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## State rewards trip sponsors

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The Lingle administration promised special benefits to private companies willing to donate up to \$50,000 to help pay for overseas trade missions.

In a letter dated Dec. 5, Ted Liu, the director of the state Department of Business, Economic Development and Tourism, asked a local business to become a "Title Sponsor" of this year's trade missions by donating \$50,000. The money would go to a nonprofit organization that would help finance the trade mission. The sponsor would get access to foreign government leaders and "VIP events (such as backstage or after-show parties)," according to the letter.

The Lingle administration has raised more than \$827,000 in cash and in-kind contributions from Hawaii's businesses and organizations — including Alexander & Baldwin, Castle & Cooke, DFS Hawaii, Dole Food Co., Ko Olina Resort and Marina, and NCL America — to help pay for trade missions to China, South Korea, the Philippines and elsewhere, according to DBEDT.

The issue of government officials' providing special service or access in exchange for large sponsorships raises ethical questions, according to the executive director of the state Ethics Commission. The practice also has drawn fire from a key lawmaker.

"My concern is there is a state law that says we can't charge to do things that are under our government duties," said Senate Vice President Donna Mercado Kim, D-14th (Halawa, Moanalua, Kamehameha Heights). "I can't charge for my services."

Kim raised the issue with Liu last week in a Senate committee meeting. The Dec. 5 letter was sent to Kim by a constituent, whom Kim declined to identify.

Gov. Linda Lingle's spokesman Russell Pang did not respond Friday to questions about the sponsorship arrangements. Liu said significant private-sector sponsorships of state trade missions mark a change from previous administrations and are one way to do more with less public money.

"To me that's the only way that these trade missions should be done," Liu said. "If we weren't doing this, probably we would get criticized for doing too little."

Lingle and other state officials did not benefit directly from the private contributions, said Liu.

The state has sent out five or six letters seeking corporate sponsorships in exchange for benefits, though not all of the letters sought \$50,000 cash contributions, Liu said.

### TO DEFRAY EXPENSES

Business leaders who accompany Lingle and other state officials on the trade missions pay their own airfares and for lodgings, and are charged a small delegation fee. The extra donations paid by some help to defray other expenses related to the trip, such as ground transportation, entertainment, receptions and meals.

Large-dollar sponsorships are rewarded with special access to meetings and meals with foreign government and business leaders, interviews with overseas media and an "expression of state support," according to the solicitation letter sent by the state.

The state also promised greater media coverage for sponsors. On a trade mission to China in November, title sponsors will get "interviews and



Liu



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features in industry and trade publications, including several of China's major magazine publications," according to the letter.

The benefits offered in exchange for donations raise questions about whether state officials are providing special services to those able to afford to donate.

"Soliciting with the notion that you might get something — that might be seen as an opportunity to participate in government solely based on that — that does raise an ethics issue for us," said Dan Mollway, executive director of the state Ethics Commission. "Sen. Kim raised this issue with us and did send us a letter, and we will review the situation to see whether there were problems or not."

Just how much money the Lingle administration has solicited from businesses and individuals is unclear. The \$827,000 figure provided by DBEDT to The Advertiser excluded some "delegate" fees — a \$200 to \$500 event fee charged to those traveling on trade missions — and the value of some in-kind contributions.

## LIMITED OVERSIGHT

Liu would not say how much each company spent on sponsorships. Such disclosure is complicated because under a Lingle administration practice, sponsorship money raised by the state is funneled through a nonprofit group, then spent with state approval. That means such activity isn't subject to typical state oversight, budgeting and public-disclosure rules.

Kim asked Liu for contribution figures for each sponsor. Liu said he's considering the matter. DBEDT denied a similar request The Advertiser made last June.

Some of the sponsors contacted by The Advertiser provided information on their contributions. DFS reported contributing \$40,000 in cash and in-kind contributions in 2004-05. Alexander & Baldwin said it spent \$37,500 during the same period on state trade missions.

Both companies said they sponsored and participated in the trade missions for legitimate business purposes.

"We have been involved in both the 2004 and 2005 programs because our primary customer is the international traveller to Hawai'i," DFS said in a written statement. "To the extent that we can develop more international travel to Hawai'i from China and Korea we improve our business."

Kim said the practice of soliciting donations from large local companies could place unfair pressure on them to contribute or possibly lose access to and influence in state government.

"All of these people have some (state) connection and you're asking them for all this money?" she said. "Certainly with the governor asking, they're not going to say, 'No,' so they'll give something."

Many of the companies participating in the trips have ongoing business with state government. For example, DFS has an exclusive contract with the state government to sell duty-free goods to departing foreign travelers. Alexander & Baldwin was selected by a state agency to develop a \$650 million project on about 30 acres of state land in Kaka'ako.

"Certainly one has to question what the side benefits would be from being a major sponsor of the trip," said Lowell Kalapa, president of the Tax Foundation of Hawaii. "Do these sponsors earn brownie points?"

## COMPANIES' RATIONALE

When asked whether sponsorships influence how the administration views DFS priorities, the DFS statement said: "The administration understands our wholehearted commitment to developing tourism from China and Korea. DFS's priorities in this instance are the same as the state's priorities."

Alexander & Baldwin said in a written reply: "We were proud to be part of the Hawai'i delegation in China. The show of solidarity between the private sector and the public sector bodes well for Hawai'i as a place to do business."

As many as 200 people from Hawai'i went on a trade mission with Lingle to China and South Korea last year. With a group that large, not everyone can attend all the meetings, said Liu.

"Everybody that comes on these missions gets meetings," Liu said. "There are government meetings that are necessarily limited not necessarily by us. For some of these meetings, the sponsors do have access to these meetings."

Liu said big-dollar sponsors did not get special services or influence from the state.

"That's not a quid pro quo," he said. "There's nothing that they're influencing here."

At least one person who attended the China-South Korea trip disagreed.

"To be fair is to be equal to everybody," said Johnson Choi, president of the Hong Kong-China-Hawai'i Chamber of Commerce.

"You cannot say because you paid \$50,000, you get the exclusive business contacts, and if you pay \$500, you only get to sit outside the door. That's not right."

"Obviously the state is trying to be creative, but I'm not sure that's the right thing to do."

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**[Back](#)**

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