



OUTRIGGER
ENTERPRISES GROUP
Hospitality • Retail • Development

LATE

HOUSE OF REPRESENTATIVES
25th LEGISLATURE
REGULAR SESSION of 2009

COMMITTEE ON FINANCE
Representative Marcus Oshiro, Chair

3/25/09

SB 1111, SD 1
Relating to Taxation

Chair Oshiro and Members of this Committee, my name is Max Sword, here on behalf of Outrigger Hotels, to speak in opposition to this bill.

We in the hotel industry do a balancing act between room rate and occupancy rate. The ideal scenario for a hotel is to have a high occupancy and high room rates. The next best situation is to have a decent occupancy rate, with a high room rate. For the hotel, this is the next best thing, because we would not have to keep all the rooms open, but still get a decent revenue stream. This is because we would need less employees, whose wages and benefits can run as high as 50% of an operating budget and operational cost, such as air conditioning, etc would be reduced.

However, this is under ideal conditions, which we are not in today. In the current market we are seeing the public travelling less and especially with their wallets.

The balancing act we are currently dealing with is the maintaining of a decent occupancy rate, but with low room rates. While this is not the ideal situation, it is keeping our heads above water. Some employees are still working, the hotels are still in business and the State is receiving revenue.

This bill can very well tip that balance were the cost of a room will deter a traveler from coming, which is the formula for disaster, resulting in low room occupancy and low room rates.

Is the State willing to take that chance with a TAT increase? I know we in the industry are not.

We urge that you to hold this bill and mahalo for allowing me to testify.