

Cost of business rising

THE CHAMBER VIEW

by Pamela Tumpap



It is astounding that with soaring fuel and other costs, economic slowing, and a

growing unemployment rate (still low, but climbing), our lawmakers are moving forward with bills to increase the cost of doing business in Hawaii. Thus far, the legislative session has been sparked by more employer mandates and burdensome business regulations despite business spending a lot of time testifying against them.

When is enough enough? Why continue on this path when we know that increasing the cost of doing business will prevent some businesses from starting up, close operations that cannot keep up, contribute to unemployment, limit choices, and raise costs for our residents? With a sluggish economy and continued slowing projected, is now really the time to further gouge the business sector?

The Milken Institute (an independent economic think tank) 2007 Cost-Of-Doing-Business Index ranks Hawaii as the most expensive state in the nation to do business.

Hawaii's overall cost of doing business was about 52 percent higher than the national average. Long known for being one of the most expensive places to do business, it is time for that to stop! Rising gas prices alone boost our year-over-year overall costs; we don't need lawmakers adding new bills to fuel the fire.

Recent headlines highlight growing trials. Weyerhaeuser's 50-year-old Honolulu corrugated-packaging facility will close its doors May 12, leaving 85 people out of work. The company's decision was made "to improve financial returns

and enhance business competitiveness."

The parent company of Molokai Ranch is laying off 120 workers, saying it is purely a business decision connected to large deficits and stubborn community resistance, noting that "without the prospect of an economic future for the company that results from the implementation of all facets of the Master Plan, we are unable to continue to bear large losses from continuing these operations." While some question the reasoning behind this action given plans to develop Laau Point, the situation does highlight the high cost of doing business here.

Now, Aloha Airlines, a 61-year-old company, has shut down. They cited climbing fuel prices and a costly interisland fare war as causes in their bankruptcy filing, having lost more than \$120 million during the past two years. This tragic closing will impact our economy, the visitor industry, businesses and residents. Another 1,900 employees, approximately 540 of whom are from Maui, have lost their jobs. The Maui Chamber of Commerce is currently looking at how to help these and the dislocated workers on Molokai who have been severely impacted by the lay-offs.

With larger businesses wrestling with these types of challenges, just imagine how smaller businesses are fighting to survive. (Of course, if you are a small-business owner, you don't have to imagine it; you live it every day.)

When public needs continue to rise, county and state revenues are level or down, and funds are raided (such as the state Highway Fund that is now faced with fiscal crisis) or unfunded/underfunded (like Maui County's total share of the unfunded retiree health benefits that will reportedly amount to between \$220 million and \$350 million, expected to be paid over the next 30

years), businesses take a hit. Probably because businesses don't vote, people do.

However, it is time to change that. Simply slapping the business sector with additional costs/fees, more regulation, and eliminating/reducing incentives won't solve our troubles. We need broader solutions at county and state levels where all residents financially contribute to solving challenges. When costs are shared broadly, more money is raised, the "hit" is smaller, and expanded resources go toward tackling problems.

Businesses are continuing to tighten their belts, and that is not good for the economy. Many are: decreasing/consolidating leased space; delaying construction projects; staying with older technology instead of investing in advancements; cutting costs by stretching resources, purchasing less, and/or eliminating services (such as cleaning services); limiting marketing; restricting or stopping training; and operating with reduced staffs, with smaller crews struggling to keep up with the workload. These are not measures businesses chose to take and they do not improve the economy, raise revenues, or create jobs!

It is time to wake up. Businesses are made up of and support people. We can't wait for a major disaster before we protect our business sector and economy.

Therefore, we must be vigilant and continue letting our county and state elected officials, employees and the public know how mounting costs, burdensome regulations and further mandates are impacting our businesses, our workers and our spending. We must hold elected officials accountable for actions that impede business growth and economic success, and vote accordingly.

■ *Pamela Tumpap is president of the Maui Chamber of Commerce.*