



# VOICE OF THE ILWU

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LOCAL 142

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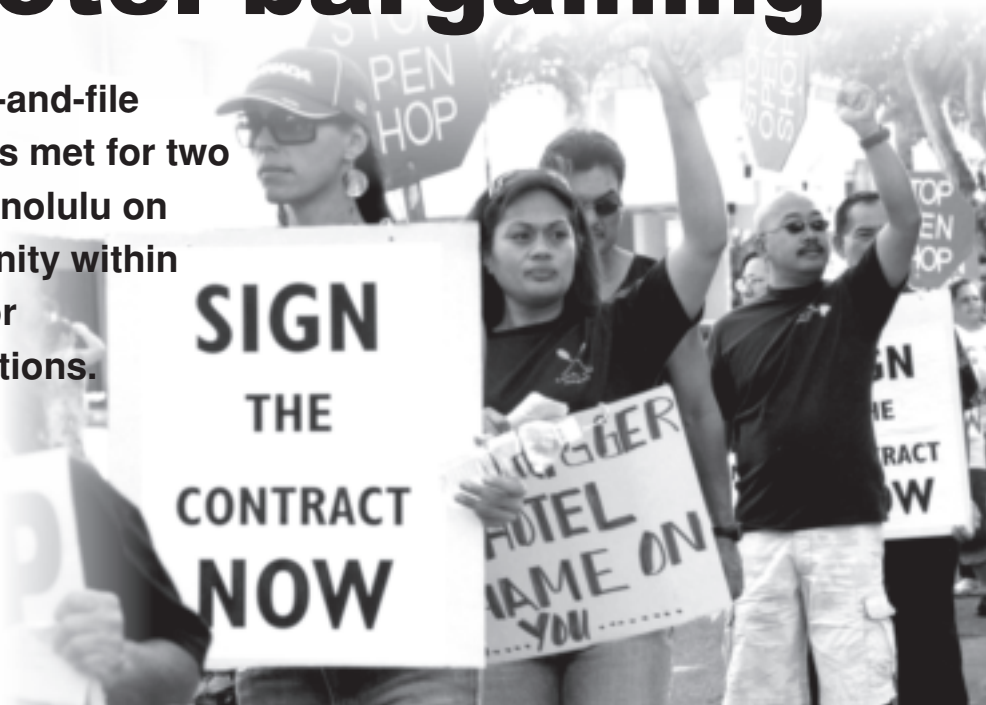
## ILWU Tourism Conference unifies hotel bargaining

**HONOLULU—Over 80 rank-and-file leaders from 25 ILWU hotels met for two days at the ILWU Hall in Honolulu on June 18-19, 2007 to build unity within the industry and prepare for upcoming contract negotiations.**

Conference delegates agreed on three major goals for negotiations at their hotels: 1) improve medical benefits by bringing more hotels into the Health and Welfare Trust Fund; 2) provide for their future security by increasing pension contributions; and 3) obtain wage increases that keep ahead of inflation.

The ILWU is a democratic union, run by the membership. The members of each hotel decide what they want to achieve in negotiations, and any settlement reached in negotiations must be approved by a membership vote.

In 2008, eleven ILWU hotels will be bargaining new contracts, and while the members at each hotel make the final decision about what goes into their contracts, delegates to the conference agreed that they must work closely together to achieve a uniform standard of wages,



**“Shame on you. Shame on you.” The workers say this with meaning and conviction. The words are directed at Corine Hayashi, the president and CEO of HTH Corporation which owns the Pacific Beach and Pagoda Hotels, and the shameful way the company treats its employees.**

benefits, and working conditions in all ILWU hotels.

Hotels are business entities which compete against each other to maximize their profits, and one way management tries to beat the competition is by keeping their labor costs lower than other hotels. This means management tries to negotiate the cheapest deal in contract negotiations. Management will often point at a neighboring hotel where employees pay more for their medical

benefits or where housekeepers may clean 16-18 rooms a day.

If workers at one hotel accept a cheaper deal, it can drag down the wages and conditions of other hotels. The only way workers can avoid this trap is to stand together to prevent any lowering of the standards at their hotel and to make it their goal to obtain the higher wages, benefits, and working conditions achieved at other ILWU hotel.

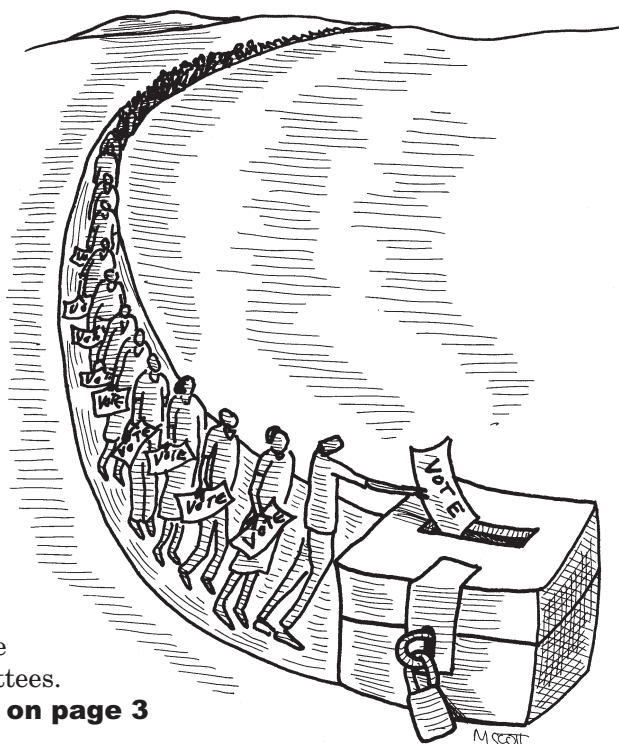
—continued on page 4

## ILWU elections are fair and democratic

After a thorough investigation, the US Department of Labor has dropped all complaints against the ILWU Local 142 over the union’s internal officers elections for Maui Division. The investigation by the US Department of Labor was triggered when two candidates for union office of the ILWU Maui Division charged the union with various election violations.

After weeks of extensive interviews of union members and a careful examination of over 8,000 ballots, the federal investigators could find no evidence of an unfair election, no evidence of balloting tampering, and no evidence of wrong doing by any of the hundreds of volunteers who serve on the union’s balloting committees.

—continued on page 3



ADDRESS LABEL

## On the Inside

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**ILWU Local Executive Board Meeting scheduled for Sept. 20-21, 2007  
10:00 am  
451 Atkinson Drive  
Honolulu**

The VOICE of the ILWU welcomes letters, photographs and other submissions from members.

Write to: Editor, VOICE of the ILWU, 451 Atkinson Drive, Honolulu, HI 96814, or e-mail: [ilwuvoice@ilwulocal142.org](mailto:ilwuvoice@ilwulocal142.org)

# Meet Your Maui Division Officers



**William Kennison**  
Division Director

I would like to continue the work of negotiating the type of Collective Bargaining Agreements that our members deserve. I would like to see that our members wages and benefits reflect their needs in our fast growing economy.

We need to push harder to get the Health & Welfare programs that we now have in the tourism industry into our other industries to combat the rising cost of medical premiums.

We will continue our fight for affordable housing, which along with wages and benefits, are the main issues for our members—and will be working closely with our Maui County elected officials to implement the affordable housing program. The only way we will make housing truly affordable is through political action.

**Need to contact  
Maui Division?  
Call 808-244-9191**



**Delbert DeRego**  
Business Agent

Formerly worked for Wailuku Agribusiness, where he was the Unit Chairman and a rank and file truck driver and harvester operator. Presently attached to Unit 2306-Maui Pineapple Company Kahului Factory.

During this term, I will strive to promote active participation, education, leadership development and solidarity of unit members.

I am committed and a firm believer that these actions improve the lives of our membership, better our work places and benefit the communities in which we live.

I am proud to be an ILWU member and am committed to continue to serve the membership to the best of my ability.



**Roberto Andrión**  
Business Agent

Throughout history the ILWU was always in the forefront fighting to improve working conditions, wages, and benefits by organizing the unorganized workers—thus setting a higher standard of living for other industries to follow.

I chose to run for office because I strongly believe that the ILWU provides us with the ability to preserve and constantly improve those benefits we enjoy today. It is my goal to continue expanding the membership through organizing, maintain the benefits that we have, and improve those benefits for a brighter & better tomorrow.

For any one goal to be accomplished it needs the support of many wonderful and caring ILWU members. One person cannot do it alone; however, as a group we can make a major difference in the years to come. I ask everyone to actively volunteer and support our Union activities and Political Action program so that we can build on what our forefathers started.

*LET'S WORK TOGETHER, our future and childrens' future is in our hands.*



**Joycelyn Victorino**  
Division Clerk



**Joyce Naruse**  
Senior Clerk



**Stephen Castro**  
Business Agent

Aloha, my name is Stephen (Steve) Castro Sr. and I'd like to thank you for allowing me to serve you as your Business Agent. It has certainly been a challenging and rewarding experience for me these last few years.

My goal for this term will be to get our members more involved by taking active part in their units. This is not about one person, it's about all of us—and working together, all things are possible.

I will continue to do my best to serve and represent you to the best of my ability.

**ILWU Maui Division  
Wailuku Union Hall  
896 Lower Main St.  
Wailuku, HI 96893**



**Abel Kahoohanohano**  
Business Agent

My goal as a business agent is to build my Unit's leadership structure by sending the stewards and officers to more training classes. A Unit is not operating properly if it is not built from the ground up.

The members of this Union have every right to have their voices heard, and the way to do it is provide good education and leadership so we may achieve maximum success.

My job as a business agent is to advise these Unit leaders and support the members by making sure their concerns with the Company are addressed in a timely manner.

I have been a ILWU member for 30 years, a steward for 24 and Unit officer for 6. I have always fought for the rights of our members—and with your support, will continue to do it for many more years to come.



**Jerrybeth DeMello**  
Business Agent

For the next three years I foresee a monumental growth in our units and have concerns about members who may come from other ethnic groups trying to adjust as union members. One major advancement in my units which I am proud of is our "New Hire Orientation" held on company time, as negotiated in the Union Contracts. This orientation gives members an idea of "Who is the UNION (the ILWU)."

Since 1992 to present as your Maui Division Business Agent, my goal has been to educate, organize—and most importantly—mobilize members to be active in their units and stand up and be counted as a proud ILWU member.

I look forward to continue the effort to develop a strong unit leadership and steward base, while reaching out with unit bulletins to keep our members informed about what is happening in the unit as well as at the island, state, and international level. All units should have Unit bulletins to publicize union events, and report union news. As the Division coordinator for the ILWU's education program, I feel very strongly about this.

Let's all move forward in maintaining what we have gained through our union contracts and not take our rights and benefits for granted. Wages, Benefits, and a Medical Plan are not given to you by the company on a silver platter, but worked hard for through negotiations by ILWU Local 142. Again, as I stated . . . "Stand Up and be Counted as a Proud ILWU Member." Let's help each other to move in the right direction. Mahalo!



**Teddy Espeleta**  
Business Agent

My name is Teddy B. Espeleta. I am serving my second term as Maui Division Business Agent. In my second term, I hope to continue to educate our members about the importance of being part of the ILWU, and to continue to fight for the rights of our ILWU members.

# Meet Your Maui Division Officers



**Claro Romero**  
Division Director

Claro Romero is from Unit 2409 - Island Movers, where he works as a truck driver.

My goal as a Business Agent is to provide better service to all members. I think that some members feel that they are not getting the representation that they should be getting on the job.

I want to change their minds by always being there for all members and also by empowering and educating members about how they can help themselves.

I am especially concerned about members who may be immigrants and speak English as a second language, such as the many Filipino workers who are employed in ILWU units.

I will do everything I can to facilitate communication between members and the union.



**Wayne Takehara**  
Business Agent

During this term of office, I would like to continue to have more unit members participate in union programs to educate and improve their working relationship, conditions and their benefits for all employees. The union's strength is in the union membership.

The union leadership should continue to negotiate good contracts, build on the membership and improve the life style for the members, their family and retirees. We need to continue to support of political action programs by voting for union endorsed candidates that support labor now and in the future for our members in the community and country.



## Maui Pine Cannery workers' job fair

A job fair sponsored by Maui Division was held for Maui Pine Cannery worker who are losing their jobs because of the company's decision not to continue cannery operations. The fair, held on June 9, gave workers the opportunity to find out about jobs at other ILWU houses like The Westin Maui, The Maui Prince Tri-Isle Trucking, and Star Markets.

**ILWU Maui Division  
Lahaina Office**  
840 Wainee Street #H-4 & 5  
Lahaina, HI 96761

**ILWU Maui Division  
Lanai Office**  
840 Ilima Avenue  
Lanai City, HI 96763

### CORRECTIONS

March 2007 issue of the VOICE. Page 3: Meet Your Hawaii Division Officers, Wallace A. Ishibashi Jr. statement. Wallace's statement was incorrectly printed. The following is his correct statement:

Mahalo for your vote of confidence and trust.

I will continue to pledge my friendship and knowledge to help you in any way possible. During this term in office we will be faced with some major negotiations; together we will settle for the best package possible. Providing more training opportunities for unit members interested to learn and providing additional training for our senior Unit officers to better represent their members are some of our goals.

"United Together" we can make a huge difference as the driving force of Hawaii Division and Local 142. Get involved, be proactive, your participation determines our success.

*Imua* Hawaii Division.

—Wallace A. Ishibashi Jr., Business Agent

## Fair and democratic union elections—continued from page 1

The Department did raise three technical issues with the ILWU's elections procedure which could theoretically cause some problems, but the Department could not show that this actually happened or would have affected the results of the election.

The ILWU has a long history of running clean and fair elections. The ILWU holds its officer elections every three years. In 2006, there were 70 candidates running for 57 elected positions in the union.

### Rank-and-file run the election

The ILWU elects its officers with an election procedure that is thoroughly democratic with many safeguards in place to ensure that every election is fair and legitimate. The election itself is run by a committee of rank and file members and over 250 volunteers who run some 350 balloting sites. These elections and balloting committees follow strict election rules which govern every step of the election process from distributing ballots, voting, keeping the ballot boxes secure, and the counting of ballots.

### Steps to encourage democracy

The ILWU is serious about democracy and takes additional steps to encourage members to vote and to make voting as easy as possible. Voting stations are set up at every workplace, and are typically held in the employee's lunchroom or break areas. In companies where workers are spread out in different locations, voting places will be set up for each group of workers. Sugar and pineapple companies, for example, may have several voting areas for harvesting, factory, maintenance, and clerical workers.

The polls are open at different times of the day and night to accommodate workers on every shift. Some voting stations opened as early as 1:00 AM and closed as late as 11:30 PM. Hotels and hospitals for example will have multiple voting times throughout the day. Depending on the numbers of members at each company, the voting stations are open for one to five days, with the average polling place open for 2 days.

All of this adds up to around 801 balloting times and places which are run by the 250 members of these

volunteer balloting committees. The 80 chairpersons of these committees receive 2 days of training, about 12 hours, on the proper election procedures. In comparison, the State of Hawaii gives their lead poll workers only about 5 hours of training.

### Opportunity to vote

Many of the ILWU's election procedures go far beyond those required by the State of Hawaii for its own elections. Hawaii's general election is held on only one day and the polls are open for only 11 hours. The ILWU runs its election over a seven day period and some polls are open 12 hours a day and a total of 58 hours over 5 days. The State of Hawaii requires new voters to register one month before the election, while a union member who can verify their status on the day of the election are entitled to vote in the ILWU's election.

The State of Hawaii uses 3500 poll workers to run 353 polling sites, or about one poll worker for every 100 voters. The ILWU uses 250 members to run 801 polling sites and times, or about one poll worker for every 33

members. The State of Hawaii's voting booths are open a total of 3,883 hours, which comes out to about 40 seconds for the 348,988 people who voted in 2006. In comparison, the ILWU voting booths were open a total of 1,850 hours, giving each of the 8,400 members who voted about 13 minutes each.

The ILWU holds itself to the highest possible standards when it comes to ensuring democracy within the union. ♦



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Editor: Mel Chang

## ILWU Negotiations

### Union Wages

Conference delegates were shown detailed charts of how their wages and benefits compared with other ILWU hotels in the same “class”—luxury, deluxe, standard, or budget. Luxury hotels list most of their rooms at rates of over \$500 a night. This is called a “published” or “rack rate” in the travel industry, and is usually much higher than the actual price charged by the hotel. Deluxe hotels had rack rates between \$250 and \$500 a night for most of their rooms. Standard hotels listed their rooms between \$100 and \$250, and budget hotels have rooms for under \$100 a night.

One important comparison is the “composite wage rate” of each hotel. The composite wage rate takes the hourly wage of six job classifica-

tions—a first cook, kitchen steward, combination bartender, housekeeper, engineer first class, and greeter. The hourly wages are added together and divided by six to obtain an average wage. Such a composite wage rate can only give a rough comparison, as it does not account for different workloads, staffing levels, or responsibilities of the job at each hotel.

Among the luxury hotels, the Grand Hyatt Kauai had the highest composite wage of \$19.68 an hour. The Hyatt Maui, Westin Maui, and Grand Wailea Resort had composite wages of over \$19.00 an hour. However, there were luxury hotels with much lower composite wage rates, and these hotels need to place a priority in bringing their wage rates up as they negotiate new contracts.



“Stop Open Shop!” was the rallying cry of the Pacific Beach workers. In negotiations with the ILWU, management is insisting on “open shop” language which would allow individual employees to receive all the benefits of union representation without paying union dues. Such a provision in the contract would weaken and destroy the union, which is exactly why management wants an “open shop.”



Conference delegates learned how their Divisions will prepare for the 2008 hotel negotiations. Maui Division Director Willie Kennison explains his plans to begin working with unit leadership in the hotels to mobilize members at least six months before negotiations. One delegate suggested that mobilizing nine months before would be better.

### ILWU Tourism Unifying Hotels



Delegates met separately with their Divisions to talk about mobilizing at their hotels. Division Director Richard Baker talks about the need for units to recruit more leaders and union stewards to help educate and mobilize members for negotiations.

### Medical Benefits

A second important comparison is the amount employees must pay for their medical and dental benefits.

At some ILWU hotels, employees must pay 10-15% of the cost of the medical plan or a flat rate of \$20 or \$40 a month and more for family medical coverage. In addition, employees may have to pay part of the annual increases in the cost of these plans. Hotel management has no control over the price charged by HMSA and other medical plan providers, and the price of these plans increase every year. One or two high cost medical claims can also result in a huge increase in medical premiums.

A number of ILWU hotels pay 100 percent of the cost of medical, but some of these health plans may provide only the minimum coverage required by state law. Certain medical procedures or medication may not be covered, the amount reimbursed by the plan may be lower, deductibles may be higher, and workers will end up paying more money out of their pockets.

The best medical benefits are at those hotels in the ILWU/Tourism Industry Health and Welfare Trust Fund. Workers at those hotels pay no co-share of the premiums for single or family coverage. Members have the choice of Kaiser or the fee-for-service arrangement where you choose your doctor and the plan reimburses part of the costs. The benefits covered by the plan is the same for all islands and are balanced to provide good, comprehensive health care at the best price.

Nearly 3,000 ILWU members at

six hotels are currently in the Health and Welfare Trust Fund. The hotels are: Grand Hyatt Kauai, Hyatt Regency Maui, Hilton Waikoloa, Koele Lodge and Manele Bay Resort, and the Kaanapali Beach Hotel.

The union’s medical plan expert, Paul Tom, explained how both workers and the hotels benefit by joining the Health and Health Trust Fund. The large pool of workers covered by the fund spreads the risks of catastrophic illnesses and gives the fund the buying power to provide better benefits. A new benefit added this year will reimburse up to \$100 for air travel to another island for non-emergency medical services not available on your island. (You need prior authorization from HMA, the company that administers the medical program for the Health and Welfare Trust Fund.)

Hotel management also benefit because management knows exactly what their medical costs will be for the duration of the union contract. In addition, the union and hotels appoint an equal number of trustees who manage the Health and Welfare Trust Fund to best serve the interests of the members. There were a few problems when the fund first started, and there were some problems unique to Lana’i or areas such as Kona. But the trustees were able to quickly correct these situations and make changes when concerns are brought to their attention.

The union’s goal is to bring more hotels into the Health and Welfare Trust Fund and reduce and eliminate the amount workers pay for medical benefits.

## ILWU Negotiations

# Conference: Bargaining

## Old-age Security

Retirement and pension benefits are not the highest priority for most rank and file members of ILWU negotiating committees. Wages and medical come first, and retirement benefits are usually treated as one of many other cost items such as vacations, holidays, or sick leave. There is also a tendency to think that retirement is something far away in the future and can be improved at some later negotiations.

Most of us want a retirement where our standard of living remains the same. We don't want to give up our cars, live on the beach, eat only one meal a day, or get a part-time job. To maintain the same standard of living, most of us will need at least 80 percent of our pre-retirement income. This 80 percent will usually come from three different sources—Social Security, the retirement plan from our jobs, and personal savings.

Social Security alone will not be enough for a comfortable retirement. A housekeeper who retires at the normal retirement age, for example, will get about 68 percent of his or her retirement income from Social Security, while a maintenance worker will get about 58 percent.

The next most important source of your retirement income is the Hotel Industry-ILWU Pension Plan which pays retirement benefits for ILWU hotel workers. [Other ILWU industries have similar plans.] Hotel management and the union are equal partners in managing the plan.

Both sides appoint an equal number of trustees who meet regularly to oversee how the plan is being run and how much the plan can pay in retirement for each benefit year. The trustees use a company called Pacific Administrators to run the plan on a daily basis.

The amount each hotel pays into the pension plan is set in contract negotiations with the ILWU. It is a fixed amount per hour for each worker covered by the plan. The money in the plan is invested and also used to pay the retirement benefits of current retirees.

The trustees can decide to increase benefits if the hourly contributions from the hotels and earnings from investment is much greater than the pay out to retirees. In the same way, benefits for future retirees may have to be reduced if the hourly contributions and investment earnings are less than the pay out.

The union's pension fund expert, Charlie Furuike, explained how the investment climate has changed, and the pension plan is earnings much less than the 20 percent returns in the second half of the 1990s. This means union negotiating committees must place a much higher priority on pension benefits and must negotiate substantial increases in the hourly contributions to the pension fund from the hotels. Unless more money is put into the retirement plan, some hotel members may face financial hardships when they retire.



Photo by Lohe "Steve" Kaaloo

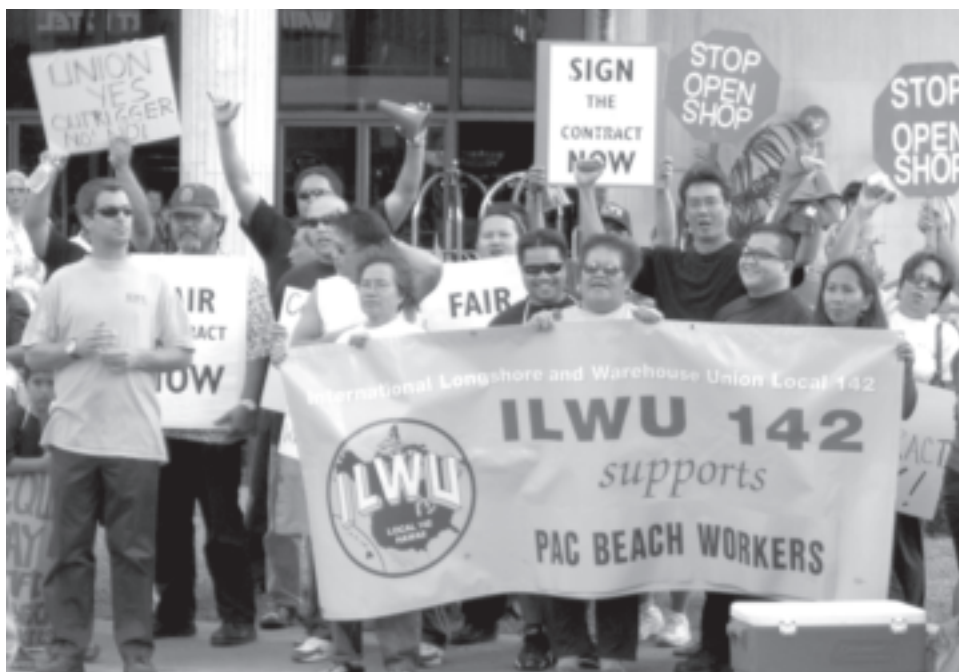
Tourism conference delegates got some practice on the picket line when they joined Pacific Beach Hotel workers for a spirited picket in front of the hotel on June 18, 2007. Pacific Beach Hotel workers want a union contract with no "Open Shop." No other union hotel in Hawaii allows for an "open shop" because it hurts workers and only benefits management.

## Bargaining Goals

The detailed presentations on medical and pensions gave conference delegates a better understanding of the core issues in negotiations. "It opened my eyes," said one delegate. "The discussion on medical and pension issues showed me how the union works to better our future living standards and retirement." Another member commented, "Our members are getting older and we need to take of them."

### 11 hotels negotiating in 2008

- Ohana Keauhou Beach Hotel
- Grand Wailea Resort
- Mauna Lani Bay Hotel
- King Kamehameha's Kona Beach Hotel
- Napili Shores
- Maui El Dorado
- Hilton Waikoloa Village
- Grand Hyatt Kauai Resort
- Sheraton Keauhou Bay Resort
- Ritz-Carlton Kapalua
- Lahaina Shores Beach Resort



ILWU hotel members from the Neighbor Islands are inspired by the determination and spirit of the Pacific Beach workers' in their struggle for a fair contract. Negotiations have dragged on for 18 months, but the workers are stronger and more united than before.

*For an in-depth look at the Hawaii visitor industry's profitability outlook for this year, turn to page 8*

## ILWU Unit Spotlight

# Unit 4415 Valley of the Temples

**KANEOHE**—“These ILWU members are taking care of the community everyday,” said Unit 4415 - Valley of the Temples Business Agent Shane Ambrose. Everyday, ILWU members who work at the memorial park take tender care of our loved ones who rest on the sloping green hills located at the foot of the Koolau mountains.

The well-landscaped grounds and tidy gravesites are a testament to their dedication and hard work. “When some people come in and can’t find their loved ones, we help them,” said Unit Secretary-Treasurer Troy Garcia. “Helping people, meeting new people—it makes me feel good about my job.”



(Above) Tomas Estalillia Jr. drives a Bobcat to transport vaults and granite. An employee for 17 years, Estalillia is a vault maker who makes the cement boxes used for burial and for interment of crematory urns. “Our union is important because it fights for our rights,” he said. “when we have a problem, the union helps.”

(Left) Grounds maintenance workers Narce Pagdilao and Eugenio Pagdilao are first cousins who enjoy working together at Valley of the Temples.



Greg Fagaragan and leadman Jose Sarmiento have worked for Valley of the Temples for 18 years and 28 years, respectively. “We like it, belonging to a union,” said Sarmiento. “We have better benefits. Without the union, I don’t know [how it would be] . . .” Fagaragan nodded in agreement.

## Unit 4415 - Valley of the Temples Fact Sheet

- Location: 47-200 Kahekili Highway, Kaneohe, Hawaii
- Type of company: memorial park with Byodo-In Temple
- Industrial Grouping: General Trades
- ILWU members since 1969
- Total union membership: 16
- Bargaining unit makeup: ground maintenance workers, general maintenance workers, utility workers, vault makers, park handy workers, and leadpersons
- Unit Officers/Stewards: Chairperson Francis Agustin, Vice Chairperson Tomas Estalillia Jr., Secretary-Treasurer Troy Garcia
- Business Agent Shane Ambrose
- Valley of the Temples and thirteen other cemeteries and funeral homes owned by RightStar Corporation are scheduled to be put on the auction block in order to fund customer trusts and creditors in the wake of lawsuits filed by the state and RightStar’s major creditor, Vestin Mortgage

# ILWU Unit Spotlight

## “These ILWU members are taking care of our community everyday.”



Utility worker and unit vice chairperson Troy Garcia digs graves, sets vaults in them, and covers them up with his backhoe. “I like the security of being in a union. If there is no union, the company can do whatever it wants. With a union contract, there are rules it has to follow.”



“It’s good for me to have a union,” said Prudencio Bautista, who has worked for Valley of the Temples since 1994. “I have children to take care of.”



Francis Agustin is a 15-year member of the ILWU and serves as unit chairperson. Members have elected him for three terms in a row and value his experience in negotiations, but he said, “I’m trying to bring up new members to be officers, too— We need them to be active, too.”



Eugenio Pagdilao hoses down the moat surrounding the Byodo-In Temple, which has been drained for cleaning. The temple was built in 1968, one year before workers organized into the ILWU.



Ground maintenance worker Pedro Sarmiento has been with the company for 17 years. “This is a nice place, a good job,” he said. “The union helps us plenty.”



“I feel safe belonging to a union,” said Goldwin Nastor (left) with Jimmy Delos Santos. “We have job security and good benefits.”

# Tourism Industry News

## Hotels expect a profitable year

“Hawaii hotel occupancy down 6.5%”—July 6, 2007, *Advertiser*.

“Hawaii hotel occupancy rates fell for the 13th straight month in May”—July 7, 2007, *Associated Press*.

“More visitors seek nonhotel accommodations”—July 6, 2007, *Pacific Business News*.

Looking at the headlines, you would think the hotel visitor industry was in financial ruins, but reading further in each article there would be some facts that reveal the true story.

Hotels are charging higher prices for their rooms and profits are good. The average daily room rates charged by Hawaii hotels broke records in 2006.

The Ernst & Young 2007 U.S. Lodging Report noted that in 2006 Hawaii’s average daily room rate of \$180 was a new record high, second only to New York at \$240 and far ahead of number three Miami at \$142. The trend will continue in 2007 and 2008 because of strong demand in the upper-end of the hotel market and only moderate growth in the supply of new hotels.

The financial reports of some of the largest hotel corporations in the world tell the same good story. Hilton Hotels Corporation posted first quarter profits of \$95 million in their March 31, 2007 10-Q Report filed with the Securities and Exchange Commission. “We anticipate that a favorable economic environment will continue to benefit the lodging industry and us during the remainder of 2007. A continuation of strong hotel demand among business, group and leisure travelers, combined with limited full-service hotel supply growth, should enable us to charge higher room rates.”

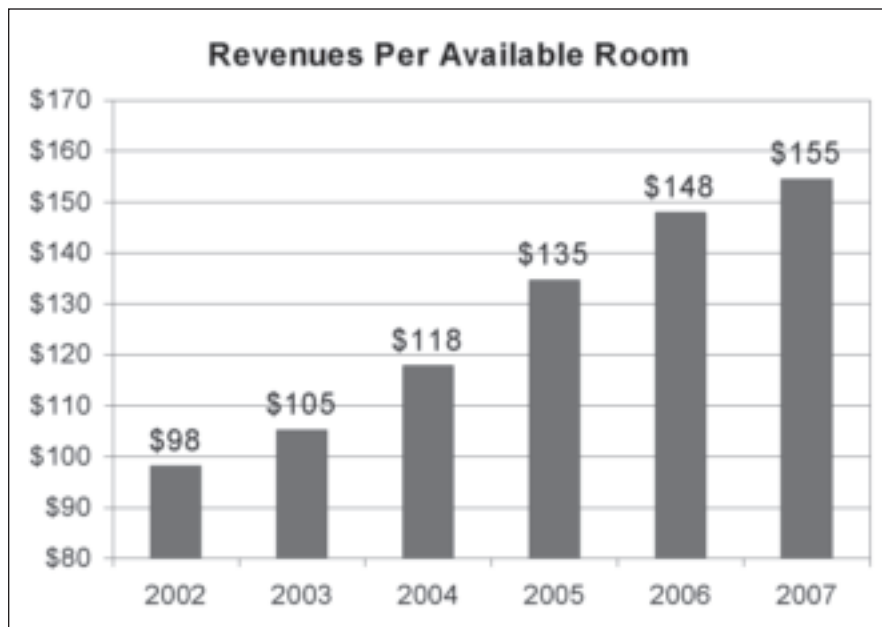
Starwood Hotels and Resorts reported \$181 million in profits in their 10-Q Report of March 31, 2007. Starwood reported a 7.6 percent increase in revenues and an increase in revenues per available room (REVPAR) of 8.1 percent for the three months ended March 31, 2007.

“REVPAR growth was particularly strong at our owned hotels in Toronto, Canada, Kauai, Hawaii, Philadelphia, Pennsylvania and San Francisco, California.”

Marriott International, Inc. reported \$114 million in profits in their 10-Q Report of March 23, 2007. The hotel chain noted continued strength of business travel in 2007, strong demand for luxury full-service hotels, and a limited supply growth of new hotels. “These factors enabled us to increase rates which resulted in solid year-over-year Revenue per Available Room increases. Strong demand also enabled us to reduce discounts and special rates. In addition, group rates continue to increase as business negotiated in earlier years at lower rates is replaced with business negotiated at higher rates.”

The statewide average daily room rate of \$185 in 2006 takes the average of the four counties. The average rate on Maui was \$241, \$189 for Kauai, and \$189 for the Big Island. Oahu was the lowest at \$156. Oahu is lower because that’s where most of the budget and lower-end hotel rooms are located. Most of the luxury and hotels with ILWU contracts are on the Neighbor Islands.

Hotel occupancy was lower, but the increase in the price of the rooms more than made up for the loss. This is shown in the Revenues Per Available Room chart above. The figure for 2007 is only the first two months of this year.



Visitor arrivals to Hawaii hit an all-time record in 2005 of 7.416 million people. Arrivals dropped slightly in 2006 and 2007 is projected to be a little lower than 2006. Visitors from Japan are down by about 9.4 percent due to a weaker Japanese economy and higher fuel and oil prices. Japanese visitors spend more money and more of them stay in hotels.

Increasing numbers of visitors from the Mainland usually made up for the drop in Japanese visitors, but the increase has slowed to around 2.3 percent in 2007. Economist suspect this is due to high fuel costs and the downturn of the housing market. The economy is expected to improve in the second half of 2007.

### Hawaii occupancy is seasonal

Hotels have a slow and busy seasons in the year. The busiest times are July and August with a shorter high point in February. The slowest times are around April and May and November-December.

In 2006, visitors to Hawaii paid over \$3.06 billion to hotels and other vacation rentals for their lodging, for which the state received over \$221 million in Transient Accommodations Taxes (TAT). In 2005, hotels collected over \$2.86 billion in room revenues. In 2004, room revenues was \$2.62 billion—a strong year.

The increase in room revenues in Hawaii and elsewhere are showing up as huge jumps in profits for the

big hotel chains. Hilton Hotels posted a corporate-wide operating income of \$572 million in 2006. Starwood’s operating income was \$839 million and Marriott’s North American lodging business earned the company \$455 million.

Profits/millions	2004	2005	2006
Starwood Hotels	\$633	\$822	\$839
Hilton Hotels	\$238	\$460	\$572
Marriott (N. Am)	\$337	\$349	\$455

A limited supply of rooms is another factor that will push prices even higher. Very few new hotels have been built or are under construction. In addition, some of the older hotels are converting rooms to be sold as timeshare or residential units. The combination of more visitors coming to Hawaii and fewer hotel rooms will push room prices and hotel profits even higher for the near future.

### Worker shortages

In the same way that a limited supply of rooms leads to higher prices, a worker shortage will push wages and benefits higher.

Hotels are having a hard time finding workers because of Hawaii’s extremely low unemployment rate of 2.36 percent.

This means hotels will need to offer higher wages and benefits to prevent their best workers from finding work in other hotels. ♦



### January to March 2007

- Starwood Hotels
  - \$1,431 million in sales
  - \$181 million in profits
- Hilton Hotels
  - \$1,441 million in sales
  - \$95 million in profits
- Marriott – North American hotels
  - \$1,244 million in sales
  - \$114 million in profits

