

Chronological: Sales and Marketing Executives Club of Honolulu, 1985-10-22

Senator Daniel K. Inouye Papers
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news from

Senator DANIEL K. INOUE

topic: SPEECH BY SENATOR DANIEL K. INOUE
Sales and Marketing Executives Club
of Honolulu, Kahala Hilton

date:

release date: Tuesday, October 22, 1985 6:00 PM

Recently, Peter D. Hart Research Associates, Inc., one of our nation's foremost polling organizations, submitted a report which I had commissioned several months ago. The poll, one of the most comprehensive ever conducted in Hawaii, set forth, among other things, the issues of primary concern to the people of our state. The results were extremely interesting, if not all that surprising, and I would like to share one particular result with you today.

The major issue of concern to our citizens was not Nicaragua or the Middle East. It was not welfare fraud, the budget deficit, or governmental waste. The major area of concern for all categories of Hawaiians, regardless of sex, ethnicity, or income, was jobs. This should come as no surprise to any member of our business community, nor for that matter to any elected public official.

Although our state's unemployment rate of 5.6% is less than the national rate of 7.1%, employment statistics do not present the full picture nor the full extent of the unemployment problem. They do not cover the issue of underemployment nor, more importantly, the extent of the brain drain and loss of talent that we have been experiencing to the mainland over the last two decades. Every time a politician gives a speech on unemployment, you can be assured that he will zero in on the loss of Hawaiian talent to the mainland. I mention it, but I do not wish to dwell on it.

I am certain that every member of the business community and every elected official is sincere in his or her efforts to generate new jobs in the State of Hawaii. However, our actions oftentimes do not seem to coincide with our sincere desire to develop new jobs and new opportunities for residents of our state. Let me cite just a few issues which I believe deserve our serious consideration.

Many of my colleagues in public service have suggested that we impose a hotel room tax on visitors to our state. There are many arguments that can be made for such a tax, since it is easy to collect, easy to calculate, and easy to allocate. Other tourist destinations may have such taxes--but not all. I would strongly suggest that we preserve Hawaii's status as one of those few places on earth where you can go and not be nicked an extra few percent on your hotel bill.

My reasoning is that proposals for a hotel room tax do not take into consideration the highly competitive nature of tourism and the fact that visitors--especially those travelling on economy budgets--do shop comparatively for rates and total cost, just as you and I do at the supermarket. A 1 to 5 percent surcharge can make a significant difference on a week in a place like Hawaii, where the standard of living is high but so is the cost. Hawaii may be a lovely place, but it is not the only lovely place in the world.

We have been lucky in the past, since our state could legitimately be described as having a boom economy from 1960 to 1980. As the Wall Street Journal pointed out (September 4, 1985), we could afford some extra red tape to safeguard our agricultural land, way of life, and environment while our economy was adding 10,000 new jobs a year between 1970 and 1980. We could afford a cautious regulatory process and extra delays while our output of goods and services soared from \$1.6 billion at the time of Statehood to \$12 billion in 1980. But in recent years new jobs have only increased by 1,000 a year, a rate of 1% as compared with 10% last decade. We cannot afford to make companies wait years on their zoning requests, nor can we ask them to spend millions that would otherwise go into planning and construction on red tape and appeals.

Like my fellow politicians, I am concerned about new job opportunities. I believe that actions I have taken as a member of the United States Senate have helped Hawaiians in this regard. Anyone who is familiar with the Washington scene can tell you that not all decisions are made on the basis of logic and common sense. Sometimes political persuasion is involved, sometimes there is give and take. For example, in FY 1984, the State of Hawaii received more defense dollars per capita than any other State in the nation. This was in part because of Hawaii's strategic position, but also because of efforts I had the privilege of making on behalf of our state in the Appropriations Committee and on the Senate floor.

Although construction in the private sector has not been too active, in the public sector, I am pleased to report that Hawaii received \$40.8 million in procurement contracts from federal agencies in FY 1984. Moreover, in actual construction funds, we received an additional \$65.1 million from the FHA for highways, \$22 million for urban mass transit, \$15.3 from the EPA for sewer and water treatment, \$14.7 million for HUD's community development programs, \$5.9 million from the FAA for airports and runways, \$4.1 million from the USDA for watersheds, \$2.8 from the Economic Development Administration, and \$1.2 million for the National Guard. This does not include lesser amounts for the Farmers Home Administration, Park Service, and the National Telecommunications and Information Administration.

Five years ago, I introduced a measure permitting the SS INDEPENDENCE and SS CONSTITUTION to return to the US fleet for cruises in and around the Hawaiian Islands. These two ships provide a full array of employment for more than 1000 land-based and sea-faring residents of Hawaii. A few weeks ago, I sponsored a meeting between Northrop Corporation and various businesses in Hawaii that might be able to supply Northrop with needed goods and services. Northrop is a major contractor to the United States Government, supplying military and commercial aircraft and aviation equipment. It would greatly assist our State's efforts to diversify our economy if Hawaiian firms could operate as subcontractors to the Northrop Corporation and other major defense contractors. I have no idea how many jobs this venture might eventually generate, but I was pleased to learn of AT&T's recent decision to invest \$30 million in an interstate telecommunications network based in Hawaii and to support the redevelopment of Kakaako.

I am presently in the process of discussing employment opportunities with six other major corporations. However, it is one thing to entice businesses to visit Hawaii. It is another to keep them here. We must do both, and I trust that our state legislature, with the help of local business, labor, and citizen's groups, will reevaluate the rules and procedures that govern our state's economy. For example, I applaud the recent efforts by the Economic Development Corporation of Honolulu and the Hawaii Business Roundtable to join with business, labor, and academic organizations to launch JOBS--the Joined Organizations for a Better State. In so doing, we can provide the right climate to encourage local and mainland businesses to invest more heavily in our Islands' future, thus providing all Hawaiians with a higher standard of living, greater economic opportunity and--most important--jobs.

October 22, 1985

SALES & MARKETING EXECUTIVES
CLUB OF HONOLULU

Kahala Hilton Hotel

RECENTLY, PETER D. HART RESEARCH ASSOCIATES, INC., ONE OF OUR NATION'S FOREMOST POLLING ORGANIZATIONS, SUBMITTED A REPORT WHICH I HAD COMMISSIONED SEVERAL MONTHS AGO. THE POLL, ONE OF THE MOST COMPREHENSIVE EVER CONDUCTED IN HAWAII, SET FORTH, AMONG OTHER THINGS, THE ISSUES OF PRIMARY CONCERN TO THE PEOPLE OF OUR STATE. THE RESULTS WERE EXTREMELY INTERESTING, IF NOT ALL THAT SURPRISING, AND I WOULD LIKE TO SHARE ONE PARTICULAR RESULT WITH YOU TODAY.

THE MAJOR ISSUE OF CONCERN TO OUR CITIZENS WAS NOT NICARAGUA OR THE MIDDLE EAST. IT WAS NOT WELFARE FRAUD, THE BUDGET DEFICIT, OR GOVERNMENTAL WASTE.

THE MAJOR AREA OF CONCERN FOR ALL CATEGORIES OF HAWAIIANS, REGARDLESS OF SEX, ETHNICITY, OR INCOME, WAS JOBS. THIS SHOULD COME AS NO SURPRISE TO ANY MEMBER OF OUR BUSINESS COMMUNITY, NOR FOR THAT MATTER TO ANY ELECTED PUBLIC OFFICIAL.

ALTHOUGH OUR STATE'S UNEMPLOYMENT RATE OF 5.6% IS LESS THAN THE NATIONAL RATE OF 7.1%, EMPLOYMENT STATISTICS DO NOT PRESENT THE FULL PICTURE NOR THE FULL EXTENT OF THE UNEMPLOYMENT PROBLEM. THEY DO NOT COVER THE ISSUE OF UNDEREMPLOYMENT NOR, MORE IMPORTANTLY, THE EXTENT OF THE BRAIN DRAIN AND LOSS OF TALENT THAT WE HAVE BEEN EXPERIENCING TO THE MAINLAND OVER THE LAST TWO DECADES.

EVERY TIME A POLITICIAN GIVES A SPEECH ON UNEMPLOYMENT,
YOU CAN BE ASSURED THAT HE WILL ZERO IN ON THE LOSS OF
HAWAIIAN TALENT TO THE MAINLAND. I MENTION IT, BUT I DO
NOT WISH TO DWELL ON IT.

I AM CERTAIN THAT EVERY MEMBER OF THE BUSINESS
COMMUNITY AND EVERY ELECTED OFFICIAL IS SINCERE IN HIS OR
HER EFFORTS TO GENERATE NEW JOBS IN THE STATE OF HAWAII.
HOWEVER, OUR ACTIONS OFTENTIMES DO NOT SEEM TO COINCIDE
WITH OUR SINCERE DESIRE TO DEVELOP NEW JOBS AND NEW
OPPORTUNITIES FOR RESIDENTS OF OUR STATE. LET ME CITE
JUST A FEW ISSUES WHICH I BELIEVE DESERVE OUR SERIOUS
CONSIDERATION.

MANY OF MY COLLEAGUES IN PUBLIC SERVICE HAVE SUGGESTED THAT WE IMPOSE A HOTEL ROOM TAX ON VISITORS TO OUR STATE. THERE ARE MANY ARGUMENTS THAT CAN BE MADE FOR SUCH A TAX, SINCE IT IS EASY TO COLLECT, EASY TO CALCULATE, AND EASY TO ALLOCATE. OTHER TOURIST DESTINATIONS MAY HAVE SUCH TAXES--BUT NOT ALL. I WOULD STRONGLY SUGGEST THAT WE PRESERVE HAWAII'S STATUS AS ONE OF THOSE FEW PLACES ON EARTH WHERE YOU CAN GO AND NOT BE NICKED AN EXTRA FEW PERCENT ON YOUR HOTEL BILL.

MY REASONING IS THAT PROPOSALS FOR A HOTEL ROOM TAX DO NOT TAKE INTO CONSIDERATION THE HIGHLY COMPETITIVE NATURE OF TOURISM AND THE FACT THAT VISITORS--ESPECIALLY THOSE TRAVELLING ON ECONOMY BUDGETS--DO SHOP COMPARATIVELY FOR RATES AND TOTAL COST, JUST AS YOU AND I DO AT THE SUPERMARKET. A 1 TO 5 PERCENT SURCHARGE CAN MAKE A SIGNIFICANT DIFFERENCE ON A WEEK IN A PLACE LIKE HAWAII, WHERE THE STANDARD OF LIVING IS HIGH BUT SO IS THE COST. HAWAII MAY BE A LOVELY PLACE, BUT IT IS NOT THE ONLY LOVELY PLACE IN THE WORLD.

WE HAVE BEEN LUCKY IN THE PAST, SINCE OUR STATE COULD LEGITIMATELY BE DESCRIBED AS HAVING A BOOM ECONOMY FROM 1960 TO 1980.

~~AS THE WALL STREET JOURNAL POINTED OUT (SEPTEMBER 4,~~

During those years
~~1985),~~ WE COULD AFFORD SOME EXTRA RED TAPE TO SAFEGUARD

OUR AGRICULTURAL LAND, WAY OF LIFE, AND ENVIRONMENT WHILE

OUR ECONOMY WAS ADDING 10,000 NEW JOBS A YEAR BETWEEN

1970 AND 1980. WE COULD AFFORD A CAUTIOUS REGULATORY

PROCESS AND EXTRA DELAYS WHILE OUR OUTPUT OF GOODS AND

SERVICES SOARED FROM \$1.6 BILLION AT THE TIME OF

STATEHOOD TO \$12 BILLION IN 1980. BUT IN RECENT YEARS

NEW JOBS HAVE ONLY INCREASED BY 1,000 A YEAR, A RATE OF

1% AS COMPARED WITH 10% LAST DECADE. WE CANNOT AFFORD TO

MAKE COMPANIES WAIT YEARS ON THEIR ZONING REQUESTS, NOR

CAN WE ASK THEM TO SPEND MILLIONS THAT WOULD OTHERWISE GO

INTO PLANNING AND CONSTRUCTION ON RED TAPE AND APPEALS.

LIKE MY FELLOW POLITICIANS, I AM CONCERNED ABOUT NEW JOB OPPORTUNITIES. I BELIEVE THAT ACTIONS I HAVE TAKEN AS A MEMBER OF THE UNITED STATES SENATE HAVE HELPED HAWAIIANS IN THIS REGARD. ANYONE WHO IS FAMILIAR WITH THE WASHINGTON SCENE CAN TELL YOU THAT NOT ALL DECISIONS ARE MADE ON THE BASIS OF LOGIC AND COMMON SENSE. SOMETIMES POLITICAL PERSUASION IS INVOLVED, SOMETIMES THERE IS GIVE AND TAKE. FOR EXAMPLE, IN FY 1984, THE STATE OF HAWAII RECEIVED MORE DEFENSE DOLLARS PER CAPITA THAN ANY OTHER STATE IN THE NATION. THIS WAS IN PART BECAUSE OF HAWAII'S STRATEGIC POSITION, BUT ALSO BECAUSE OF EFFORTS I HAD THE PRIVILEGE OF MAKING ON BEHALF OF OUR STATE IN THE APPROPRIATIONS COMMITTEE AND ON THE SENATE FLOOR.

ALTHOUGH CONSTRUCTION IN THE PRIVATE SECTOR HAS NOT BEEN TOO ACTIVE, IN THE PUBLIC SECTOR, I AM PLEASED TO REPORT THAT HAWAII RECEIVED \$40.8 MILLION IN PROCUREMENT CONTRACTS FROM FEDERAL AGENCIES IN FY 1984. MOREOVER, IN ACTUAL CONSTRUCTION FUNDS, WE RECEIVED AN ADDITIONAL \$65.1 MILLION FROM THE FHA FOR HIGHWAYS, \$22 MILLION FOR URBAN MASS TRANSIT, \$15.3 FROM THE EPA FOR SEWER AND WATER TREATMENT, \$14.7 MILLION FOR HUD'S COMMUNITY DEVELOPMENT PROGRAMS, \$5.9 MILLION FROM THE FAA FOR AIRPORTS AND RUNWAYS, \$4.1 MILLION FROM THE USDA FOR WATERSHEDS, \$2.8 FROM THE ECONOMIC DEVELOPMENT ADMINISTRATION, AND \$1.2 MILLION FOR THE NATIONAL GUARD.

THIS DOES NOT INCLUDE LESSER AMOUNTS FOR THE FARMERS HOME
ADMINISTRATION, PARK SERVICE, AND THE NATIONAL
TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION.

FIVE YEARS AGO, I INTRODUCED A MEASURE PERMITTING
THE SS INDEPENDENCE AND SS CONSTITUTION TO RETURN TO THE
US FLEET FOR CRUISES IN AND AROUND THE HAWAIIAN ISLANDS.
THESE TWO SHIPS PROVIDE A FULL ARRAY OF EMPLOYMENT FOR
MORE THAN 1000 LAND-BASED AND SEA-FARING RESIDENTS OF
HAWAII. A FEW WEEKS AGO, I SPONSORED A MEETING BETWEEN
NORTHROP CORPORATION AND VARIOUS BUSINESSES IN HAWAII
THAT MIGHT BE ABLE TO SUPPLY NORTHROP WITH NEEDED GOODS
AND SERVICES.

NORTHROP IS A MAJOR CONTRACTOR TO THE UNITED STATES GOVERNMENT, SUPPLYING MILITARY AND COMMERCIAL AIRCRAFT AND AVIATION EQUIPMENT. IT WOULD GREATLY ASSIST OUR STATE'S EFFORTS TO DIVERSIFY OUR ECONOMY IF HAWAIIAN FIRMS COULD OPERATE AS SUBCONTRACTORS TO THE NORTHROP CORPORATION AND OTHER MAJOR DEFENSE CONTRACTORS. I HAVE NO IDEA HOW MANY JOBS THIS VENTURE MIGHT EVENTUALLY GENERATE, BUT I WAS PLEASED TO LEARN OF AT&T'S RECENT DECISION TO INVEST \$30 MILLION IN AN INTERSTATE TELECOMMUNICATIONS NETWORK BASED IN HAWAII AND TO SUPPORT THE REDEVELOPMENT OF KAKAAKO.

I AM PRESENTLY IN THE PROCESS OF DISCUSSING EMPLOYMENT OPPORTUNITIES WITH SIX OTHER MAJOR CORPORATIONS. HOWEVER, IT IS ONE THING TO ENTICE BUSINESSES TO VISIT HAWAII. IT IS ANOTHER TO KEEP THEM HERE. WE MUST DO BOTH, AND I TRUST THAT OUR STATE LEGISLATURE, WITH THE HELP OF LOCAL BUSINESS, LABOR, AND CITIZEN'S GROUPS, WILL REEVALUATE THE RULES AND PROCEDURES THAT GOVERN OUR STATE'S ECONOMY. FOR EXAMPLE, I APPLAUD THE RECENT EFFORTS BY THE ECONOMIC DEVELOPMENT CORPORATION OF HONOLULU AND THE HAWAII BUSINESS ROUNDTABLE TO JOIN WITH BUSINESS, LABOR, AND ACADEMIC ORGANIZATIONS TO LAUNCH JOBS--THE JOINED ORGANIZATIONS FOR A BETTER STATE.

IN SO DOING, WE CAN PROVIDE THE RIGHT CLIMATE TO
ENCOURAGE LOCAL AND MAINLAND BUSINESSES TO INVEST MORE
HEAVILY IN OUR ISLANDS' FUTURE, THUS PROVIDING ALL
HAWAIIANS WITH A HIGHER STANDARD OF LIVING, GREATER
ECONOMIC OPPORTUNITY AND--MOST IMPORTANT--JOBS.

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DRAFT FOR APPROVAL

DKI: Dan: October 8, 1985

SALES AND MARKETING EXECUTIVES CLUB SPEECH, OCTOBER 22

Recently, Peter D. Hart Research Associates, Inc, one of our nation's foremost polling organizations, submitted a report which I had commissioned several months ago. The poll, one of the most comprehensive ever conducted in Hawaii, set forth, among other things, the issues of primary concern to the people of our state. The results were extremely interesting, if not all that surprising, and I would like to share one particular result with you today.

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unemployment, ~~most recently the Mayor of Honolulu, who~~
~~complained that his son was not able to find work in Hawaii,~~ you
can be assured that he will zero in on the loss of Hawaiian
talent to the mainland. I mention it, but I do not wish to
dwell on it.

I am certain that every member of the business community
and every elected official is sincere in his or her efforts to
generate new jobs in the State of Hawaii. However, our actions
oftentimes do not seem to coincide with our sincere desire to
develop new jobs and new opportunities for residents of our
state. Let me cite just a few issues which I believe deserve
our serious consideration.

~~The famous--now infamous--Forbes article of January 31,
1983, singled out the State of Hawaii as a "purgatory for
business." One of the major complaints against our state was
the high level of taxation, which serves as a disincentive for
business. After highlighting the redtape, bureaucratic delays,
and zoning problems that confront businessman in our islands,
the article complained that businessmen then had to brace
themselves for "protective" measures like a 4% use tax on
equipment purchases made outside the state and a 0.5% excise tax
on manufactured goods. It noted further: "No wonder high-
technology firms, though assiduously courted by [Governor]
Ariyoshi's planners, employ a scant 200 workers in Hawaii"
(p. 35).~~

Along the same lines, I would note that our state and local taxes are amongst the highest in our nation--6th in 1983. This is no secret, nor is it unexpected given the high level of services provided by our local government. However, at some stage you reach the point of diminishing returns, and I feel that we may fast be approaching that point, especially in the area of tourism.

~~Let me be specific.~~ Many of my colleagues in public service have suggested that we impose a hotel room tax on visitors to our state. There are many arguments that can be made for such a tax, since it is easy to collect, easy to calculate, and easy to allocate. Other tourist destinations may have such taxes--but not all. I would strongly suggest that we preserve Hawaii's status as one of those few places on earth where you can go and not be nicked an extra few percent on your hotel bill.

My reasoning is that proposals for a hotel room tax do not take into consideration the highly competitive nature of tourism and the fact that visitors--especially those travelling on economy budgets--do shop comparatively for rates and total cost, just as you and I do at the supermarket. A 1 to 5 percent surcharge can make a significant difference on a week in a place like Hawaii, where the standard of living is high but so is the cost. Hawaii may be a lovely place, but it is not the only lovely place in the world.

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Like my fellow politicians, I am concerned about new job opportunities. I believe that actions I have taken as a member of the United States Senate have helped Hawaiians in this regard. Anyone who is familiar with the Washington scene can tell you that not all decisions are made on the basis of logic and common sense. Sometimes political persuasion is involved, sometimes there is give and take. For example, in FY 1984, the State of Hawaii received more defense dollars per capita than any other State in the nation. [Note Appendix A: it indicates that Hawaii was highest in FY 1984, not second to Virginia.] This was in part because of Hawaii's strategic position, but also because of efforts I had the privilege of making on behalf

of our state in the Appropriations Committee and on the Senate floor.

Although construction in the private sector has not been too active, in the public sector, I am pleased to report that Hawaii received \$40.8 million in procurement contracts from federal agencies in FY 1984. Moreover, in actual construction funds, we received an additional \$4.1 million from the USDA for watersheds, \$15.3 from the EPA for sewer and water treatment, \$14.7 million for HUD's community development programs, \$5.9 million from the FAA for airports and runways, \$65.1 million from the FHA for highways, \$22 million for urban mass transit, \$2.8 from the Economic Development Administration, and \$1.2 million for the National Guard. This does not include lesser amounts for the Farmers Home Administration, Park Service, and the National Telecommunications and Information Administration.

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operate as subcontractors to the Northrop Corporation and other major defense contractors. I have no idea how many jobs this venture might eventually generate, but I was pleased to learn of AT&T's recent decision to invest \$30 million in an interstate telecommunications network based in Hawaii and to support the redevelopment of Kakaako.

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[NOTE: Jerry Panzo (Hawaii Visitors Bureau), following discussions with Stanley Hong, wants to advise you that although HVB is still on record as opposing the room tax, the industry's position is softening and HVB may contemplate a formal policy change in the near future. This does not mean, obviously, that you need to modify your speech, but he wanted to make sure that you were not blindsided by a change in HVB's position on this issue, if and when it comes.]