

## Hawaii Needs Business and Government Climate Change

### 2012 SBH Conference Success

The 36th Annual SBH Business & Investment Conference was held January 11 in the Ala Moana Hotel, Garden Lanai and Hibiscus Ballroom. About 150 people attended.

The theme of the conference was: "Small Business 2012 — Climate Change for Hawaii Business?"

As is the SBH tradition, the conference featured top local and national speakers.

**Mark Dunkerley**, CEO, Hawaiian Airlines, led off the morning and discussed, "Hawaii's Visitor Industry & Our Economic Prosperity" He showed by chart the negative impact of taxes and fuel on Hawaii's premiere airline.

Hawaii's computer expert, **Peter Kay** of Cybercom, Inc. and radio's "Your Computer Minute," had all eyes and ears on his message of "Successful Business Use of Social Media."

SBH Board member and UBS Financial Services associate, **Geal Talbert**, led a panel

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SBH Conference speakers this year included keynote **John Fund** of the WSJ (top left); Transportation expert **Wendell Cox, Ph.D.**; Chief Justice **Mark Recktenwald**; ALEC's **Jonathan Williams**; Oahu Express **Marissa Capelouto** and Hawaiian Airlines' **Mark Dunkerley**. More on page 6.

## Budget Director Kalbert Young to Speak at SBH Sunrise



State of Hawaii Budget Director, **Kalbert Young**, will be SBH's guest speaker at the next monthly SBH Sunrise Networking Breakfast.

It will be held on Thursday, February 23, in the Pineapple Room, Macy's Ala Moana (3rd Floor), from 7 – 8:30 am. Sunrise is held the last Thursday of each month (except November)

Kalbert, originally from Maui, has been the Director for the Abercrombie Administration since January 2010. Young's topic is, "Meeting Hawaii's Budget Challenges" at the February SBH Networking Breakfast forum.

Last month, **Regina Ossey**, General manager of Victoria's Secret Hawaii discussed retailing in Hawaii.

The public is welcome to the SBH Networking Sunrise. Advance reservations are required.

SBH members and their guests pay \$25 (in advance) for networking which includes buffet breakfast and free parking. Participants may bring promotional materials. The cost is \$35 at the door if space is available. Call Darlyn at SBH 396-1724 for reservations or mail the reservations form on page 11. You can also register on line: <http://smartbusinesshawaii.com>.

### SBH MEMBER CALENDAR

PHONE 396-1724 • FAX: 396-1726

Monday February 13

**SBH Board of Directors Meeting**  
SBH Office in Hawaii Kai • 12 noon

Thursday, February 23

**SBH Sunrise Breakfast**  
**State Budget Director Kalbert Young**  
Pineapple Room  
Macy's Ala Moana • 7 – 8:30 am

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HAWAII

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**Tapping the Rich for More Taxes? ..... Page 9**

**More on the 2012 SBH Conference + Photos • Pages 6 & 7.**



# Smart Business Views

By Sam Slom, President – Smart Business Hawaii

The SBH 36th annual business and investment conference January 11 was tremendous. If you were there you know what I mean; if you missed it—attendance was down this year—you missed a lot of helpful business information. See pages 1, 6 and 7 for more.

U.S. Supreme Court Associate Justice **Sonia Sotomayor** will spend a week in Hawai'i from Jan. 29 – Feb. 3 as part of the Jurist-in-Residence program at the William S. Richardson School of Law at the University of Hawai'i at Manoa. This Justice is probably the least experienced and most business unfriendly Justice in quite awhile.

Despite a last minute 2011 court challenge, same sex couples in Hawaii were able to go online and register as civil union partners January 1. Delaware authorized the same thing. There was some interest, lots of publicity and computer glitches which back logged the nuptials. The battle will continue because the Hawaii law forces churches who opposed civil unions to perform ceremonies on their premises.

Hawaii's 113 year old City Mill Company, Ltd., home improvements retailer, greeted 2012 with the announcement the firm will open a super store in Ewa Beach. President and CEO **Steve Ai**, expects the store to open before the end of this year.

President **Barack Hussein Obama**, ended his \$4 million, 10-day Kailua, Hawaii vacation leaving the Islands in mid-January. Before arriving here, the President was asked how he thought his Administration would stack up against other Presidents. Obama modestly said he thought he was number 4 all-time, just behind **Abraham Lincoln**. Really?

**Ben Cayetano's** announcement that he will run for Mayor and will stop the \$6 billion, steel-on-steel, heavy elevated rail monstrosity, is welcome news. The former Democrat Governor will have Republican and business support while Mayor **Peter Carlisle**, a great former City Prosecutor but one of the least experienced mayors, and former interim Mayor **Kirk Caldwell**—both strong rail proponents—duke it out and split the rail vote.

The Carlisle Administration continues to spend your tax money on the rail; the latest action is a \$38.8 million design contract to AECOM Technical Services. The Carpenters Union and the community organizers in FACE, Faith Action for Community Equity, filed a

motion in the federal lawsuit against the rail under the Pacific Resource Partnership union. The group supports the train to nowhere and argues that the project will create jobs and that the public already voted (in 2008) for the rail. The City Council has voted to appropriate nearly \$1 million of your money to fight fellow citizens and non-profits in the rail suit.

The national organization and local chapter of the Associated Builders and Contractors (ABC), one of the nation's largest construction trade organizations, announced its endorsement of former Governor **Linda Lingle** for U.S. Senate in 2012. The police union, SHOPO, also came out with an endorsement for Lingle last month.

The final results for home sales in Hawaii for 2011 reflect sales that were down for both single family and condos statewide as were median sales prices.

Saw the film, "Battle for Brooklyn," last month at the Academy of Arts. It was great and should be seen widely. The film is an indictment of present government abuse of eminent domain to destroy private property and small business. Pacific Legal Foundation's Honolulu attorney, **Robert Thomas** was on hand for commentary.

Both WalMart and Target in Hawaii have announced they will be hiring about 300 new employees each. WalMart's new Kapolei store will open soon as will the Target Kailua store..

Hawaiian Airlines reported nearly a 3% increase in total passengers carried for 2011. HAL counted 8.6 million passengers for 2011.

Somr state lawmakers want to forestall a scheduled increase this year in the unemployment insurance tax rate (in March) that would force businesses to pay \$180 to \$650 more for every employee.

Mana Magazine, which will be devoted exclusively to Hawaiian culture and current affairs, will launch in April 2012. The bi-monthly magazine will explore hard-hitting issues facing native Hawaiians and offer disparate opinions, as well as highlight Hawaiian heritage, language, art, music and people.

State Budget Director **Kalbert Young** will speak at the SBH Networking Sunrise, Thursday, February 23, 7 – 8:30 am in the Pineapple Room, Macy's Ala Moana. Call Darlyn at 396-1724 for reservations.

What? Not receiving your weekly electronic copy of SBH Views & News? Call Darlyn at 396-1724.

Happy Valentine's Day.

## Tesoro Hawaii Refinery For Sale

The announcement in January by **Tesoro** that the firm would be shutting down and selling its Hawaii refinery (the largest in Hawaii; **Chevron** is 2nd) distribution and retail outlets should be no surprise.

**Greg Goff**, president and CEO of Tesoro stated, "following a comprehensive analysis, we've determined that our business in Hawaii does not align with our strategic focus on the Mid-Continent and West Coast, and can provide greater value for a company that will invest in the business and employees." He continued, "while the Hawaii business is no longer in line with our vision for Tesoro's future, there is no question that it offers value for the right investor."

For more than two decades, this state government has waged an increasingly aggressive war against petroleum in Hawaii. The State wants "clean, alternative energy," and has taxed, regulated and banned petroleum businesses.

The only excitement from "progressives" is more restrictions on cars, no road repairs and a thumping heart for windmills and solar (government subsidized).

## SMALL BUSINESS NEWS

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Small Business Hawaii (SBH), was founded in 1975, by Lex Brodie. SBH is a private, independent, non-profit [501 (c) (6)] statewide association of nearly 2,000 business members.

SBH is dedicated to improving Hawaii's business climate, creating a better Hawaii through private, competitive enterprise, and promoting, educating, and effectively representing small business, while advocating tax reduction, lower business costs and job creation incentives to diversify Hawaii's economy.

SBH invites comment small business issues in Hawaii. Send them to Small Business Hawaii by the 10th of the month for the next issue. SBH accepts advertising only from SBH member firms. Call SBH for details on advertising.

# State Legislature: Taxes, Gambling and Death!

The 2012 State Legislative Session convened January 18. The 60 working day session will continue until May 5.

The Majority Leaders announced a curtailment of the usual celebratory tone of opening day. They wanted it to be “more business like” in light of Hawaii’s continuing economic problems. No flowers, friends or entertainment marked the opening and there were few and brief speeches. Hearings commenced immediately after the 10 am opening.

**Calvin Say** continues as Speaker of the House and **Shan Tsutsui** of Maui remains Senate President. Rep. **Gene Ward** is the Minority Leader of the 8 (of 51) House members and Sen. **Sam Slom**—the only Republican of 25 Senators—heads up the Senate Minority.

Governor **Neil Abercrombie** announced the appointment to the State House of Representatives (District 33- Aiea) of Democrat **Tom Okamura**, replacing Rep. **Blake Oshiro** who the Governor chose last year as his Deputy Chief of Staff. Okamura previously served in the House for nearly 20 years.

Major issues during the Session will include the economy and job creation, budget considerations—a supplemental budget will be submitted—education, judicial reform and Native Hawaiian issues involving a ceded lands settlement.

Lobbying for gambling began before the Legislature and it will be top of mind. There will still be a push for tax increases, benefits for unions and additional government regulations.

A January quarterly meeting of the state Council on Revenues reduced the September, 2011 rosey outlook of a 14.5% economic increase for the state and reduced it to a still too rosey 11.5% revenue increase. This will necessitate spending cuts and calls for more taxes.

Sugar beverage taxes will be back; maybe a push for more GET. Pension taxes are not expected but not out of the realm of possibility. Sen. **Carol Fukunaga**’s annual Internet Streamline Tax will be here and look for even more fees.

Physician assisted suicide animal cruelty and human trafficking bills will reappear as well.

For up to date information, go to the newly designed state website at <http://capitol.hawaii.gov> and the Senate Minority websites: <http://senateminority.wordpress.com/> and <http://hawaiisenatewatchdog.org/>.



The State Legislature got underway on January 18 with a scaled down opening (top photos). Department head appears at WAM hearing (bottom left). Sen. Slom’s press conference (right).

## U.S. Small Business Administration Seeking Nominations for Small Business Innovation Awards

The U.S. Small Business Administration is seeking nominations for awards honoring the critical economic role small businesses play in federally funded research and development through SBA’s Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs.

Three awards will be given, one for companies that have participated in the SBIR/STTR programs, one for individuals who advocate on behalf of the programs, and a third “Hall of Fame” award recognizing companies that have an extended period of extraordinary success of research, innovation, and product commercialization within the SBIR or STTR program.

The Tibbetts Awards are named after **Roland Tibbetts**, who was instrumental in developing SBIR, a highly competitive program to ensure small businesses get a chance to compete for federal research and development funding, along with the opportunities it provides to profit from commercialization of the technologies they develop.

The SBIR and STTR programs currently account for more than \$2.5 billion per year in federal R&D funds and are coordinated by the SBA in cooperation with 11 other federal agencies with large external research and development budgets.

The awards are presented to companies and individuals that are beacons of promise and models of excellence in high technology. Typical of past award winners are a Maine company that created a self-propelled and eco-friendly “AquaPod” for sustainable aqua-culture. A previous Hall of Fame award winner that won numerous SBIR grants – a major west coast chip manufacturer – started with a staff of 35 and has expanded to a global work force of 17,500.

Selections for Tibbetts Awards are based on several factors, including the economic impact of the technological innovation, overall business achievement and demonstration of effective collaborations.

Nominations for these awards will close 5 PM EST on January 31. Awards will be presented in Washington, DC, in April 2012. To submit a nomination, please visit [tibbetts.challenge.gov](http://tibbetts.challenge.gov) (Tibbetts Awards – companies and individuals) and [sbirhof.challenge.gov](http://sbirhof.challenge.gov) (Hall of Fame Awards).

# The *Best* and **Worst** of 2011

By **Charles Memminger**, HawaiiReporter.com  
Originally published December 14, 2011.



I'm taking off the rest of the year to mentally prepare for 2012. Here are some amusing, insightful and breathtakingly vapid observations that appeared in Charleyworld in 2011. Have a Merry Christmas and Relatively Crime Free New Year!

**Feb. 9: On Taxing the Virtuous:**

As governments struggle to balance budgets during hard times, they predictably try to put the hurt to "the usual suspects" to generate revenue: the boozers, the cigarette fiends, the gamblers, the French fry-eaters and the dope smokers. They call these heartless revenue streams "sin taxes". My suggestion to lawmakers looking for a quick buck to feed government coffers is to leave the sinners alone and tax the virtuous. The virtuous are in much better shape physically and psychologically to have their pockets picked for the alleged good of the public. The virtuous will live a lot longer than the decrepit and so they are a better vessel in which to pour the hopes of long-term financial stability in than the leaky cistern of the self-debauched.

**March 16: On Airport Screeners:**

Being a big fan of irony, I was amused to learn of the arrest of a Transportation Safety Administration screener caught stealing money right out of the wallets of Japanese tourists while they were being screened at the Kona airport. You'd think that the national agency whose main duty it is to screen people getting on airplanes to make sure they aren't carrying bombs would be able to screen its own screeners to make sure they aren't thieves.

**March 24: On 'What's Happening In Libya is Not a War, It's a**

**Kinetic Engagement':**

Other famous "non-wars" in history:

The "Kinetic Naval Engagement of 1812.; The "World Kinetic Military Hostility I and World Kinetic Military Hostility II"; "The Kinetic Unpleasantness of the Roses"; "The 100-Year Kinetic Thingy" and "America's Civil Messed Up Kinetic Disagreement." Since our country's Cold War with the Soviet Union was cold, I guess it was not kinetic. Maybe it should have been called the "The Interminable Lethargic Non-Kinetic Peace-Resembling Snit."

**April 14: On Let Them Pump Gas:**

I don't know much about economics but one thing has become abundantly clear in the past few weeks: gas that costs more than four bucks a gallon burns up a lot faster than three-buck-a-gallon gas. Man, my truck is like a boozer on a binge, sucking up gas like a wino sucks up Muscatel. (Muscatel, by the way, has remained steady at about \$4.45 per gallon and, while it reeks hell on human internal organs, it makes an internal combustion engine purr like a cat.)

**May 4: On Saving the Earth:**

There are those – how do you say – idiots - who believe that Mother Earth can take care of herself. When one form of life gets too uppity and starts thinking that it owns the planet, Mother Earth has a way of taking care of the problem. Seen any dinosaurs lately?

But those people are just wrong. Only an alliance of largely uneducated people with good intentions and no scientific training looking to get a handout from various United Nations climate change commissions and guilt-tripping prosperous countries into paying them to go away can save Mother Earth. And I, for one, will be looking to get my share.

**May 26: On Legalizing Prostitution:**

In most places around the world, prostitution is against the law. I think it's silly to make it illegal for one consenting adult to give another consenting adult money for sex. Why is that the government's business? Besides, men have been paying women for sex forever. There's a special word for it: Marriage. Do you think Donald Trump didn't pay big bucks to enjoy the temporary company and sexual favors of the various beautiful blondes he married and then dumped? Trump's exes did exceedingly okay in the money department. When it comes to financial success, Ivana Trump makes Heidi Fleiss look like a piker.

**July 13: On Putting Kids to Work:**

There are many, many American children who do not even have one job. Gone are the days when cute, sooty-faced youngsters contributed to society and made an honest living toiling in coal mines. And there wasn't a fat kid among them. Today, parents coddle their children, stuffing them with Big Macs and soft drinks while letting the little shirkers do nothing but play video games all day while being "home schooled." Home schooled ... are you kidding me? There's no schooling going on. I know a home-schooling couple who have a child who must be nearly one year old and the feeble-minded creature doesn't even speak English.

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# Highlights of the Infamous Honolulu Heavy Rail So Far

By **Panos Prevedouros Ph.D.**  
As published in HawaiiReporter.com

In 2004, I started keeping tabs on major events of the infamous Honolulu Rail.

The 2011 highlights are below.

January 18: FTA issues Record of Decision. The ROD allows the city to take these actions if it so chooses (but read the statement after the list):

- the acquisition of any real property or real property rights identified in the Final EIS or ROD as needed for the Project;
- the relocation of persons and businesses on that property;
- the relocation of the Banana Patch community, if it so desires, in accordance with the ROD;
- the relocation of utilities affected by the Project; and
- the acquisition of rail vehicles for the Project.

This pre-award authorization is not a real or implied commitment by FTA to provide any funding for the Project or any element of the Project. However, if FTA were to provide grant funding for the Project, the cost of the actions listed above, performed after RAMP approval, would be eligible expenses. No other Project action has pre-award authorization at this time." [Underlined in the original].

**January 31:** The Native Hawaiian Legal Corporation filed a lawsuit Monday afternoon in Honolulu Circuit Court to stop construction of the city's \$5.5 billion rail project.

"The complaint filed by Paulette Ka'anohiokalani Kaleikini claims both the city and state failed to perform a complete archeological survey of native Hawaiian remains, or iwi, along the entire 20 mile rail line as required by state law. Kaleikini is being represented by the Native Hawaiian Legal Corporation, a non-profit group dedicated to preserving the indigenous people."

**February 4:** The University of Hawaii Economic Research Organization released a Brief titled, "Honolulu rail Transit: Do the Benefits Justify the Costs?" Their conclusion was that, "Preliminary considerations suggest a high degree of uncertainty about whether the benefits of rail justify the costs. As the conversation about rail costs advances, we should continue to consider the relative size of the benefits."

**February 16:** "FTA Administrator Peter Rogoff said Tuesday the City and County of Honolulu's revised financial plan for rail transit must be more robust and not compromise public bus service. "We need to see a financial plan that shows that they have not only the funding to meet their obligations above the federal commitment (but) they also need to demonstrate to us that they have sufficient resources to keep the existing bus service operating and well maintained," said Rogoff, during a nationwide conference call with reporters. "In the most recent financial plan submitted to the FTA in September of 2009, the city uses of \$300 million in federal bus subsidies to fund construction of the \$5.5 billion elevated rail system."

The city's current financial plan for funding rail construction shows it will use \$1.5 billion in federal New Starts funds, \$300 million from the federal bus funds, and \$3.5 billion from the additional ½ percent GE tax. As of the end of 2011 a "robust" financial plan is unavailable.

**February 22:** City has a "ceremonial groundbreaking", not a groundbreaking ceremony in the middle of nowhere along the North-South Road.

**March 22:** Ansaldo Honolulu wins the bid to build the city transit cars for \$574 million, and will also operate and maintain the system. See below a quick summary of the bids. Phase 1 is called Design-Build



**Big, ugly, elevated steel on steel heavy rail on gigantic concrete pylons will dominate Honolulu's cityscape and taxpayer wallets if built.**

(DB) and phase 2 is called Operation and Maintenance (OM)

|  | <b>Ansaldo</b>  | <b>Bombardier</b> |
|--|-----------------|-------------------|
| Phase 1 DB                             | \$573,782,793   | \$697,263,592     |
| Phase 2 OM                             | \$506,030,806   | \$262,717,960     |
| Total Build & 15 Years<br>of operation | \$1,079,813,599 | \$959,981,552     |

For Phase 1 Ansaldo is \$125 Million less than Bombardier, but in total Bombardier is \$125 Million less than Ansaldo, and Ansaldo won! (Honolulu math....)

**May 14:** Complaint (LAWSUIT) filed against against the U.S. Secretary of Transportation, various executives of the Federal Transit Administration, and the City Transportation Director:

- Count 1: defining the purpose and need so narrowly as to preclude consideration of all reasonable alternatives
- Count 2: failure to consider all reasonable alternatives (NEPA)
- Count 3: failure properly to analyze the environmental consequences of alternatives (NEPA)
- Count 4: improper segmentation (NEPA)
- Count 5: failure to identify and evaluate use of native Hawaiian burials and traditional cultural properties (section 4(f))
- Count 6: arbitrary and capricious evaluation of the project's use of section 4(f) resources
- Count 7: improper project approval (section 4(f))
- Count 8: failure to account for effects on historic properties (NEPA)

**July 14:** Rail contract appeals set for Sumitomo, Bombardier

**July 16:** Honolulu Magazine publishes critical article on rail

**August 15:** HART Board set-- Eight of the ten-person "apolitical" and rail-clueless HART board consists of six current and former City employees and two union officials. The minority two are businesspeople. Also, Bombardier appeals to FTA in Honolulu rail dispute. And Sumitomo--Losing bidder on Honolulu rail project goes to HART of the matter.

**August 21:** How the city misled the public. By Walter Heen, Benjamin Cayetano, Cliff Slater and Randall Roth.

**August 24:** Closer look shows why Sumitomo may have decided against Honolulu rail appeal

**August 27:** Pacific Business News reverses position to now oppose rail.

**September 13:** Bombardier loses latest appeal of Honolulu rail contract

**October 14:** Bombardier files new appeal of Honolulu rail contract

**October 21:** Ansaldo, State Reach Deal on Licensing Violation: Ansaldo Honolulu JV has agreed to pay the state \$150,000 to settle two cases alleging that the company didn't have a contractor's license.

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# SBH Conference

Continued from page 1.



**Marissa Capelouto**

who answered questions relating to success in Hawaii's challenging times. The panelists included: **Tyler Roukema**, Outback Steak House, Hawaii Kai; **Marissa Capelouto**, Oahu Express, Ltd. and **Matthew Longfellow**, Valpak of Hawaii (also an SBH Director).

**Wendell Cox**, Ph.D., Principal of Demographia (Wendell Cox Consultancy), discussed "Major Honolulu Infrastructure Projects: Setting Priorities and Can We Afford Them?" with emphasis on the negative impact of the proposed \$6 billion-plus Honolulu steel-on-steel, heavy, elevated rail.

American Legislative Exchange Council (ALEC) VP, **Jonathan Williams** from Washington, D.C., discussed the state by state ratings in the book he co-authored with Dr. **Arthur Laffer**, "Rich States, Poor States: Where Does Hawaii Stand?"

SBH business owners next heard from Hawaii's Chief justice of the Supreme Court, and former DCCA Director, **Mark Recktenwald**, who discussed changes in the Hawaii judiciary and its impact on business and taxpayers.

The luncheon program featured an update on the lawsuit against the rail, by **Cliff Slater** of Honolulu Traffic.com.

Keynote speaker was **John Fund** of *The Wall Street Journal* and FOX-TV. Fund is currently writing two new books. He spoke about the importance of the 2012 national and local elections and what it means to Hawaii. He later made himself available for a private meeting with SBH Sponsors, Directors and leaders.

**McDonald's of Hawaii** was the Gold Sponsor of the Conference; **Altria Client Services** and **RJ Reynolds** were Silver Sponsors.

If your firm would like to co-sponsor the next 2013 conference or a conference event such as a continental breakfast or refreshment break, please contact Malia at 808-306-3161 or Darlyn at 808-396-1724.

For a complete program photo tour, go to [www.smartbusinesshawaii.com](http://www.smartbusinesshawaii.com).



Starting from top left: Jonathan Williams of ALEC, Cybercom's Peter Kay, Attendees Dorothy Mulhern and Adrienne King; Speaker Tyler Roukema of Outback Steakhouse.

## Case Announces Economic Agenda at SBH Conference

Congressman **Ed Case**, D-HI (2002-2007) said on Wednesday, January 11, at the Smart Business Hawaii Annual Business and Investment Conference there is a "yawning chasm" between business and government, a gap the private attorney hopes to bridge if he is elected to U.S. Senate this year.

"I join you this morning wearing two hats. One is as a thirty year lawyer and businessperson who has advised businesses through all manner of challenge, who has run both of my law businesses, and who knows firsthand what it's like to balance a budget, make payroll, pay excessive and confusing taxes and deal with burdensome government.

"The other is as a candidate for the critical position of your United States Senator, following years of service focused on helping small businesses as your U. S. Congressman and Hawai'i Representative. A candidate who believes deeply that Congress is not providing us with strong effective leadership.

"Very few elected officials in our Hawai'i and no other candidate in this critical race has lived and worked in these two very different worlds. No other candidate in this election has walked routinely through the 'Valley of Death', as I always call it, the route between the worlds of business and government where neither has a clue about the other."

Case, a Democrat who served on the Smart Business Hawaii board of directors, said small businesses are the economic engine of our community, but most government officials don't support this important sector of Hawaii



and the nation's economy.

Speaking to a room packed with small business owners at the Ala Moana Hotel, Case said: "All in this room would agree that growing our economy and preserving and creating good jobs for all Americans must be our top priority. And all of us would agree that our government is too often the obstacle rather than part of the solution."

His economic agenda, which he unveiled at the meeting, includes:

- "Focusing in on specific business initiatives but squarely face all of our other challenges, especially balancing our federal budget.
- "Focusing on the Four Ts of tax reform, technology, trade and talent in the workplace.
- "Focusing on Hawaii's 'bread and butter' industries like tourism but promising

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## Ed Case Announces

Continued from Page 6.

new export industries such as green energy, health care and education.

• “Focusing always on the engine of growth, small business.”

Today’s Washington is the obstacle to business, Case said, saying leadership is needed in Washington to truly grow the economy.

“Here the lessons of the world of business in which we all live and work are all over the place. It comes down always to strong effective leadership. That matters in both government and business: both thrive when they are led decisively and effectively, and both flounder when they are not,” Case said.

The former Congressman, who was elected in 2002 and entered Congress in 2003, said at the time, the national debt was about \$6 trillion and on a “completely unsustainable path”, something he and other Republicans and Democrats warned against as a member of the U. S. House Committee on the Budget, but their warning was met with a “wall of denial.” Today, national debt has exceeded \$15.2 trillion, Case said. “Would that our federal government been strong then, we would not be in this puka (hole) today.”

Case said business people look for “every opportunity, every way, every idea to get things done” and that those business owners who do things because they’ve always been done that way, “seize up and fail.”

“In the real world of business, success is about breaking down barriers, about reaching across differences, about forging partnership, about compromise where possible and reasonable. Why should government be any different?” Case asked, reiterating the importance of leadership.

Case, a former “Blue Dog Democrat”, will have to beat the considerably more liberal Congresswoman Mazie Hirono, D-HI, a favorite of Hawaii’s powerful U.S. Senator Daniel Inouye and the party insiders, in the primary. If he does succeed, he would run against former Gov. Linda Lingle in the general election, assuming she defeats John Carroll in her primary.

Visit and “like” our new Facebook Page:



<http://www.facebook.com/pages/Smart-Business-Hawaii/155616271212472>



Mark Dunkerley (above) spoke about fuel cost and tax impacts on Hawaiian Airlines. The airline announced plans to expand both interisland and overseas service last month.

## Dunkerley Speaks on Taxes and Fuel Cost Impact on the Airline Business in Hawaii

By Malia Zimmerman, HawaiiReporter.com

Hawaiian Airlines brings in \$1.6 billion a year and would like to increase that to \$2 billion in 2012. But there are tremendous challenges, the airline’s president and CEO, **Mark Dunkerley** said.

Speaking at the Smart Business Hawaii annual conference on Wednesday, January 11, Dunkerley said taxes are “out of control.” Hawaiian Airlines must pay 20 percent of its revenue in taxes and makes just 2 percent profit, after all other expenses are paid. But federal rules prohibit the airline from disclosing those taxes to customers.

An estimated 28 percent of the company’s revenue is spent on fuel, which continues to rise in cost, and another 17 percent goes to personnel.

And the carrier is the “single most disadvantaged carrier in the country” because of the Honolulu International Airport layout. Hawaiian Airlines operations take up about 50 percent of the airport, however the airline is spread over four different sections throughout the property instead of in just one area. Hawaiian Airlines is funding 50 percent of an airport modernization plan at the airport, which Dunkerley hopes will be completed in the next couple of years.

Hawaiian Airlines also will continue its expansion plans, investing “a staggering amount of money” - \$8 billion - into adding to its airlines fleet and flights.

Hawaiian already operates 200 flights a day, but will offer flights to additional mainland cities this year, including a direct flight to New York this June and will start new flights to Asia. Five hundred new positions will be added in the company, which is currently one-twentieth the size of the nation’s largest airlines.

Dunkerley, who made a lively presentation, injecting his well-known sense of humor throughout, said parents “should not let their children grow up to be airline executives” because it is a “terrible business to be in.”



Conference attendees Jack Schneider of JS Services, Inc. and Joyce Edwards of The Systemcenter.

# Twinkies, Kodak, Bailouts & A Free Market

By **Mike Brownfield**, The Heritage Foundation

Are you a fan of Twinkies, the cream-stuffed yellow cake confection packed with sugary goodness, wrapped in a thin layer of cellophane? If so, here's some bad news for your sweet tooth: Hostess Brands Inc., the maker of Twinkies, HoHos and other convenience store delicacies, has filed for bankruptcy just two years after emerging from its previous bankruptcy.

CBS News and the AP report that Hostess—which employs 19,000 workers in 49 states—has more than \$860 million in debt, faces high labor expenses, rising ingredient costs, and a decrease in sales (despite the fact that the industry is flat). And all of this comes despite \$40 million in private equity investment and a \$20 million loan last year.

Then there's another great American corporate icon on the ropes: Eastman Kodak Co. It was reported last week that the 131-year-old film company is preparing a bankruptcy filing if it fails to sell 1,100 digital-imaging patents. The Associated Press writes that Kodak is about to run out of cash and “was reporting a third-quarter loss of \$222 million — its ninth quarterly loss in three years.” Their troubles? The company has lost 95 percent of its value in the rise of digital and the fall of film, along with increased competition.

Certainly if Hostess or Kodak goes down, job losses will follow, causing ripple effects throughout the economy. Those job losses are truly lamentable, and those with a penchant for Twinkies, HoHos, and 35 millimeter film might feel a bit of nostalgia for the brands going bye-bye. But in the free-market system, companies come and go, the strong survive, and good products, efficient management, and meeting consumer demand are rewarded.

That system is under attack from the inside and the outside. From the outside, the Occupy Wall Street movement has assailed corporate America and profits, decrying inequities and crucifying capitalism. Unions are shouting down corporate executives for not sharing enough profits with their workers, and private equity firms are under attack because under our system, companies can, in fact, go out of business. In short, “success” and “profits” and “capitalism” have become pejoratives.

From the inside, the free market is under attack from a government that is picking winners and losers and deciding which companies should and should not survive. The Obama Administration has singled out “green energy” as a “winner,” doling out millions to companies like Solyndra because, in its view, producing solar energy is the “right” move for America—even if those companies can't stand on their own two feet.



2010 Kodak disposable 35mm film camera

Likewise, when General Motors and Chrysler stood before Congress and begged for a bailout, they argued that they needed taxpayer relief as they struggled with massive debt, high fixed costs (labor/pension/



Hostess Twinkies

health care costs), and declining sales. The Detroit automakers found a friend in Washington, receiving bailouts under two Administrations.

Does it seem fair that Solyndra and GM receive taxpayer funding when they can't make it in the free market? Unfortunately, “fairness” is a word that takes on a new meaning in a crony capitalist society. Under the rules of this game, those with the best friends in power reap the benefits, while all others are stuck playing by the rules they set.

In the case of Kodak, it appears that the company is trying to play within the rules of the capitalist system, simplifying its structure and cutting its costs—without cutting jobs. The market today responded favorably to the new business plan with shares going up by 45 percent.

That's how the system is supposed to work. Kodak didn't get a bailout, and it's doing what it can to change its business model, make a profit, and stay afloat. It isn't relying on nostalgia or good will, political favors or taxpayer bailouts.

As for Hostess, should the company go bankrupt if it can't compete? Yes, and that's the way it should be, even if it leaves a bad taste in some people's mouths. The consequences of poor business decisions encourage companies to make the right decisions so they can grow and prosper. That grows wealth, creates new jobs, and moves the economy forward—what the free-market capitalist system does best.

## Diploma Discrimination?

The National Center for Public Policy Research is criticizing an Equal Employment Opportunity Commission guidance letter warning employers who require a high school diploma as a condition of employment that they may be guilty of illegal discrimination under the Americans with Disabilities Act.

The informal federal guidance suggests the requirement of a high school diploma may be discrimination because it could screen out an applicant who dropped out of school due to a disability. Therefore, under this guidance, an employer needs to show that a diploma requirement meets a “business necessity.” However, even if an employer meets this business necessity threshold, the EEOC letter warns: “the employer may still have to determine whether a particular applicant whose learning disability prevents him from meeting it can perform the essential functions of the job, with or without a reasonable accommodation.”

While the informal guidance does not carry the weight of law, it does signal how the EEOC will likely interpret the Americans with Disabilities Act in the future. The National Center has had a watchful eye on the EEOC for years. In August 2010, the National Center was similarly critical of a wayward EEOC guidance that warned employers against conducting background checks on potential employees because a disproportionate number of blacks and Hispanics have criminal records.

For 2012, the EEOC requested a budget of \$385,520,000 - an \$18 million increase over its 2011 budget.

# Unintended Consequences of Tapping the Rich

By **Lowell Kalapa**, Tax Foundation of Hawaii

As you begin to gather together your receipts, pay stubs and other income tax related materials, readers may want to take note of how their legislature targeted the "rich" in Hawaii to come up with more tax dollars to close the budget gap during the past two years.

Unfortunately, while it may have been a deft political move, the unintended consequences are that some of those changes may end up hurting the very people lawmakers thought they were protecting. Under Act 97 individuals with higher incomes will be limited in how much in itemized deductions they can use to reduce their adjusted gross income. Those individuals with federal adjusted gross income of more than \$100,000 will be able to deduct up to only \$25,000 of itemized deductions while couples with more than \$100,000 of federal adjusted gross income will be able to take only a maximum of \$50,000 in deductions. Heads of household earning \$150,000 of federal adjusted gross income will be able to deduct a maximum of \$37,500 in itemized deductions.

However, lawmakers also seemed to contradict themselves as they also prohibited all income taxpayers from deducting state income and sales taxes. Because of Hawaii's income tax rates, this deduction for state income taxes tended to inflate the amount of itemized deductions for residents along with the mortgage interest deduction which is also substantial because of Hawaii's high housing prices. Thus, while the mortgage interest deduction will continue to inflate the itemized deductions for taxpayers, the limit on itemized deductions may have little impact on most taxpayers because the amount of itemized deductions will be reduced with the loss of the ability to deduct state income and sales taxes.

On the other hand, the limit on itemized deductions of the "rich" could actually have unintended consequences for the poor. When one looks at the public thank yous to donors of this or that charity ball or fund-raising events, they will see heading those lists are the so-called rich who just happen to have the ability to write a ten thousand-dollar check or one for fifty thousand dollars. While most of those contributions are made solely because individuals want to support those charities, there is also the tax benefit of being able to use those gifts to charities as an itemized deduction. Thus, placing a limit on those itemized deductions of the "rich" may, in fact, change the behavioral habits insofar as charitable giving. With the "rich" less likely to make charitable gifts because of the limitation on itemized

deductions, those charities that serve the poor may have to cut back on the services they provide to the poor.

This is, in fact, what Congress learned when they imposed a similar limitation on itemized deductions a few years ago. That limit did, in fact, limit the philanthropic generosity of the "rich" who have the ability to make those large charitable gifts. As a result, Congress allowed the limit at the federal level to quietly expire at the end of 2009. Thus, a limit on itemized deductions based on one's income in this case did have an unintended consequence that really hurt those who needed the services of the health and human service organizations who depended on those contributions.

An earlier attempt by Congress to slap higher taxes on "luxuries" that only the so-called "rich" could afford also had unintended consequences. In this case during the early 1990's Congress took aim at luxuries like the yachts of the "rich" and attempted to impose higher taxes on those purchases. While the tax did hit the "rich," many of those so-called "rich" people chose to avoid purchasing those goods that were subject to the surtaxes. Thus, in the case of the yachts of the "rich," it was the hard-working stiff who sanded the teak decks of those yachts who eventually lost his job because yacht sales and ownership plummeted.

Locally, lawmakers also adopted an increase in income tax rates that puts the top tax rate at 11% and will be effective through the 2015 tax year to raise more revenues. While they may have thought they were going to raise additional income with these higher rates on "rich" individuals, what they failed to realize is that these are the very people who probably took advantage of the very generous high technology tax credits and they will have little, or no, tax liability as a result of the offset of the tax credits.

The point of the matter is that while taxing the "rich" may make good political rhetoric, in the long run there are unintended consequences that ultimately hurt all taxpayers.

## KIKU TV Files For Bankruptcy

The company that owns KIKU-TV in Honolulu has filed for bankruptcy protection. International Media Group Inc., a multilingual television broadcaster, filed for bankruptcy in Delaware. The company listed both assets and debt of \$100 million to \$500 million in Chapter 11 documents filed in U.S. Bankruptcy Court in Wilmington. Asian Media Group LLC and five other affiliates also sought protection.

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## Aug. 24: On Presidential Vacations:

President Obama's vacation in Martha's Vineyard has been criticized for coming at the same time the stock market dove like a Blue-footed Booby with its butt feathers on fire and wars rage around the globe. But Obama got a bit of a reprieve when Libyan rebels backed by NATO jets sent Col. Muammar Gaddafi into hiding, proving that it is possible to oversee the overthrow of a country from a golf cart at the Farm Neck Golf Club in Oak Bluffs, Mass.

Obama actually has taken far fewer vacation days than President George W. Bush. But when you consider the choice of vacation venues, George Bush's 180 days of brush clearing in dry, dusty, hot Crawford, Texas was more like a prison work release program than a vacation.

## Aug. 31: On the Hysterical TV coverage of Hurricane Irene:

Hurricane Irene was barely even a hurricane. It started out as a "Category 3" hurricane but was downgraded by Standard and Poors to a "Category 1.5."

Even CNN anchor Candy Crowley chose to stage her Sunday show outdoors, her hair looking fetchingly windblown. By the way, if that poor woman keeps packing on the pounds she's going to have to change her name to Roast Beef Crowley. I thought I saw emergency rescue personnel urging residents to move into a safe building or at least seek shelter on the leeward side of Candy Crowley.

## Sept. 14: On Fat Customers and Fast Food Restaurants:

A 290-pound New York man is suing the White Castle fast food chain for not having seats big enough to accommodate his bulk. Now, you would think that when you are too fat to actually fit into a seat at burger joint maybe it's time to step away from the burgers for a while. On the other beefy hand, where does a place that sells millions of little burgers by the sack-full get off on not providing their target customers (i.e. people who eat burgers by the sack-full) a comfy place to sit down?

## Nov. 16: On the Some Members Occupy Wall Street Movement:

President John F. Kennedy said "Ask not what your country can do for you, but what you can do for your country." The motto for many of the whiny, spoiled Occupiers seems to be "Ask not what your country can do for you, but what has it done for you lately."

Some Items Were Edited For Space  
Complete article at HawaiiReporter.com

# "Tough Love" Helps Hawaii Homeless

By Malia Zimmerman, HawaiiReporter.com

Have you ever wondered what you should do if homeless people ask you for money? Hawaii's former state homeless coordinator, **Mark Alexander**, said in a recent television appearance on Hawaii Reporter television that you should not give these solicitors any money. Those with time to spare can take a homeless person to eat or talk about services available through places like the Institute for Human Services. But cash could go to the wrong places, including feeding drug and alcohol addictions.

Alexander, a former Catholic priest who believes in "tough love" when it comes to helping Hawaii's homeless, takes a similar stance on groups that feed homeless in a park.

Organizing a food drive in a park doesn't help the homeless who shouldn't be in the park in the first place, Alexander said. He said the exception is if the shared meal is used as an opportunity to educate the homeless on services available to them,

Alexander also does not believe that Hawaii's 6,200 should be allowed to sleep on public property, such as sidewalks, bus stops, and parks.

Connie Mitchell, head of the state's most well known homeless shelter, the Institute for Human Services, agrees. Alexander, Mitchell and other homeless advocates such as Darryl Vincent, who is heading up the effort to get US homeless veterans the help they need, are working to get Hawaii's homeless into shelters and affordable housing.

The goal — to end homelessness in Hawaii.

## Heavy Rail Timeline *Continued from page 5.*

Submitting a bid without a contractor's license constitutes unlicensed contracting. The fine for unlicensed contracting activity ranges from \$2,500 and can run as high as 40% of the total contract price.

**October 26:** Ansaldo penalty 'slap on the wrist,' councilman says City Councilman Tom Berg, a critic of the selection of rail car contractor Ansaldo Honolulu, said the city should have disqualified the Italian-based company because it was in violation of state law by bidding for the project before obtaining a contractor's license.

**November 23:** Pro-rail Star Advertiser editorial tells HART "Honolulu's contract with a subsidiary of an Italian conglomerate to design, build and operate the city's rail transit project was scheduled to be signed next Friday, but a delay is needed to reassess what increasingly looks as shaky as the euro." And "In our 100 year history The Outdoor Circle(TOC) has seen no other venture that holds the potential to degrade the landscape of Oahu as the proposed Honolulu Rail Transit project. TOC has been involved in virtually every step of the project from the moment it was first brought to the public for discussion. For more than five years, at every opportunity, we have urged the City to explain how it will mitigate Transit's horrific visual damage to this island as well as the degradation to neighborhoods and communities along the route of this six billion dollar project."

**November 28, 2011:** Why Does Carlisle / Hamayasu / Horner Stick with Ansaldo while

Under so Much Fire?

**November 29:** The Honolulu Authority for Rapid Transportation signed a \$1.4 billion contract Monday with Ansaldo Honolulu JV, giving it the go-ahead to start construction on the system's cars and other key components. There will be no guideway and rails for at least another 5 years. So why did we order trains?

**December 12:** Senior Federal Judge A. Wallace Tashima denied the City/FTA Motion to a) dismiss certain of the plaintiffs for lack of standing, and b) the plaintiffs did not identify certain historical sites during the environmental process. The lawsuit is definitely GO!

**December 18:** Bidding Irregularity and Delays Imperil Honolulu Rail Insurance Program "A program that was supposed to reduce insurance costs for the Honolulu rail transit project by \$20 million has been indefinitely delayed after irregularities in the city purchasing process forced the city to cancel a key contract award. "

**December 29:** FTA grants HART permission to enter the Final Design phase but has many difficulties with HART's financial plan. The FTA asks HART to the State legislature and the City Council to get an unspecified extension of the ½ percent General Excise Tax increase or find other monies ... "these revenue sources require actions by the State of Hawaii and/or the City that have not been taken and which are beyond HART's ability to control. In addition, "HART made assumptions in three areas that require justification."

## Miss America Crown Eludes Miss Hawaii



Miss Hawaii **Lauren Cheape** missed the final 15 in the 2012 Miss America in Las Vegas despite wowing the judges with her jump rope routine to the "Hawaii Five-0" theme song.

The Senate Minority helped her prepare for Miss Hawaii last year. She also won the Quality of Life Scholarship, given to women who excel in their commitment to the enhancement of the quality of life for others through volunteerism and community service.

Miss Wisconsin, **Laura Kaeppler** was crowned the new Miss America.

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# German Solar Program Collapses

By Jack Dini

Workers in Germany's once booming solar energy industry face a shakeout of major proportions following declines in the price of solar panels over the past year. Cuts in subsidies for solar energy, weaker demand for panels and fierce competition from cheaper Asian rivals are eating into what was once the world's biggest hub for the production of solar cells, taking the shine off an industry that was effectively born in Germany. (1)

Two German companies, Solar Millennium AG and Solar SE, have filed for bankruptcy or insolvency and others, including Q-Cells SE and Solarworld AG, are reeling from rising foreign competition just as demand ebbs in Germany, the largest photovoltaic market last year. (2)

Subsidies, or so-called feed-in tariffs, through which operators of solar panels receive a guaranteed price for the electricity they generate, made Germany the world's largest solar market and had created 150,000 jobs by 2010. But over the past two years, Germany has sharply reduced tariffs, and a recent proposal to limit subsidies for new solar installations may seal the industry's fate. (1) It's been reported that every job in the Germany solar sector cost 250,000 euros (\$318,000) to electricity consumers. (3)

Ironically, a decision by the German government in 2010 to phase out nuclear energy has done little to reignite the sector. Germany, one of the countries that constantly preaches the global warming doctrine and insists the rest of the world do as it says, will increase its reliance

on coal and gas. It plans to build 27 coal-fired electrical generating plants by 2020. (4)

In the global market at least seven solar panel manufacturers have filed for bankruptcy or insolvency in recent times. (5) Solar power hit an all-time high in the United States but it is now plagued by over capacity, declining prices, dwindling subsidies, and bankrupt companies. That is because its product is uneconomical without massive subsidies, needs the sun to shine in order to produce power, must be backed-up with other power sources for reliability, and has steep competition from China where the labor rates are low and solar manufacturers are subsidized. Led by China, global production of solar panels tripled in the last three years. (3)

All this makes a strong case for questioning the viability of the 'green job' strategy for the solar sector.

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