupancy times remain coincident with our pro-forma schedule.

Page 2
Mr. Scott Cunningham
October 25, 2007

Additional departures from our pro-forma are herein requested:
LURLINE, Friday November 23, 2007 (Thanksgiving, no work holiday 11/22) Pier 2 is requested 0500 hrs through 2300 hrs.
MATSONIA, 0001 hrs Saturday November 24, 2007, through 0001 hrs Sunday November 25. In order for this berthing arrangement to work Matson Navigation Company requests berthing of the NCL vessel, "**Pride of America**" on Piers 10/11 during the same period. NYK will have a vessel berthed on Pier 1 during the noted period.

I look forward to your favorable response at your best opportunity.

Scott, please do call me (848-1258), Enriqueta Tanaka (848-1241) or Len Isotoff (848-1246) should you wish to discuss this berthing request further. As always it is a pleasure to do business with you and your team.

Aloha,



Dale Hazlehurst
Marine Manager, Hawaii