

Isle businesses fret

With an economy grounded in the military and tourism, Hawaii is vulnerable to the funding fight

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[Photo gallery: Government shutdown in Hawaii](#)

Concerns are mounting that Hawaii's economy — so dependent of tourism and the military — could suffer setbacks if the standoff between President Barack Obama and House Republican leaders is not resolved promptly so that federal employees can get back to work, attractions can reopen and services return to the status quo.

While it's too early to tell exactly how a lingering shutdown would affect the state, many say the shock would be noteworthy judging from the short-term economic repercussions that have emerged in the visitor industry alone. Since Tuesday, tourists have not been able to go to national parks, including the USS Arizona Memorial on Oahu, and others throughout the islands. While it's been business as usual for some visitor industry companies, others such as big travel package sellers, attractions, transport companies and small mom-and-pop operations have seen slowing beyond the seasonal downturn.

"The idea that shutting down government is somehow good for business is ridiculous," said U.S. Sen. Brian Schatz, who is lobbying for the impasse to end along with other members of Hawaii's congressional delegation. "Lots of vacations are being canceled to Hawaii and across the country. If we're able to get out of this crisis shortly, then we can avoid the devastation."

Hawaii's economy can probably ride out a short impasse, said Lawrence Boyd, a labor economist for the Center for Labor Education and Research at the University of Hawaii at West Oahu. However, if it stretches into several weeks or expands into a fight on the nation's debt ceiling, the shutdown would have a greater impact, Boyd said.

"You've got to remember that Pearl Harbor Shipyard is Hawaii's largest enterprise with some 4,000 civilian employees and it's totally shut down," he said. "Given all the other closures, including tourism, if this thing goes on for two or three weeks, you'll see a slowing in the economy and it wouldn't be just a blip."

A recent ranking in the Washington Post shows just how important the federal sector is to Hawaii's economy. The poll ranked Hono-lulu third nationwide in the percent of all workers on the federal and military payroll. It showed that as many as 17.2 percent of Oahu residents rely on a federal paycheck.

In comparison, only 14.3 percent of these workers resided in the District of Columbia region.

Likewise, tourism is an important segment of the economy, said Hawaii Tourism Authority President and CEO Mike McCartney.

“I hope that our leaders in Washington realize how critical tourism is to the well-being of our country,” McCartney said.

Ben Rafter, president and CEO of Aqua Hospitality, said about 100 guests had to be relocated because of the closing of its Volcano House hotel at Hawaii Volcanoes National Park. Rafter said Aqua hasn’t seen significant effects at its other properties, but that could change if uncertainty prevails.

“If people know what’s going to happen in the world tomorrow, they are more likely to book that vacation,” Rafter said. “This is an unpredictable situation and, at some point, they would probably cut back on discretionary spending.”

Mahesh Pandey, who runs the desk for Star Beachboys in Waikiki, estimates business from tourists and locals already has dropped about 40 percent this week.

“(The shutdown) has only been two days, but as you can see our racks are full and the beach is empty,” Pandey said. “During the low tourism season, we depend on locals, but so many people in Hawaii are attached to the federal government.”

Since the Arizona Memorial was closed, the neighboring USS Missouri Memorial has seen daily visitor volume drop about 30 percent from the same time last year, Memorial Association President and CEO Mike Carr said. Carr attributes the decline to the closing of the Arizona ticketing office, which sells a variety of passes and package deals, which also include the Missouri, USS Bowfin Submarine Museum and Pacific Aviation Museum. False assumptions that the USS Missouri and the aviation museum are closed have hurt ticket sales, too, he said.

“We want people to know that we are open for business,” Carr said. “We are disappointed for our visitors so on Friday we will add a Pearl Harbor experience that includes a 15-minute presentation on the Dec. 7th attack. We’re just a couple of hundred yards from the memorial so this gives our visitors an opportunity to take pictures and get an emotional sense of the beginning and end of the war.”

Carr said the Pearl Harbor component, which will run throughout the shutdown, also will help Oahu’s transportation operators recoup some of their losses. To be sure, Percy Higashi, president and chief operating officer of Roberts Hawaii, said business is down about 10 percent from the previous year.

“It’s unfortunate that many of the national sites in Hawaii are closed as a result of the federal shutdown,” Higashi said. “Roberts Hawaii’s tours to these attractions, including Pearl Harbor, Haleakala National Park and Volcanoes National Park, are among the most popular with our guests.

We are very hopeful that our federal leaders will resolve this situation very quickly for the sake of all who are being impacted by it.”

Jack Richards, president and CEO of Hawaii’s largest wholesaler Pleasant Holidays, agrees. Since the shutdown, Richards said the company has had 77 activity cancellations, which equates to a drop of about \$5,000 a day.

“This needed to be fixed yesterday,” he said. “If the shutdown stretches out into weeks or even months, I think there will be a significant impact to travel to Hawaii and the rest of the U.S.”

