Starbulletin.com

thINC.

A forum for Hawaii's
business community to discuss
current events and issues

Sunday, July 13, 2003

BACK TO TOP

ILLUSTRATION BY DAVID SWANN / DSWANN@STARBULLETIN.COM

CHARTING THE COURSE

Steering Hawaii's tourism requires a balanced approach

By Joseph Patoskie

In a world of dwindling resources, the term "sustainable" has become a buzzword. The practice of trying to conserve today for the sake of tomorrow is grounded on the notion that as stewards of our world we are accountable for its destiny and the well-being of future generations.

Hawaii represents a microcosm of the unprecedented pressures being put on our planet for food, energy and shelter. Over the years we've witnessed a decline in our natural and socio-cultural resources amid continued population growth and development. Over the same period, tourism has grown to be the driving force behind the state's economy.

Although tourism growth to the islands leveled off during the 1990s largely in part to the decline in Eastbound traffic, it rekindled late in the decade largely fueled by the Westbound market. By 2000, tourism arrivals had peaked at 6.95 million, translating to nearly 170,000 visitors in this state on any given day. More tourists support more jobs, which in turn means more people, visitors and residents alike. Because our tourism industry depends on the perpetual health of the islands' physical and socio-cultural resources, it is not surprising that the notion of sustainability has found its way into the state's tourism vocabulary.

In 2001, the state Legislature commissioned the Department of Business, Economic Development & Tourism to study Hawaii's ability to sustain growth in tourism. The resulting report, completed last year, is careful to clarify early on that it does not attempt to determine a maximum number of visitors or establish tourism growth limits. Rather, its approach is based on resource assessment, public input and computer-generated "what-if" scenarios. It is more reactive than proactive in that it focuses on mitigating the impacts of tourism growth rather than controlling it.

Policy-wise, a reactionary approach to sustainable development is easier to sell than a proactive agenda in that 1) it does not require establishing specific, potentially controversial numbers aimed at limiting visitor growth; and 2) it does not require immediate attention and funding.

Sustainable tourism involves long-term planning and the models used for evaluation are primarily geared that way. However, despite worthy efforts to develop a baseline of information for these models, their usefulness is somewhat limited with respect to two types of change that can occur. First, the process of change may occur gradually, going unnoticed for so long that, like a cancer, by the time the symptoms reach a point of concern, it is too late, for example, the effects of over-visitation of a popular reef. Second, the process of change may occur suddenly, quickly swinging the demand-supply relationship out of balance, e.g., a devastating hurricane.

Used alone, reactive planning has its limitations in handling both of these types of changes. With regard to slow change, it may be difficult to estimate when to implement mitigation measures, especially if the gradual decline is hard to detect and the causes are unknown. The treatment for sudden change is equally as challenging. Typically, the situation must be monitored, the damage must be assessed, and mitigation measures must go through a budgetary and approval process -- all of which takes time.

The rationale behind reactive-only policy toward tourism sustainability is understandable. It provides flexible treatment of variables that are constantly changing. Like a double-edged sword, however, the good thing about this approach is that it adjusts to a moving target; the bad thing about this approach is that it adjusts to a moving target. With flexibility we give up perspective. By taking on the role of applying mitigation measures to tourism impacts post-hoc, we become more of a market-led industry rather than product-directed. In effect, we try to be all things to all people. Is this sustainable?

What is needed is a balanced approach to sustainability involving both proactive and reactive policies. In addition to the collection of baseline information, resource use limits must be established in order to provide a proper framework within which the reactionary approach can be most effective. Otherwise, we won't know if, when and how much to react when change occurs.

Establishing any firm tourism carrying capacity, however, is tricky business, and designating "limits of acceptable change," is equally challenging, especially in a state that depends heavily on this industry for its economy.

Proactive targets need not be so difficult, if we change our focus. One option that might be considered involves the adoption of an old concept: satisfice. Satisficing is the process of choosing a target that is not the maximum, nor even the optimum, but good enough. The problem with seeking an optimum solution, much less a maximum solution, is that it presupposes that we live in a perfect world, with perfect information.

But the variables for optimizing are always changing, and our techniques for measurement are not always accurate. Satisficing handles these deficiencies by establishing a threshold that stays conservatively clear of optimization's moving target; it is additional insurance against the unknown and unexpected. While this process may leave opportunity (i.e., money) on the table during the good times, it provides a better cushion against long-term resource degradation or financial loss in vulnerable situations.

When it comes to sustainability, Hawaii's tourism industry might seem to have held its own thus far, but has it? Without parameters that define the limits to which we have and are willing to change, no one really knows. Looking ahead, if the industry is to sustain itself, it will have to do more than blow in the direction of the wind. It will have to determine where it is going, strike a direction on how to get there, and know when it is off-course.

Joseph Patoskie is an associate professor of travel industry management at Hawaii Pacific University. He can be reached at jpatoskie@hpu.edu.

BACK TO TOP

[YOUR ESTATE MATTERS]

Don't allow an abusive annuity to scramble your nest egg

By Judith Sterling and Michelle Tucker

The stock market has come crashing down. The interest rates that banks pay are lousy. The times are uncertain. People, especially seniors, are turning to insurance companies and purchasing annuities as a way to invest their nest eggs.

They want a better return than the interest earned on bank accounts or on certificates of deposits. They want the security of knowing that they will not lose their principal. An annuity can offer a better rate of return than a bank account and secure principal if the insurance company can meet its commitments and the annuity guaranties a return of the initial investment. Not all insurance companies meet their commitments and not all annuities have a guaranty of the return of the initial investment.

Additionally, annuities offer the deferral of income tax on earnings until funds are withdrawn from the annuity. Sounds great. A good annuity purchased for the right reasons can be a good investment. A bad annuity can be a real trap.

What is an annuity? An annuity is a contract with an insurance company. There are three positions related to the annuity. First, there is the owner. The owner transfers funds to the insurance company and can take out investment and earnings under the terms of the contract as long as he or she is alive. Second, there is the annuitant. Eventually the annuity is paid out in some manner that relates to the life expectancy of the annuitant. Third, there is the beneficiary who gets funds, if any, that remain in the annuity after either the owner or the annuitant dies, depending on the terms of the annuity contract. Annuity contracts are very complicated and most people purchasing an annuity have little idea what they are getting into.

There are unscrupulous annuity sales persons who especially prey on seniors. Because seniors are so concerned about preserving their nest egg they are especially vulnerable. These salespersons can be very charming. Using their charm and scare tactics they earn large commissions selling seniors abusive annuities. They can be very aggressive, even driving the senior to the bank to collect the funds to complete the annuity purchase. These annuities have large surrender charges. Sometimes the initial surrender charges are as much as 20 percent. Often the income tax deferral provides little benefit, if any, to the senior buying the annuity. But the term "tax deferred" sounds really good. Often the salesperson will try to isolate the senior so the senior does not seek advice from others about the annuity purchase.

These annuities become a serious problem when the senior or his or her spouse need to access the funds for an emergency, to pay for long term care, or to plan for long term care costs. A huge surrender charge takes a real bite out of the nest egg.

If you are approached by an annuity salesperson, remember that you have the right not to buy and should be very comfortable with the product and salesperson before committing your hard earned funds to an annuity. Consider seeking professional advice from an attorney, accountant or financial adviser you trust before committing to an annuity purchase. Don't be a victim of an abusive annuity sales person.

Attorneys Judith Sterling and Michelle Tucker are partners in the Honolulu law firm of Sterling & Tucker. Reach them through www.sterlingandtucker.com or www.hawaiielderlaw.com, or by calling 531-5391.

BACK TO TOP

[ON TECHNOLOGY]

Speed, capacity make broadband a must for businesses

First of two parts

By John Agsalud

With broadband connectivity available throughout the state (and to 99 percent of Oahu residents), it really doesn't make sense for anyone running a business not to have a cable or DSL connection. You might not understand the subtleties of broadband technology, but one thing is for sure: You're going to value the extra capacity and speed that fast Internet connections provide.

Why? When it comes to surfing the Web, broadband is not only much faster than dial-up, but also provides an always-on connection that allows you to send and receive your e-mail instantly.

Broadband connections also allow you to send large files such as digital photos and music that a dial-up connection just can't handle.

So what broadband technology makes the most sense for your business or home? The answer is not always a cut-and-dried proposition. In this two-part series, we'll tackle these issues and help you decide whether DSL or cable is best for you.

Let's begin by looking at the cable modem option.

Cable

Cable is dependable, fast, competitively priced and ubiquitous (at least on Oahu). It wasn't always that way, but over the past few years Oceanic has improved its services immeasurably. For about $45 a month and a one-time installation fee of $100, Oceanic users can download data at speeds of up to 2 megabits per second or more -- about 35 times faster than a 56k modem. With approximately 100,000 cable users on Oahu, this technology is a proven commodity that has been especially popular with those running small businesses out of their homes.

Basic residential service is between $41 and $45, depending on whether you choose Earthlink, Roadrunner or AOL -- all of which are offered by Oceanic Time Warner. Structurally, the differences between these options are not great from the Hawaii user's standpoint. Locally, they all run off the same network -- Oceanic Time Warner. The main differences are in customer service and support in that they are maintained by different ISPs. (Oceanic is supported locally during Hawaii business hours whereas Earthlink and AOL are based on the mainland.)

Speeds for this level are rated up to 384 Kbps (upstream)/2 megabits (downstream), but depending on local and network traffic, speeds can vary quite a bit. The entry-level business or SOHO pricing package (for $79.95) has the same bandwidth as the residential option. It offers a differing pool of (dynamic) IP addresses, however, and a specialized technical support desk if you're faced with problems. The idea is to segregate business users from residential users by offering distinct services.

The caveat with this $79.95 price is that it does not include static IP addresses, domain names and web-hosting space. If you need any of these options you'll pay extra. By the time you add the above options, the price comes to an additional $40 or more.

If you need the extra bells and whistles, you're better off with the next level of service -- the "Business Package" for $129.95, which is faster (384 Kbps upstream/3 megabits downstream) and includes static IP addresses, domain names and web-hosting space as part of the deal.

We tried out the business package, which included a Toshiba modem that, according to Oceanic, provides more bandwidth. Some simple testing confirmed that the speed actually exceeded our expectations based on Oceanic's specs.

DSL

Verizon rolled out DSL locally several years ago aimed at going head-to-head with Oceanic Time Warner's cable offerings.

Short for digital subscriber line, this technology lets you access the Internet at speeds analogous to cable modem technology.

The beauty of DSL is that it utilizes the existing copper wire that the phone company already has in your home or office. As with cable you'll need a special modem and a networking card that pops inside your computer. DSL also requires special adapters, called micro-filters, to be placed on every phone line in use within your business or residence. The micro-filters are usually provided with the modem, and are easy to install.

DSL is gaining acceptance in Hawaii, especially with business users, but in sheer numbers, it's still not nearly as popular as cable modem.

DSL services in Hawaii are provided by local ISPs such as LavaNet, Pacific Information Exchange, and Hawaii OnLine, as well as Verizon.

DSL pricing is confusing to say the least. At the low end, if you purchase a residential DSL account directly from Verizon you pay $34.95 a month for the basic access and residential ISP services. Verizon's business services (which include a static IP address and domain names) start at $89.95.

If you purchase residential services from LavaNet or any other local ISP you'll pay more. Why? LavaNet and the other local ISPs are dependent upon Verizon to provide access from you to the ISP. Thus, when LavaNet or other DSL providers send you a bill, it really combines a fee for the privilege of using Verizon's network, plus a separate charge for the ISP services. For example, LavaNet starts its residential pricing at $67.50 per month ($37.50 Verizon fee + $30.00 LavaNet fee = $67.50 + tax) for service that includes 768 Kbps downstream/128 Kbps upstream. A business account from LavaNet will cost you $90 for the same bandwidth, but it includes customized domains and more e-mail boxes.

Although many ISPs offer special deals, both DSL and cable modem users will end up paying some sort of set-up fee, starting at about $25.

In the next column we'll compare the two technologies and look at issues such as service and support.

John Agsalud is president of ISDI, a Honolulu-based IT outsourcing, systems integration, and consulting firm. He can be reached at jagsalud@isdi-hi.com or by calling 944-8742.

To participate in the Think Inc. discussion, e-mail your comments to **business@starbulletin.com**; fax them to 529-4750; or mail them to Think Inc., Honolulu Star-Bulletin, 7 Waterfront Plaza, Suite 210, 500 Ala Moana, Honolulu, Hawaii 96813. Anonymous submissions will be discarded.

E-MAIL THIS ARTICLE | PRINTER-FRIENDLY VERSION
E-mail to Business Editor

BACK TO TOP

Text Site Directory:
[News] [Business] [Features] [Sports] [Editorial] [Do It Electric!]
[Classified Ads] [Search] [Subscribe] [Info] [Letter to Editor]
[Feedback]
