2012: What A Year!

By Dr. Richard Kelley

As we approach the end of the year, I look back with a great deal of pride at everything we have accomplished in the past 12 months. Although our company is spread across the Pacific with operations separated by thousands of miles of blue water and hours of flight time, we have worked together as a remarkable team in Hawai‘i, Fiji, Guam, Australia, Indonesia and Thailand. We have served our customers warmly and efficiently, and in most areas earned a profit as well.

Our Waikīkī-based ‘ohana can be proud of the extraordinary efforts they and so many others made to deliver a spectacular meeting for all those participating in the RIMPAC (Rim of the Pacific) exercise, which brought armed services personnel, ships and aircraft to Hawai‘i from 22 nations. It was the largest event in the 23-year history of the exercise, and it tested the skills of everyone in our company, particularly since the Outrigger Waikīkī on the Beach was undergoing major renovations.

We have also made significant investments in the future of our company.
• Here in Waikīkī, the Outrigger Waikīkī on the Beach renovations included guest room upgrades and a complete renewal of the pool and sundeck areas.
• In Australia, our flag now flies over the 411-key Outrigger Surfers Paradise, in the heart of the Gold Coast, successfully upgrading and converting this beautiful property from the Holiday Inn® system.
• In Thailand, the 156-key Outrigger Phi Phi Island Resort and Spa opened last month. It is a lovely 4.5-star resort with attractive villas and bungalows in a tropical setting.
• Also in Thailand, Darren Edmonstone and his team have been working hard to coordinate the renovations at the beautiful 255-key Outrigger Phuket Beach Resort so that deluxe property will be ready to open in the first quarter of 2013.
• Work has continued on new properties at Vin Hoi Bay on the southern coast of Hainan Island, China. Both are scheduled to open in 2015.

Yes, together we are a powerful team!

As we look forward to 2013 and beyond, it promises to be a busy, challenging time.

Economists predict that, IF the world economy does not stumble badly or crash, we can expect another year of growth in the number of visitors, hotel/condo occupancy, room rates and Revenue Per Available Room (RevPAR). That will be good for all the members of our ‘ohana.

But please note my emphasis on IF, because there are many things that can go wrong in the coming months. I hate to write about them during the holiday season, but these are issues that need close attention.

I continue to worry about the health of the international financial system. Particularly in the United States and Europe, governments at every level have been spending money and making promises for future spending far in excess of available resources. Pick up almost any newspaper to get a feel for the severity of the situation.

Consider the huge and rapidly rising U.S. national debt. A good yardstick/meter stick for evaluating a nation’s debt is to compare it to that nation’s gross domestic product (GDP), the total value of all the goods and services it produces in a year.
• In the 20th century, total U.S. debt was typically less than 50 percent of GDP.
• By 2001, with the continuing rapid growth of government social programs (often called “entitlements”), U.S. debt jumped to 56 percent of GDP.
• In 2008, when President Obama took office, it stood at 70 percent of GDP.
• Today, at the end of 2012, U.S. debt is about $16.4 trillion, nearly 100 percent of our GDP, and rising at more than $1 trillion a year, an unsustainable pace!

Continued on page 2
2012: What A Year!

Continued from page 1

Interest on the debt is very expensive ($227.1 billion in 2011) and takes more of the budget than many entire federal departments, including Agriculture, Labor, Veterans Affairs, Transportation, Education and Homeland Security!

That’s only part of the story. As reported in USA Today, the U.S. also has “an additional $60 to $160 trillion of unfunded obligations and promises that are not yet recorded as ‘debt.’” These obligations include promises the federal government has made to future recipients of Social Security, Medicare, federal employee retirement benefits, military retirement and disability obligations. These are real costs for which future taxpayers – our children – will be responsible, but they are not yet “on the books.”

The current debate in Washington, D.C., is whether to solve the debt problem by increasing taxes or decreasing government spending, particularly spending on entitlements. President Obama wants to increase taxes on “the rich” so they pay “their fair share.” But he gives no definition of “fair share.”

According to the Heritage Foundation, using figures from the Internal Revenue Service, the top 10 percent of America’s earners pay 71 percent of federal income taxes, although they earn just 43 percent of the nation’s income. Many would say that is already more than a “fair share.”

On top of that, Obamacare imposes a barrage of tax hikes, which will total more than $500 billion over 10 years! That will inevitably slow the U.S. economy, which is currently growing at a feeble 2.4 percent. A slow economy translates to fewer jobs and lower incomes.

Taxing “the rich” is the equivalent of singling out the most productive and innovative slice of our population and penalizing it for being successful. Should people like the late Steve Jobs of Apple Computer be punished? He, like so many other entrepreneurs, created unbelievable employment opportunities and wealth for thousands.

Punitive taxation has consequences. The special “millionaire’s tax” that California recently enacted is already adding incentives for that state’s high-earning residents to locate elsewhere. In France, which has also recently raised taxes on the rich, wealthy people are moving to neighboring Belgium, where taxes are lower. According to the Daily Mail –http://tinyurl.com/bzqjn8z – in one Belgian town bordering France, one third of the population is French!

By contrast, China, with a 2012 GDP growth of over 8.2 percent, is roaring ahead and will soon overtake the U.S. as the world’s largest economy. That country’s national debt is only 43 percent of its GDP. China is the biggest creditor of the U.S., owning over 21 percent of the $5 trillion of U.S. national debt that is held by foreign countries.

The Daily Mail Reporter (Dec. 8, 2012) notes that America is also losing the “millionaire race” to China. Both Beijing and Shanghai now have more multimillionaires than greater Los Angeles, a place traditionally known for fancy shops on Rodeo Drive and wealthy Hollywood personalities with huge estates in Beverly Hills.

All of this, and more, will impact our business in 2013. I urge you all to stay informed about these important international and local issues, and remain active in the political process, even though 2013 is not an election year. Let’s keep our politicians’ feet to the fire and get America rolling forward again during the Chinese Zodiac Year of the Snake! ☵