

It's a good time to focus on economy

THE CHAMBER VIEW

by Pamela Tumpap



We have been riding the wave of a strong economy for a number of years now, seeing escalating growth, the constraints that come with it, and extremely low unemployment. But a slowing economy is now the topic of major discussion, and an economic focus is needed to carry us through the next few years.

According to a report by the University of Hawaii Economic Research Organization, there will be a slowing of economic expansion in 2008 and 2009. They report that the visitor industry will continue to be challenged by a weak Mainland economy, and that fallout from Mainland housing and mortgage markets poses a risk. The Japanese visitor market is expected to remain at recent low levels for the near future, and overall visitor arrivals are projected to decline slightly for flat arrivals growth in 2008. Hawaii's construction industry is projected to settle toward a soft landing, and further slowing of the broader economy is expected. Job growth will be slow, and a rise in unemployment is expected.

Lowell Kalapa, president of the Tax Foundation of Hawaii, shared

his thoughts about 2008 in his recent column in *The Maui News*. He discussed three legs to Hawaii's economic stool — the visitor industry, the construction industry, and federal spending. He writes, "There is good reason to believe that with consumers leery of discretionary spending, the visitor industry is likely to see a slowing in growth. . . . This will have a substantial impact on the economic outlook." He said that "while not as severe a falloff as (with) its Mainland counterparts . . . the outlook for construction is less than encouraging." On federal spending, he said, "While our congressional delegation has been a hardworking breadwinner, there is only so much federal money to go around." Lowell points out that in times like these, when government is faced with revenue shortfalls, it looks to taxpayers, businesses and tourists to make up the deficit, instead of looking at how government can tighten its belt.

In her State of the State address, Gov. Linda Lingle noted that "although the economy remains fairly strong, the bottom line is that since May of last year when the Legislature adopted the biennium budget, tax revenue estimates have declined by \$353 million." She added, "Government will never be able to solve all of society's problems."

As our state administration and Legislature focus on core govern-

ment services and how to grapple with revenue shortfalls, our county soon will have to do the same with the coming budget process.

Last year, Maui County Council members approved a \$549.6 million budget, a 15 percent increase over prior-year spending because they were faced with a large bill. They learned that the county owed \$19.4 million that year toward unfunded retiree health benefits, estimated to be between \$230 million and \$350 million over the next 30 years. Unable to fund the full payment, they funded a partial payment of \$11.6 million (leaving the unfunded amount to grow) by eliminating planned tax cuts for commercial-type properties. Council Chairman Riki Hokama noted then that the struggle would continue, saying, "If you thought this was a hard year, next year will be twice as hard." Nonprofits also were warned that the coming year would be difficult.

So, who typically foots the bill when revenues are down? The business sector does. It gets hit all around. The cost of doing business goes up, as taxes and fees are raised to increase county and state revenues. The cost of living also goes up, and businesspeople are hit both as individuals and on the wage side as they keep pace with wage increases to benefit employees. They also are asked to contribute at higher levels by nonprofits struggling to keep programs in place after expe-

riencing funding cuts. All this takes place while other costs — like rent, electricity, fuel, health insurance, insurance, etc. — continue to escalate.

Now, add declining business revenues, and the situation gets even scarier. At the chamber, we already are hearing reports of reduced revenue from economic slowing. We have learned that several construction companies, which have been so extremely busy these past few years that they barely could keep up with their work, now wonder what the next job will be. Restaurants and retail businesses are reporting fewer numbers.

We have got to come up with better solutions than simply hitting the business sector to make up for state and county revenue deficiencies. We need solutions where each sector participates and plays a role in solving the challenges. We cannot afford to simply dismiss businesses, such as transient-vacation rentals and the income they provide.

We believe this is the year to focus on strengthening the economy. It will take leadership and strong support for the business sector, and we encourage you to get involved. Please also join us as we hear from economist Paul Brewbaker of Bank of Hawaii on Feb. 29. Event details and pricing can be found at www.mauichamber.com.

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