

Business Leaders to be Honored at 5th Annual SBH Awards

Smart Business Hawaii and the Small Business Hawaii Entrepreneurial Education Foundation (SBH Foundation) will honor local business leaders during the 5th Annual Awards Dinner and fundraiser, Friday, September 21, from 5:30-8:30 pm, at the Waiialae Country Club.

Annual Awardees are selected by SBH members and community leaders from nominees received by the Board of Directors. SBH Awards are based upon business success, educational involvement and community leadership.

SBH Awardees for 2012 include:

- ☆ SBH Lex Brodie
Business Persons of the Year
Cliff & Bobbie Slater
Honolulu Traffic.com

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SBH Foundation Awardees include HonoluluTraffic.com's Bobbie & Cliff Slater (above), KITV's Andrew Pereira (top right) and Michael Palcic of MGP Consulting (bottom right).



Charles Djou to Speak at SBH Sunrise

Charles Djou, former State Legislator, City & County of Honolulu Councilmember and U.S. Congressman, and candidate to regain his Congressional seat, will be the next special guest speaker at the SBH Sunrise Networking Breakfast, Thursday, September 27, in the Pineapple Room, Macy's Ala Moana (3rd Floor), from 7 – 8:30 am.

Djou can be expected to discuss "America's fiscal crisis and its impact on Hawaii".

The public is welcome to the SBH Networking Sunrise. Advance reservations are required and are first come, first serve.

Last month, JS Services owner and SBH Director **Jack Schneider** spoke about his experiences during the 2012 State Legislature with the burdensome PEO bill which was eventually vetoed by the Governor.

SBH members and their guests pay \$25 (in advance) for networking, the program, a complete buffet breakfast and free parking.

Participants are all introduced and 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 reservation form on page 11. You can also register on line: <http://smartbusinesshawaii.com/index.php/events/rsvp>.



SBH MEMBER CALENDAR

PHONE 396-1724 • FAX: 396-1726

Monday, September 10
SBH Directors Meeting
SBH Office • 12 – 1:30 pm

Friday, September 21
**5th Annual SBH Foundation
Business Awards & Banquet**
Waiialae Country Club • 5:30 – 8 pm

Thursday, September 27
**SBH Sunrise Networking Breakfast
Charles Djou**
America's Fiscal Crisis
Macy's Pineapple Room
Ala Moana Center • 7 – 8:30 am

SmartBusiness
HAWAII

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Smart Business Views

By Sam Slom, President – Smart Business Hawaii

The Small Business Hawaii Entrepreneurial Education Foundation (SBH Foundation), in conjunction with Smart Business Hawaii, announced its 2012 Smart Business awardees. (See page 1). The 5th Annual Awards Banquet will be held Friday, September 21, 5:30 – 8 pm at the Waialae Country Club. Congratulations to our 2012 SBH Lex Brodie Smart Business Persons of the Year — **Cliff & Bobbie Slater** — HonoluluTraffic.com Please come and support all our awardees. See form on page 10 or call 396-1724 for information and reservations.

Hawaii Reporter TV Studio: Hawaii Reporter has constructed a television studio within the corporate office of SBH in Hawaii Kai. The set will be used for HR interviews, SBH member profiles and expanded business news coverage. Come and visit! Go to www.HawaiiReporter.com for the real news. HR, the award winning daily electronic newspaper, founded by **Malia Zimmerman**, continues to break major business investigative stories. Tune in to KHVH every weekday now at 7:05 am to hear Malia's report.

Poor Voter Turnout: Again, the Primary Election vote (August 11) was shameful; 42% of registered voters. You don't get change or a better business climate with that kind of turnout. We must do better for the November 6 General Election. There are still many important races this year: President, Hawaii U.S. Senator, Congress, and Honolulu Mayor. Your vote does make a difference. Vote informed.

"2016" The Movie: Did you see "2016," a new movie based on NY Times best selling author and university president (King's College in NYC), **Dinesh D'Souza**, and his controversial book on President Obama,? It was informative and intriguing.

Loss of Dawson: Longtime Honolulu entrepreneur, **Donald Dawson** passed away last month. He was active in many business interests throughout his career and at one time was the US SBA's "Small Business Person of the Year."

Ben Can Still Stop Rail: If **Ben Cayetano** wins your votes on November 6, and is elected Mayor of the Ciity & County of Honolulu he can still stop the fiscally disastrous rail project.

Pay Up Governor Waihee! Former Hawaii Gov. **John Waihee** and three associates have agreed to pay \$1.3 million to settle claims by the state Attorney General that they helped to illegally divert some \$30

million from funeral and burial plans sold to thousands of Hawaii residents.

The lawsuit was one of many filed after the 2004 financial collapse of funeral homes and cemeteries owned by the RightStar group of companies. Waihee and fellow trustees who oversaw RightStar's customer trust accounts consistently denied wrongdoing and agreed to settle the claims against them to put an end to eight years of litigation, according to interviews and court papers. The Attorney General's office has also agreed to settlements in a series of other legal claims against various parties involved in the failure of the RightStar.

Got Gas? Hawaii gasoline prices began to move up again last month due to uncertainty in international affairs. Lanai and Molokai have surpassed \$5 a gallon.

Social Security at 77: Social Insecurity became law 77 years ago last month. It was not to exceed 1% of income. It was to be a supplement only to your regular, private pension and private retirement savings. The SS number was "for social security purposes only—not for identification" How's that working out for you?

Bike Mom's Bike Stolen: SBH member, CPA and bicycle advocate, **Natalie Iwasa** was the victim of a theft last month: her prized 23-year old bike. She had parked it at City Hall while she spent the day testifying as she often does. Many people feel they too are robbed at City Hall (and at the State Capitol).

Where's Froggie? Senior Frog's, a meeting place and watering hole in the Royal Hawaiian Shopping Center, has closed its doors. Where it will move has not been announced. The Center says a new restaurant will replace the Frog.

SBH Sunrise: **Charles Djou** will speak on "America's Fiscal Crisis" at the next SBH Sunrise Networking Breakfast in the Pineapple Room, Macy's Ala Moana, Thursday, September 27, 7 – 8:30 am. Call Darlyn at SBH for details and reservations (396-1724).

Become an SBH Member: Is your business a member of SBH? No? Lots of benefits. Strong networking organization. Call Darlyn today (808-396-1724) or go online to www.smartbusinesshawaii.com.

What? Not receiving your weekly (Wednesday) electronic copy of SBH Views & News? More than 10,000 business owners do receive it. It's complimentary. Call Darlyn at 396-1724.

Happy Labor Day!

Federal Rail Trial Hearing Held

On August 21, lawyers, the public and contract beneficiaries of the Honolulu taxpayers squeezed into new federal district courtroom 8 in the Prince Kuhio Federal Building for the hearing by federal Mainland Judge **A. Wallace Teshima**, on the Honolulu \$9.03 billion rail project.

Teshima, of California, is the presiding judge because 7 of the 8 federal judges in Hawaii all recused themselves in May, 2011 when the lawsuit was first filed. The judges all signed a petition in opposition to the elevated steel rail passing to close to the federal court offices at that time

Since last year, the City did everything possible to stonewall, delay and challenge the lawsuit. They even attempted to have most of the plaintiffs removed for "lack of standing. They failed.

In the hearing, lead plaintiff's attorney, **Nicholas Yost**, was in a San Francisco hospital recovering from an after surgery infection. **Matthew Adams** was his legal surrogate up against a bevy of City and Federal attorneys. Adams, by all accounts, prevailed. He raised environmental issues, the City's

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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.

Annual SBH Awards Banquet

Continued from Page 1.

☆ Jean Fukuda Civic Leadership Award

Michael Palcic
MGP Consulting

☆ SBH George Mason
Outstanding Business Reporting

Andrew Pereira
KITV News Channel 4

☆ SBH Business Booster

Dale Evans
Charley's Taxi

☆ SBH Success All Stars

Bill Comerford
O'Toole's Pub
Hawaii Bar Owners Association

Peter Kim
Yummy's BBQ



Bob Sigall (photo)

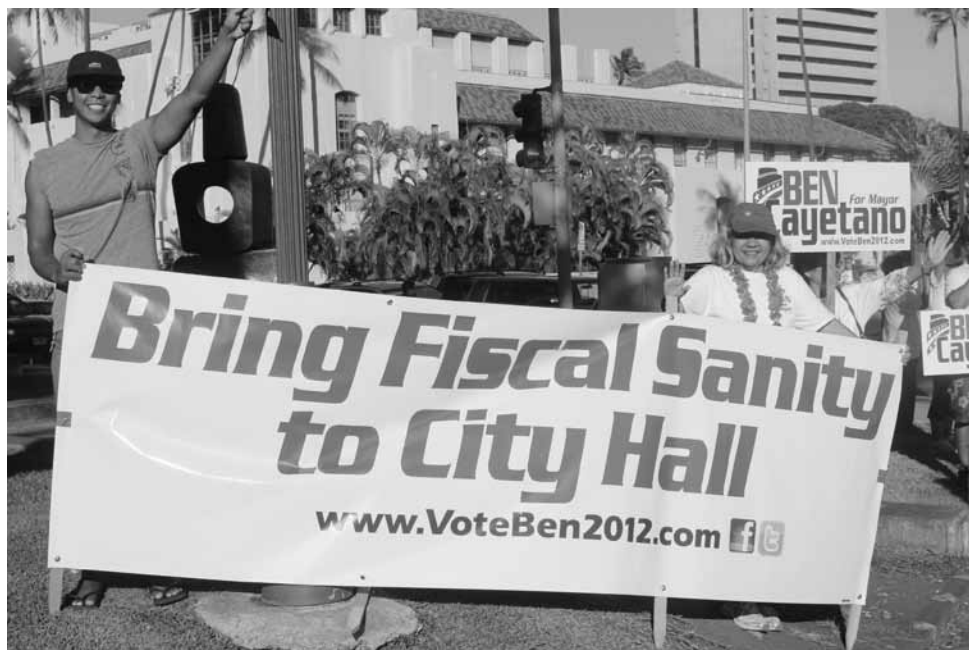
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☆ SBH Educators of the Year

School Educator
Justin Mew, Principal
Niu Valley Middle School
Business Educator
Jed Gaines
Read Aloud America!

To attend the SBH Foundation dinner, contact Darlyn Evangelista or sbh@lava.net. Tickets are \$100 a piece. \$50 is tax deductible. You can also send in the reservation form on page 10 with your payment. The event includes a buffet dinner at the Waiālae Country Club, entertainment, and a silent auction. Parking is complimentary. Go to our website for updated information on this event.

www.smartbusinesshawaii.com



The major issue on the mayoral race as well as those for Honolulu City Council this year is rail. The proposed heavy rail project has split the electorate going into the general election with former Governor and rail opponent Ben Cayetano holding a lead over his rival and rail supporter, Kirk Caldwell. Here supporters of the former Governor sign wave near Honolulu Hale days before the primary election.

Primary Election Results Not Surprising

There were few surprises during the August 11 Hawaii Primary Election.

The turnout was an anemic 42% with a lot of blank ballots. Many Republicans and Independents crossed over to vote in the Democrat primary ballot.

Ed Case worked so hard for so little return. **Mufi Hannemann** never knew what hit him as **Tulsi Gabbard**, a 31-year old, attractive combat veteran, backed by **Dan Akaka**, **Dan Inouye**, Pacific Resources Partnership and Mainland special interest groups, swamped the former Mayor. Gabbard resigned her seat on the Honolulu City Council August 16 to save taxpayers an estimated \$150,000 from a special election. Immediately, more than a dozen people—mostly former politicians—announced they will vie for that seat in November.

Former Governor **Ben Cayetano** was denied his 50%+1 outright victory, in part because of the \$1.5 million PRP union attack campaign against him. He wound up with 45% and will face **Kirk Caldwell** (same support as Tulsi) on November 6. **Peter Carlisle**, above his pay grade as Mayor, lost badly as the third man out. House Speaker **Calvin Say** is probably *pau* as Speaker next year since both his reapportionment scheme and candidates designed to knock out his dissident opponents all failed. Winners were **Della Au Belatti**, **Sylvia Luke**, **Scott Saiki**, **K Mark Takai** and **Jessica Wooley**.

In contested primaries, Senator **Brian Taniguchi** ousted Senator **Carol Fukunaga**; Senator **Pohai Ryan** was defeated by **Laura Thielen**; Republican **Gil Riviere** lost to **Richard Falé** and Rep. **Robert Herkes**, trying for the Senate, lost on the Island of Hawaii. A Big Island senate race between **Malama Solomon** and **Lorraine Inouye** is a contested 69-vote race with a court challenge.

Multiple problems occurred on the Big Island. And yes, though you'd never know it from the media, there are many Republicans in contention for the General Election.

More on the election next month including business endorsements from PAYCHECKS HAWAII.

Detailed results and voting information on the election can be found at the Hawaii State Elections website: <http://www.hawaii.gov/elections>.

Absentee Walk-In voting will start on Tuesday, October 23 and end on at the close of the polls on Saturday, November 3. General Election Day will be on Tuesday November 6. The polls will be open for the General Election from 7:00 a.m. to 6:00 p.m.

Additional voting information can also be found at the elections website URL.

Taxpayers' Auto Bailout Losses Mounting

From the **Heritage Foundation**

Taxpayers will lose even more on the auto bailout than previously thought, as the Treasury has just revised its estimate upward to \$25 billion. This may still underestimate the losses to come—yet President Obama plans to tout the auto bailout as a key accomplishment of his Administration.

Politico recently obtained a draft of planning documents for the Democratic National Convention, finding a repeated focus on the auto bailout. The draft described the convention's objectives: Tell the story of the President's accomplishments—the auto rescue, manufacturing, ending the war, health care, energy—as central to his fight for the middle class and America's long-term economic strength.

As the losses continue to grow, will the President acknowledge that the only people truly "rescued" were unions? The President could have kept the automakers running without losing money—if he had restricted his Administration's involvement to only providing bankruptcy financing. Instead, the Obama Administration involved itself heavily in the bankruptcy process, picking winners and losers instead of following normal bankruptcy law.

Heritage labor expert James Sherk and co-author Todd Zywicki found that all of the taxpayer losses occurred because the Administration manipulated bankruptcy law to shelter the United Auto Workers' (UAW) compensation. None of the losses were necessary to preserve jobs, and taxpayers spent billions to prop up the compensation of some of the most highly paid workers in America.

They write: We estimate that the Administration redistributed \$26.5 billion more to the UAW than it would have received had it been treated as it usually would in bankruptcy proceedings.... Thus, the entire loss to the taxpayers from the auto bailout comes from the funds diverted to the UAW. The union workers, who were making more than \$70 an hour in wages and benefits, received preferential treatment when their companies had to restructure. GM and Chrysler owed billions to a trust fund they had created to provide UAW members with gold-plated retiree health benefits—and taxpayers ended up paying right into that fund. That doesn't happen in a normal bankruptcy.

Even **Stephen Rattner**, President Obama's "car czar," has admitted that "We should have asked the UAW to do a bit more. We did not ask any UAW member to take a cut in their pay." As a result, even after the reorganization, GM still has higher labor costs (\$56 an hour) than any of its foreign-based competitors.

More than \$26 billion went out the door and into the UAW's pockets. That's bigger than the budget of *the entire State Department*. It's bigger than all U.S. foreign aid spending. It's 50 percent more than NASA's budget—and the UAW isn't going to be exploring Mars any time soon.

This massive payoff did not "save Detroit." Though the Motor City has a well-earned reputation for having the greatest auto workers in the nation, these workers largely build cars for only three companies. There are no Volkswagen manufacturing plants in the Detroit area—or Mercedes-Benz. Or Kia. Or Hyundai. Or BMW. Since 1990, the majority of these successful foreign automakers' new manufacturing plants have been built in right-to-work states like Alabama, Georgia, South Carolina, and Tennessee. Workers in Detroit didn't gain any new options. And perhaps even more dangerously, the auto bailout established a precedent of government interference in private business. It's not a pretty picture—three years after Washington stepped in, U.S. taxpayers still owned 32 percent of GM. Next to Fannie Mae and the Postal Service, it is one of the largest government-owned enterprises in America.

And the Administration has used the auto companies to further its political agenda. As Heritage's **James Gattuso** noted, "political influence has been clear in everything from the selection of dealers to be closed to the marketing of dubious, but administration-favored, 'green' vehicles."

American taxpayers are unnecessarily on the hook for the gold-plated retirement benefits of a few. Twisting bankruptcy law to benefit a politically influential special interest group isn't something to brag about.

The original article by Amy Payne can be found on the Heritage Foundation's blog site at <http://blog.heritage.org/2012/08/14/morning-bell-taxpayers-auto-bailout-losses-mounting/>



General Motors is pinning its hopes on an upgraded Chevy Malibu among new models being introduced in the next few months. GM was one of 2 U.S. auto firms receiving a bailout from the federal government.

Buy A New Car

Have you bought a new car or truck? Hawaii sales of new cars and trucks increased 19 percent during the first half of 2012, compared to the same period in 2011, according to vehicle registration data from the Hawaii Automobile Dealers Association. A total of 22,110 car and light truck registrations were recorded January-June 2012. Total new registrations for all of 2012 are forecast to finish 16.2 percent higher than 2011, while 2013 is expected to see a gain of 9 percent, according to the Auto Outlook.

Ban Still On Kailua Businesses

City Bill 11 (2012) CD1 passed by the City Council 7-2 was vetoed by Mayor **Peter Carlisle**. The Council overrode the veto by the same 7-2 vote August 15. Implementation of the ban on all business is still being worked out. Businesses fear these bans will spread to other public beaches around the state.

New UH West Oahu Campus Opens

The Grand Opening of the long awaited UH West O'ahu Kapolei Campus, took place, August 18. The new UH campus features the latest in 21st Century higher education. With more than 220 freshmen registered and nearly 2,000 more students set to transfer from the Pearl City campus, UH West Oahu is ready. The Chancellor is **Gene Awakuni**. "This is also a huge milestone in Kapolei's development," said **Richard Dahl**, president and CEO of James Campbell Company.



Don't forget to **like** us on Facebook @ **Smart Business Hawaii**. We're also on Twitter @ **SBH808**.

Rail Law Suit Continued from page 2.



failure to do its due diligence for alternative analysis, and its disregard of Hawaiian iwi (bones) and Traditional Customary Properties (TCPs).

The City and Federal attorneys, continued their misrepresentation of what they did, and their public meetings seeking public input. This brought laughter from the public audience of 100, most of whom were there to support the 7 plaintiffs (including the SBH Foundation).

The Defendants are using taxpayer money, more than \$1.2 million to defend their actions and the rail. They are also assisted by special interest (F.A.C.E.) and union (Pacific Resource Partnership) groups as intervenors.

At the end of the two-hour formal hearing, the Judge took the matter under advisement but hinted the City might have to prepare for making major changes to its costly project. A decision is expected at any time.

Donovan Back at UH, But Not As Athletic Director

The University of Hawai'i at Mānoa (UHM) has learned that the internal investigation into the cancelled **Stevie Wonder** concert will show that there was no wrongdoing on the part of Athletics Director **Jim Donovan**, who was put on paid administrative leave on July 11, while the investigation took place (the final written report is still being prepared).

UHM Chancellor **Tom Apple**, and Donovan, reached an agreement on Jim's future with the University. Beginning August 13, Donovan returned to full duty status and will report directly to Chancellor Apple. Mr. Donovan will have significant responsibilities in designing, creating, articulating, marketing and communicating to the community, including assisting with the evolving land grant mission of the University, as the University continues to serve and help meet the needs of Hawaii and its people.

The parties mutually believe that Mr. Donovan has served the University well throughout the 21 years he has worked on the Mānoa campus, beginning September 3, 1985. Donovan moved up through the athletic department ranks as baseball stadium manager, then sports marketing director, assistant athletics director, associate athletics director and finally as athletics director since March 23, 2008. From 2002 through 2008, he served as executive director of the Sheraton Hawai'i Bowl.

In his new position, Chancellor Apple believes Donovan's considerable and diverse talents will be best utilized to help UHM move forward while serving the University in another capacity.

Donovan's base salary will remain the same through the term of his current contract ending in March 2013. He will then be reassigned to a new position and will be recommended to receive a three-year appointment at a salary of \$211,200 (temporarily reduced to \$200,640) that will be subject to customary reviews and approvals in accordance with established policy. — **University of Hawaii Press Release.**

Hawaii Legislative Website Tops in U.S.

With its redesign and upgrade, the Hawaii State Legislature's website has won top honors as the nation's best legislative website. It earned the Online Democracy Award from the National Conference of State Legislatures (NCSL), which was presented on August 8 during the National Conference of State Legislatures' 2012 Legislative Summit in Chicago.

"Through public input and the teamwork of our diligent staff, the Hawaii State Legislature's website has become a more user-friendly, accessible portal for citizens of all ages wishing to participate in or learn more about the legislative process," said Senate President **Shan Tsutsui**. "The website helps citizens throughout Hawaii to connect to information and policy issues that directly impact their lives and communities. We are greatly honored to be recognized for our efforts."

Hawaii State Legislature's website was redesigned and upgraded less than a year ago. The website can be found at <http://www.capitol.hawaii.gov/>.

The Hawaii State Legislature stood out to the panel of judges for the extensive amount of information available on the website.

Features such as the guide for first-time users, explanations about how to use various features, a citizens' guide and a legislative glossary allows citizens of all ages to participate in the legislative process.

NCSL's Online Democracy Award is given each year to a legislature, legislative chamber or caucus whose website stands out for making democracy user-friendly.

The Online Democracy Award is sponsored by two of NCSL's staff organizations: the National Association of Legislative Information Technology (NALIT) and the Legislative Information and Communications Staff (LINCS).

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Defending Citizens United

By Tracy Ryan

There is a lot of controversy circulating about the US Supreme Court Decision in *Citizens United v. Federal Election Commission*. The decision involved a non-profit corporation, Citizens United, and their production and distribution of a film that was hostile to Hillary Clinton during her 2008 bid for the presidency. At issue was the application of United States Code section 441b that prohibits corporations from using funds directly from their treasuries to influence elections. The court ruled broadly that such prohibitions violated the First Amendment.

Some quotes from the majority opinion written by Justice Kennedy follow.

In regards to the complexity of the rules the FEC has created to enforce current law...“the FEC has created a regime that allows it to select what political speech is safe for public consumption by applying ambiguous tests. If parties want to avoid litigation and the possibility of civil and criminal penalties, they must either refrain from speaking or ask the FEC to issue an advisory opinion approving of the political speech in question. Government officials pore over each word of a text to see if, in their judgment, it accords with the 11 – factor test they have promulgated. This is an unprecedented governmental intervention into the realm of speech.”

In regards the potential chilling effects of 441b: “Thus the following acts would all be felonies under 441b: The Sierra Club runs an ad, within the crucial phase of 60 days before the general election; that exhorts the public to disapprove of a Congressman who favors logging in national forests, the National Rifle Association publishes a book urging the public to vote for the challenger because the incumbent U.S. Senator supports a handgun ban; and the American Civil Liberties Union creates a Web site telling the public to vote for a Presidential candidate in light of that candidate’s defense of free speech. These prohibitions are classic examples of censorship.”

In conclusion...” We find no basis for the proposition that, in the context of political speech, the Government may impose restrictions on certain disfavored speakers. Both history and logic lead us to this conclusion.”

You’d think that the court’s decision wouldn’t be controversial as a matter of law. Yet there are certainly people who are saying

that corporations aren’t people and therefore don’t have First Amendment rights. But this is just sophistry. A corporation is a group of people who pool their resources to achieve a common goal. The people have First Amendment rights as individuals and thus as a group acting as one. The same applies to any other group acting collectively as pointed out by Justice Kennedy in his examples of the Sierra Club etc. Whether the people making the decisions to spend money from the corporate treasury in such ways have the full authority of the stockholders is a question between them and the stockholders, not them and the FEC.

However, the deep antipathy many Americans seem to have towards corporations has led to widespread hostility to the notion that speech by corporations should have the same legal protection as that of other jointly funded organizations. For example an organization calling itself “Public Citizen” argues that we should pass a constitutional amendment to overturn *Citizens United v*

Federal Election Commission.

Quoting the rationales they provide for this proposal is instructive.... “It is becoming harder to advance a public interest agenda on any issue affecting corporations – whether the issue is health care, climate change, reining in Wall Street, protecting worker’s rights, stopping consumer rip-offs, promoting a just trade policy and much more.” The National Organization For Women states “thanks to the U.S. Supreme Court’s notorious *Citizens United* decision, Super PAC’s controlled by conservative power brokers like **Karl Rove**, **Grover Norquist**, and the billionaire **Koch brothers** can spend unlimited amounts of money to influence the outcome on Election Day.”

They go on to describe these individuals as anti-women extremists. Seemingly it is the content of the speech that is being objected to by opponents of this decision. The First Amendment is there to protect exactly the speech that people might find unpopular.

Hawaii Statehood Not Celebrated Again



holiday.

A number of years ago when **Ben Cayetano** was governor, he cancelled statehood celebrations because he said they were too controversial. Gov. **Linda Lingle** agreed and during her 8 year term, refused to have any statehood celebrations, and Gov. **Neil Abercrombie** has done the same. Lingle did organize a government conference on the state’s 50th anniversary of becoming a state.

The attitude toward statehood day or admissions day is a big change from 1959, when more than 90 percent of the public turned out to support of Hawaii becoming a state. People who were there recall there was dancing in the streets, Hawaiian shows and fireworks at Iolani Palace.

Sovereignty activists who want Hawaii to leave statehood behind and become a sovereign nation have put a stop to all those celebrations.

In 2006, State Senator Sam Slom, R-Hawaii Kai, organized a statehood celebration with about 150 people in attendance including the band from Kalani High School. They met at Iolani Palace to celebrate the anniversary of Statehood at the place where statehood was declared.

But a group of activists were waiting and to threatened the safety of the people attending. The parents of the Kalani High School student band members were told the children would be harmed if they even played one note. The band packed up and left, and the activists shouted at the attendees who planned just a short ceremony.

Since that incident and others like it, despite the fact that many people in Hawaii are proud Hawaii is a state, and enjoy the benefits, there have been no either private or public statehood celebrations with the exception of the 50th anniversary, which was largely centered around a government conference at the convention center.

Oahu Residents Don't Need The Tax Burden from Rail

By **Bob Watada**

After spending my life in Hawaii, my wife Rosa and I retired and moved to Oregon where the cost of living is more affordable, and that time away has given me a new perspective on Hawaii's government and economy.

Because we still come home to visit and own property on Oahu, I have kept tabs on the increasing taxes and fees imposed by the government on Hawaii residents and visitors.

Hawaii residents and property owners are probably the highest taxed citizens in the country.

We own a condo in Honolulu, and pay Real Property Taxes, General Excise Taxes, Transient Accommodations Taxes and Income Taxes, and we also pay General Excise Tax on purchases during our visits home.

Our city sewage surcharges continue to increase, because under past mayors, city taxpayer funds were wasted on fancy amenities like a movie screen on Waikiki Beach and a hardcover coffee table book about Mayor Harris's accomplishments, instead of on fixing our sewers. Other infrastructure has dilapidated because money was spent on pet projects instead of on fixing roads, bridges, parks and sidewalks. Ben Cayetano, our former governor now running for mayor, has a "Truth Squad" of former city management, and they estimate Oahu taxpayers need to spend up to \$15 billion to catch up on infrastructure repairs.

Most political leaders care little about who is paying the taxes, but they care a great deal about returning favors to their political campaign donors, especially those who rely on donations and endorsements from contractors and unions leaders.

Another insight I've gained: Hawaii continues to count on federal money to keep the economy afloat. But the lesson we've learned in Oregon is don't count on federal money.

Many counties here have been dependent on federal timber payments, which were like staples for many years. Recently, there has been major reductions, resulting in cutbacks in fire, police, education and health programs. (In Oregon, tax increases need to go on the ballot). Some counties are facing bankruptcy. The sentiment in Washington is for greater cuts in federal spending.

So back to Oahu and the city's \$5.3 billion elevated steel on steel rail project now in the initial phases of construction out in the empty Ewa fields. Who will pay the bill? Oahu residents and visitors already pay an additional half percent on all purchases and services for the rail, and I see another rail tax in our future.

My political comment is no way! I do not want to pay for a rail to nowhere.

Bob Watada is the former Campaign Spending Director from 1994 to 2005 and now lives in Pleasant Hill, Oregon. This article first appeared in HawaiiReporter.com and smartbusinesshawaii.com.



Honolulu Rail Costs More Than NASA Sending "Curiosity" Rover to Mars: NASA built a wonderfully designed and unbelievably complicated machine and sent it to Mars (563 million miles from Earth) where it landed perfectly for \$2.5 billion. Hawaii is building 20 miles of rail at a cost of over \$5 billion. Something is radically wrong here. — **Shirley Hasenyager**, Kailua resident. Graphic courtesy of NASA Ames Research Center.



Lisa Snell of the Reason Foundation was the keynote speaker at the July 31 Grassroot Institute of Hawaii dinner commemorating Milton Friedman's 100th birthday. Her topic was on school choice.

great quotations

"Most of the important things in the world have been accomplished by people who have kept on trying when there seemed to be no hope at all."

— **Dale Carnegie**

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Project Labor Agreements: Costly for Hawaii

By **Sam Slom**, President of Smart Business Hawaii
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On May 22, 2012, Hawaii Governor **Neil Abercrombie** issued an administrative directive for use of Project Labor Agreements (PLA) for state construction projects. Most residents are not aware of this action or the enormous future impact PLAs can have here.

Abercrombie explained, “the State of Hawai’i will use PLAs on a variety of construction projects in order to address obstacles that might arise due to a lack of labor coordination.” The Governor added, “A Project Labor Agreement provides a mechanism for collaboration on certain projects to prevent potential conflicts among labor unions. Our local economy has shown signs of improvement, but we cannot afford to lose this momentum by prolonging projects from getting done in a timely manner.”

Those “obstacles,” and “lack of labor coordination,” is code for: we don’t want a free, competitive government project process; we want union-only guarantees.

Five specific and costly (\$519.9 million total) state projects were identified for PLAs by the Governor:

- (1) University of Hawaii: Hilo College of Pharmacy; a \$38 million project
- (2) Princess Victoria Kamamalu Building: Total project estimated cost is \$32.9 million
- (3) Maui Regional Public Safety Complex: Total project estimated cost is \$225 million.
- (4) Ewa Elementary School: This \$11 million project
- (5) Honolulu International Airport Mauka Concourse Project: Estimated project cost is \$213 million.

As expected, Hawaii unions applauded the Governor’s action. PLAs provide the compulsory building and trades unions even more of a stranglehold on public projects at the expense of non-union, merit shops.

Actually, unions have tried for decades to get legislative approval of PLAs. Former State Senator Cal Kawamoto, was a champion of unions and union shops. During his Senate tenure, he annually introduced bills, resolutions and riders to other bills to sneak in Project Labor Agreements. He was an outspoken and passionate PLA supporter. He came close but did not succeed. Now, the Governor basically has trumped the legislature and did what they wouldn’t do.

But are PLAs good for Hawaii?

Hawaii is always identified as a heavy union state but most of the union membership comes from government unions. In the private sector, 2/3 of the workforce do not belong to a labor union. In a PLA, these contractors and their employees cannot compete on an equal basis, even though the state projects are funded by their own taxes.

The non-union, merit shop Associated Builders & Contractors (ABC) Hawaii criticized the Abercrombie unilateral decision, saying, “...This directive is a clear handout to construction union bosses,” said ABC Hawaii Chapter President Jonathan Young. “Gov. Abercrombie says he is concerned about jobs, but this directive shows he only cares about workers if they come with a union card.”

ABC and others believe PLAs are a Big Labor scheme to eliminate competition from nonunion contractors and their workers by

requiring that construction projects be awarded only to contractors and subcontractors that agree to recognize unions as the representatives of their employees on that job; use the union hall to obtain workers; obey the union’s restrictive apprenticeship and work rules; and contribute to union pension plans and other funds in which their nonunion employees will never benefit from unless they join a union.

Past national research has shown PLA mandates deprive taxpayers of the opportunity to get the best construction at the best price. Numerous studies show that PLA mandates can increase construction costs by nearly 20 percent.

PLAs are also known as Community Workforce Agreements. PLAs are pre-hire collective bargaining agreements with one or more labor organizations that mandate terms and conditions of employment for a specific construction project.

There are private PLAs also but it is the government funded projects where all the action—and money— is.

Nationally, the earliest use of Project Labor Agreements affected several dam projects in the 1930s, including Grand Coulee Dam in Washington, Shasta Dam in California and Hoover Dam in Nevada.

PLAs accelerated during WW II. Then there was a shortage of skilled labor. Construction unions controlled almost 90% of the national market and spending on construction increased significantly. PLAs emphasized standard rates of pay and prevented strikes.

The Boston Harbor reclamation project in the 1980s resulted in a challenge to the legality of PLAs. The Massachusetts Water Resources Authority PLA mandated union-only labor. ABC of Massachusetts/Rhode Island, Inc. challenged the project, arguing a PLA was prohibited by the National Labor Relations Act. A First Circuit Federal Appeals Court ruled in 1990 that Boston Harbor violated federal law because of its union-only mandate.

In October 1992, President George H. W. Bush signed Executive Order 12818 prohibiting federal agencies from exclusively contracting union labor for construction projects.

A year later, President Bill Clinton rescinded Bush’s order and issued Executive Order 12836 in February, 1993.

President George W. Bush, issued Executive Order 13202 which prohibited federal agencies from requiring union-only PLAs on all federally funded construction projects.

Finally, on February 6, 2009, President Barack Obama issued Executive Order 13502, which requires PLAs on federal construction projects in excess of \$25 million.

More than a dozen states have acted to restrict the use of government-mandated project labor agreements on public construction. Will Hawaii’s legislature act next year to curb the Governor’s power? Don’t bet on it.

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Denying Responsibility For Tax Loss Just Typical Hawaii Legislative M.O.

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

Criticism aimed at the highly touted high-technology tax credits has now been confirmed by the state's Auditor in her latest review of the charade that bilked the state treasury out of more than one billion dollars over the decade-long run of the program.

Adopted under the flag of encouraging the diversification of Hawaii's economic base and promising to provide skilled jobs that would bring the expatriated youth back home, advocates demeaned anyone who would dare question the idea of handing out tax credits for high-technology investments or research in the field of high-technology. The problem with the credit legislation was that it was so poorly drafted that it gave very little guidance in administering the credit and a lot of latitude to those who took advantage of the opportunity to rip the state off.

In fact, when the original bill was drafted, the author of the bill directed that the legislation be "liberally" construed. This is unlike any and every other tax law where the legislation is strictly interpreted, providing a very bright line as to what does or does not qualify for the treatment or application under the legislation. That, if nothing else, should have been a red flag to alert administrators that the floodgates were about to be opened.

Indeed, as the State Auditor points out in her report, the department of taxation struggled trying to administer a poorly drafted piece of legislation that was left open wide to interpretation and begging for guidance. Not only that, but the Auditor goes on to point out that initially there was no way to measure whether or not the tax credits were successful in creating the jobs its advocates promised or whether new economic activity had been created as there were few requirements for those who claimed the credit to report the outcomes of their investments.

What she did not point out is the resistance put up by the advocates of the credit claiming that if such information was required to be reported, people would stop investing and a pall could be cast over the entire effort to attract investors in high-technology initiatives.



Although lawmakers were told that there was already precedent for taxpayers who wanted to claim a certain tax benefit to share information about their operations, including opening their financial records for inspection, lawmakers deferred any such reporting requirements for years until the revenue impact of these credits could not be ignored.

As the State Auditor points out in her report, because there was no limit to the amount of credits that could be claimed and no report to verify the appropriateness of the activity, the sky was the limit. As a result, the Auditor estimates that the impact on the state treasury could approach a billion dollars over the ten-year life of the credit. While the advocates might argue that the credits help to spawn the industry and create jobs that might not otherwise have been realized in Hawaii, one has to ask at whose expense and at what expense?

Had the billion dollars not been squandered so irresponsibly, might Hawaii taxpayers not been asked to pony up more as a result of increases in the income tax or seen the price of goods and services rise as a result of the suspension of the many general excise tax exemptions? At the other end, would teachers have had to endure furlough Fridays or would health and human service organizations have had to make severe cuts as their contracts with the state were curtailed? Could that billion dollars have been a down payment on the state's unfunded liabilities of the state retirement system and health benefits?

What we do know is that many of those advocates of the tax credit literally took the state and its taxpayers to the cleaners and few, if any, jobs were created. Many of those businesses who used the investors' funds generated by the credit program, grew their business and then moved them out of state when they realized that they could not survive in Hawaii's draconian business climate. Others, like insurance companies, imported workers from outside the state to upgrade their information systems and took the credit without creating one new job for Hawaii's workers.

Meanwhile the lawmakers who were principally responsible for the credit and took the kudos in the heyday when high-technology was the soup du jour, are now just so daintily tip-toeing away from the credit saying, "not me, not me." Then again, did taxpayers expect lawmakers to take responsibility for this boondoggle? They have never in the past so why expect it now? It is, after all, the legislative M.O.

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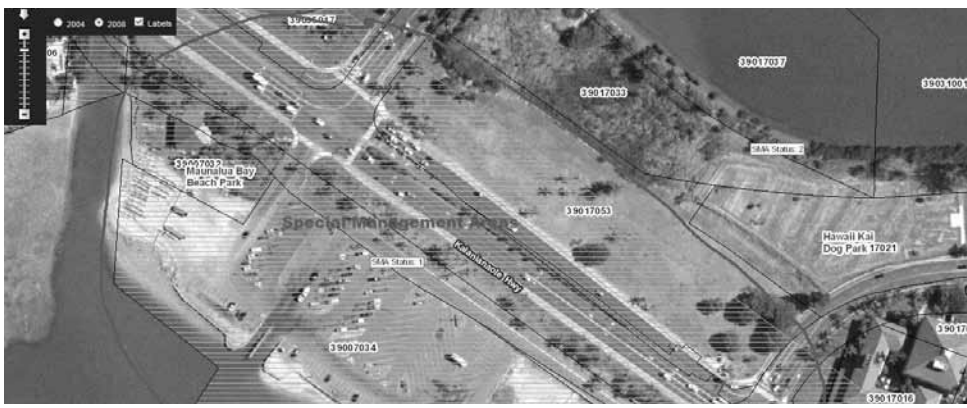
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Just Say No to Maunaloa Bay KSBE Strip Mall

By **Sam Slom**, President of Smart Business Hawaii

A major issue in East Honolulu is the announcement and trial balloon in late July by Kamehameha Schools/Bishop Estate to possibly develop a parcel of land mauka of Maunaloa Bay, known locally as “The Great Lawn.” More than 150 Hawaii Kai residents turned out at a Neighborhood Board meeting to generally oppose the plan.

To sweeten the proposal, it was suggested that possibly Foodland would be a tenant in this new shopping mall. Foodland was ousted from the Koko Marina Shopping Center when lease renegotiation failed in 2011. Residents still bemoan the loss of the grocery store and the monopoly enjoyed by Safeway. (Costco is in Hawaii Kai but it is a private, member fee retailer).

To repeat my previously stated public and private position, I am unalterably opposed to changing the current KSBE preservation zoning and commercialization of “the great lawn,” directly across from Maunaloa Bay.

To destroy this open space, view plane, view of the mountains and to interfere with the recreational use of the Bay, is short-sighted and both wrong and a poor use of planning.

Besides the visual blight and loss of open space, the traffic congestion and safety issues are of great concern. This alone would be reason enough to oppose any change in use classification.

Like many other area residents, I would hail the return of Foodland to Hawaii Kai. However, the logical place for a grocery and other needed goods and services businesses is clearly KSBE’s vastly underutilized Kalama Valley Shopping Center. The zoning is there, the parking is there and commercial additions should be there as well.

12 Things Still Wrong With Obamacare

From The Institute for Policy Innovation

Although the U.S. Supreme Court upheld most of the Patient Protection and Affordable Care Act, the legislation is nonetheless riddled with flaws and reflects the antiquated days of big-government and grand social schemes. In “The Health Care Dirty Dozen: Twelve Things (Still) Wrong with ObamaCare,” Institute for Policy Innovation (IPI) resident scholar Dr. Merrill Matthews lists the greatest flaws and backward incentives of the bill, concluding: “It is the wrong policy for the dynamic and fast-paced 21st century, an albatross fit for 1960, not 2012.”

Matthews writes that President Obama’s signature legislation:

- Imposes twenty new taxes, including taxes on investments, medical equipment, health savings accounts, and even tanning services;

- Expands a nation of entitlement recipients, adding 16 million more to Medicaid and health insurance subsidies for 20 million additional US households;


- Creates a maze of cross subsidies, a means of transferring wealth without using the tax code;
- Cedes control to unelected bureaucrats, giving the Health and Human Services Secretary unprecedented powers over every health-related decision individuals make;

- Empowers the IRS, expanding the agency with 16,000 new IRS employees charged with ensuring Americans are either obtaining health coverage or paying a penalty;
- Imposes perverse economic incentives, in which patients are kept isolated from the cost of care;

- Explodes health care spending, insuring 32 million more Americans who were not previously covered with comprehensive coverage;
- Enhances rationing to contain the explosion of health care spending;

- Reduces health insurance options to only four levels of qualified coverage. Larger health insurers will be the only ones able to offer the coverage requirements, forcing out the competition from the market;
- Creates more inefficiency through a top-down approach to control administrative costs;

- Includes pork, with a \$16 billion slush fund dedicated to “investment” in communities; and
- Cooks the Medicare books, requiring Medicare trustees to make several ludicrous assumptions in their annual report making the program look like it is in better shape than it is.



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Supreme Court Rules Against Rail

In a unanimous opinion issued August 24 in *Kaleikini v. Yoshioka*, (No. SCAP-11-0000611), the Hawaii Supreme Court ruled the City & County of Honolulu should have completed a full archaeological review for the entire 20-mile Honolulu rail project before construction began. The high court remanded the case back to the state's First Circuit Court.

The city argued the archeological survey for the elevated rail project now under construction in Kapolei could be done in a "phased" or segment-by-segment basis. But the court in an 82-page decision held: "The City similarly failed to comply with HRS chapter 6E by granting a special management area permit for the rail project and by commencing construction prior to the completion of the historic preservation review process."

Attorney Robert Thomas, who attended the May 24 oral arguments at the Hawaii Supreme Court, said Hawaii law requires that the government consult with persons who are descendants of "iwi kupuna" (Native Hawaiian remains) before beginning developments, and then take mitigation measures if any are discovered.



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Former Congressman Ed Case (right) was the speaker at the SBH Sunrise Breakfast on July 28. He spoke on a number of issues relating to his primary election campaign. Above: Composite shot of people at the Sunrise Breakfast. The next SBH Sunrise will feature Congressional candidate Charles Djou on September 27.

Top Ten Only in America

1) Only in America could politicians talk about the greed of the rich at a \$35,000 a plate campaign fund raising event. (Obama)

2) Only in America could people claim that the government still discriminates against black Americans when they have a black President, a black Attorney General, and roughly 18% of the federal workforce is black while 12% of the population is black.

3) Only in America could they have had the two people most responsible for our tax code, Timothy Geithner, the head of the Treasury Department and Charles Rangel who once ran the Ways and Means Committee, both turn out to be tax cheats who are in favor of higher taxes.

4) Only in America can they have terrorists kill people in the name of Allah and have the media primarily react by fretting that Muslims might be harmed by the backlash.

5) Only in America would they make people who want to legally become American citizens wait for years in their home countries and pay tens of thousands of dollars for the privilege while we discuss letting anyone who sneaks into the country illegally just 'magically' become American citizens.

6) Only in America could the people who believe in balancing the budget and sticking by the country's Constitution be thought of as "extremists."

7) Only in America could you need to present a driver's license to cash a check or buy alcohol, but not to vote.

8) Only in America could people demand the government investigate whether oil companies are gouging the public because the price of gas went up when the return on equity invested in a major U.S. oil company (Marathon Oil) is less than half of a company making tennis shoes (Nike).

9) Only in America could the government collect more tax dollars from the people than any nation in recorded history, still spend a trillion dollars more than it has per year for total spending of \$7 million per minute, and complain that it doesn't have nearly enough money.

10) Only in America could the rich people who pay 86% of all income taxes be accused of not paying their "fair share" by people who don't pay any income taxes at all.

Entrepreneur Don Dawson Dies

SBH sadly notes the death (in late July) of **Donald R. Dawson**, in Ft. Lauderdale, Florida. Dawson, a long time Hawaii resident and SBH member, was a well-known and accomplished Hawaii entrepreneur. He was 90.

Originally from Canada, but a Hawaii resident since 1956, Dawson was named the Hawaii US Small Business Person of the Year by the SBA in 1967. Dawson was an advertising, marketing and trade specialist during his long career. Dawson started Hawaii's first hardwood logging, sawmill and pallet plant operation, the first prepaid legal insurance company, and helped launch an environmental engineering firm.

He was very active in a number of community organizations.