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From: Dave Rolf [drolf@hawaiidealer.com]
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To: TRNtestimony
Subject: Supplemental Testimony opposed to HB2333

The Danger of the Tipping Point and The Rule of 3s (1 of 8 pages)

Supplemental Testimony opposed to HB2333

Relating to Motor Vehicles --exempting state and counties from licensing laws

Submitted to the House Committee on Transportation

For the Public Hearing 9 a.m. Wednesday, February 6, 2008

In Conference Room 309, Hawaii State Capitol

Submitted by David H. Rolf, For the Hawaii Automobile Dealers Association

Hawaii's franchised new car dealers

(Excepts from a speech on the Rule of 3s, applied to HB2333)

REMARKS:

Many years ago, while on a flight from LA to Hawaii, climbing to altitude over the water, I looked out and noticed a crack in the wing, with fuel leaking out. I called the flight attendant over to my passenger seat and asked that the pilot be summoned to take a look. Unconcerned, she said it was just air currents. I showed a little consternation and she assured me she would take care of notifying the cockpit crew. She continued to serve the coffee. I watched her for a couple minutes and then got up and whispered quietly to her,
"would you rather I lean out in the aisle and holler down to the cockpit THERE'S A CRACK IN THE WING AND THERE'S FUEL LEAKIN' OUT!"

She summoned the co-pilot. He came. Nodded at me. Leaned over to the window. Looked at the leak, and went back to the cockpit. Soon the bulge in the wing with the fuel streaming from it started to go down, as the pilot in the cockpit was obviously transferring fuel from the tank, and the wing-skin separation came back together and the leakage ceased. Well...glad they took care of that I thought.

That took a little drama. But it got the job done.

That was a 3-engine jetliner. One engine under each wing and one on the tail. Keeping this jet in mind me tell you about the Rule of the 3s. With reference to Hawaii's economy.

First...3% growth rate is a normal growth rate. When the State enjoys a 3% growth annually in tax revenues...then, all is well. You can see how it works, by considering another rule, The Rule of 72. If want to know how long it takes any amount to double at compound interest...divide the interest rate into 72. In our comfortable 3% growth scenario, the economy would double in 24 years, which is about a generation in human terms. Your children, when they get into their full time work at age 24, would then earning about double of what you earned at 24. Salaries would be double. House prices would be doubl Well it's just a comfortable, normal situation. In the early sixties, right after statehood, we grew for peric at 12%. That's everything doubling every 6 years. That growth can overheat things and cause problems.

What happened in 1998...ten years ago? We hit bottom. With 0% growth in tax revenues.
That's a rapid loss of altitude and such carries the risk of hitting the water.

I warned about that goose egg when the Council on Revenues was still projecting a 5% growth rate. Isla Business magazine ran my story on the cover...and the Council recovered by reducing their estimates to near 0.

I knew about the Rule of 3s. That 3% growth was needed. With a $33 billion economy at the time...the math was simple. Three per cent times $33 billion...well, that's easy: about $1 billion was needed to bo us back up to 3% growth.

"So, how does one put a billion dollars into the Hawaii economy?" I asked myself about 8 o'clock one ni while at my desk in my office on King Street. With the tourism sector then at $10 billion...defense spending in Hawaii at $4 billion...and general retail at $16 billion and everything else (manufacturing, agriculture, etc) trailing off after those big segments…I realized that the only way to get money onshore i was attract $1 billion in the tourism industry. That would be 1 million tourists attracted, spending $100C each. Could be done, I though. So, I crafted the tv campaign…a direct response commercial, and later modified it to a tag on the wonderful commercial created by Al Masini, creator of Entertainment Tonight then asked Ed Hogan, from Pleasant Hawaiian Holidays to loan his 204 operators in West Lake, Ca. and asked Governor Ben Cayetano if he would bring all the hotels together for the effort. The tv station gms from KGMB, Ray Depa…and KHNL, John Fink, flew to the mainland and secured hundreds of thousanc of dollars in free airtime from their sister stations in the Lee Group and the Belo Group. We launched tl campaign…which our firm produced and coordinated pro bono for the state, and the rest is history. Thousands of commercials ran across America, donated by the sister stations of KGMB and KHNL… all ran with Danny Couch's famous tune "Have you seen the islands…" We don't know what good it all di if anything. But it felt good to have done…well, something. This past year, tourism accounted for almos $13 billion contribution to the Hawaii economy. That $3 billion gained from 1998…a 33% growth-- coincidental 3s.

So how about today…and the Economy of 3s?
Like with a 3-engine airplane…we have 3 indicators to tell what will be the components of 3% growth:
The economy and tax revenues will grow at 3% when:
30,000 equals the number of construction workers employed
60,000 equals the number of new cars sold in a year, and
$3 billion equals the annual revenue from hotel occupancy

Let's say, just for illustration's sake, that each of the above segments represent an equal 1% part of the 3 growth rate needed.

But for every loss of -1000 workers below 30,000 construction workers employed, I believe you will lose $1/10^{th}$ of 1% in economic growth.

For every -2000 cars below the 60,000 base, I believe you'll loose -1/10th of the 1 percent of contributior from that segment.

For every $100 million in hotel revenues below the $3 billion base I think you lose -1/10th of 1% growth from that segment.

In rough numbers, construction workers employed in 2007 was a healthy 37,000+ workers not including 1000 in the mining segment.

But in 2008, cars may drop to at 57,000 –a -.15% drop from the hypothetical 1% coming from the sector.

Hotels may steady at $3 billion.

The resulting 2.85% growth engine will not be quite enough to sustain the plane....and it will start to lose altitude.

So...how do you get things growing? And create the needed "Rebirth of Wonder" and start the growth c an upward line, gaining...

It takes a BIG vision.

You start with infrastructure growth. What component?

It's starts with "T" and it's not Tourism: It's the Transportation segment.

We don't need a Silver Bullet to take care of traffic and keep Hawaii's visitors and residents moving. Yc "Silver Buckshot" –a multi-modal approach.

Every hunter knows, to hit a duck, you have to shoot ahead of the duck.

If we can afford one, it would indeed be nice to have a train, but certainly we need HOT Lanes (3-wide overhead high occupancy / toll lanes which in effect are a H3 built over H1), convenient overpass/underpass intersections to smooth surface street traffic, synchronized stop lights (5 greens in a row), and eventually, for the next generation, we need to move the UH undergraduate cam to Kapolei.

Transportation improvements need to be on all islands.

Just working on this big "T" will keep Hawaii growing at a comfortable 3%.
Businesses can plan.
The economy can grow.
Add in the BIG word-learning component for Hawaii's 3-year-olds and you have the complete Rule of 3s and long-term growth for Hawaii...for 3 generations.

If you've read this far...you'll know that auto dealers seek to be part of a GROWTH economy. Any mo losses right now, below the 60,000 base number will contribute to a economy on the decline, one that ca maintain the needed 3% growth. By allowing state and county governments to purchase vehicles out of the legislature may be adopting a policy that will push the auto industry over the tipping point and cause continued erosion of the economic number needed to grow.

We respectfully request that you HOLD HB2333.

Respectfully submitted,
David H. Rolf

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President Rolf Advertising

Executive Director, Hawaii Automobile Dealers Association

1100 Alakea St. Suite 2601

Honolulu, Hawaii 96813

Tel: 808 593-1533 / 808 593-0031 (HADA) Fax: 808 593-0569 Cell: 808 223-6015