

**Testimony of Lieutenant Governor Mazie K. Hirono of the State of Hawaii
United States Senate Committee on Commerce, Science & Transportation
Before the Subcommittee on Consumer Affairs, Foreign Commerce & Tourism
Friday, October 12, 2001
The State of the Tourism Industry**

Chairman Dorgan and Members of the Subcommittee on Consumer Affairs, Foreign Commerce and Tourism, on behalf of the people of the state of Hawaii, I extend my warmest aloha. We appreciate the opportunity to testify this morning on Hawaii's tourism industry and how our island state has been impacted in the wake of the events of September 11, 2001.

As our nation moves to resume operations following the terrorist attack on America, we face the second wave of their attack – the consequences on our economy.

After ten years of economic stagnation, the last three years represented a turning around of our economy. September 11th changed all that and put Hawaii in a serious economic crisis. Hardest hit has been our \$11 billion visitor industry, which accounts for approximately 25 percent of our economy and provides jobs for nearly 200,000 people –nearly one-third of the state's total civilian work force.

For the first three days after the attacks, almost no air traffic moved in or out of Hawaii. Normally, about 20,000 passengers arrive in Hawaii per day, with about 5,000-6,000 from Japan. Four weeks after September 11th, our average daily Japanese visitor count has been cut by over 50 percent (from 5,856 on September 10 to 2,453 on October 8th). Total average daily passenger counts have decreased nearly 40 percent (from 19,206 on September 10th to 11,501 as of October 3).

Sharp declines in travelers to Hawaii have led to employment losses. More than 95 percent of employment losses are in tourism dependent industries. Hotel jobs

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account for 50 percent of the increased jobless claims, with retail taking up 23 percent, transportation 13 percent and eateries 9 percent.

Unemployment filings in the air transportation industry are at seven times the typical levels and retail unemployment filings are at eight times last year's numbers. Most

disturbing is the number of hotel workers filing for unemployment benefits – 20 times the number a year ago.

Hawaii unemployment claims by industries including transportation, food, retail and hotels totaled 11,750 for the month of September. The total number of unemployment claims when compared to the same period in 2000 rose 447.2 percent.

In the two weeks following September 11th, 3,607 workers in hotel-related industries filed for unemployment benefits. In the same period one year ago, there were only 184 applicants.

Decreases in tourism have immediate negative effects on Hawaii. Economists estimate that if visitor losses average 13 percent for the rest of 2001, as experienced during the Gulf War, our state can expect potential job layoffs nearing approximately 11,000 and a decline in the Gross State Product (GSP) of nearly \$500 million. (Gross state product is considered real income, after costs.)

A 30 percent downturn for the remainder of the year could result in layoffs exceeding 25,000 workers and as much as a \$1 billion loss in gross state product for the State of Hawaii.

Therefore, our state must rapidly pursue initiatives and assistance at all levels of government to curb continued losses.

Federal programs that will assist in the promotion of travel and tourism, including programs that will attract foreign visitors, are needed. We need federal assistance programs that will provide federal dollars to offset our state efforts in tourism promotion, for Hawaii, especially in the area of international tourism. And, promotion of tax incentives for travelers would be a plus.

International travelers account for one-third of all visitors to Hawaii. And, Japanese tourists have accounted for about a quarter of all visitor spending in our state. That equates to \$2.4 billion annually or about 6 percent of the state's \$39 billion gross state product.

Since the September 11th terrorist attacks, the decrease in Japanese tourists has robbed our state of about \$4 million a day in spending, contributing to thousands of layoffs in the tourism industry. Hawaii has a special appeal in Japan and often tops the list of overseas destination for Japanese tourists. Last year 1.6 million came, of those, 60 percent were repeat visitors.

Our state response has included the creation of a Governor's emergency tourism marketing task force. This task force will execute a plan to attract tourists back to Hawaii. Additionally, Hawaii's Governor, Benjamin Cayetano led a delegation on an Aloha Mission to Japan this past week to address safety concerns. Since visitors cannot drive to Hawaii, we are absolutely dependent on air travel. Efforts to restore public confidence in air travel are absolutely critical.

A special legislative session has been called to address ways to stabilize the

tourism industry, assist displaced workers, provide aid to small business and stimulate the economy through capital improvement projects.

At the federal level, Economic Development Administration disaster grants must be made available to the states in this crisis. These grants would assist Hawaii in rebuilding areas like Waikiki and diversifying our economy through science and technology initiatives on our neighbor islands. As Hawaii stands ready to support our nation's military efforts through technology development we are hopeful for defense-related job creation.

As noted, Hawaii is experiencing an unprecedented increase in the number of displaced workers in the wake of September 11th. Therefore our state needs assistance from Congress in the area of worker relief. I urge you to support bills to assist our displaced workers introduced in both the House and Senate that supplement unemployment compensation and encourage your support of fully reimbursing all unemployed workers for health care premiums under COBRA law.

Conventions, meetings and special events are another integral part of our tourism industry. In a typical year, almost seven million visitors from around the world come to our islands. On average over 500,000 attend conferences, forums, and trade shows in Hawaii. Hawaii's meeting and convention industry has also been seriously impacted by the events of September 11th. Let me give you one example - -a Japanese meeting scheduled at our brand new, state-of-the-art convention center representing 5,000 attendees and \$26.6 million in visitor spending was recently cancelled.

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This is where the U.S. government can help Hawaii immediately. Bringing federal government meetings and conventions to the State of Hawaii will have an immediate positive effect on our economy in all sectors.

Hawaii could face its steepest economic decline in modern history. Swift action is needed by Congress. We urge your support and thank you for the opportunity to share with you the gravity of our situation.

I have attached the following and request that they be included in the record:

1. Letter from The Honorable Harry Kim, Mayor, County of Hawaii

2. Letter from The Honorable Jeremy Harris, Mayor, City & County of Honolulu
 3. Letter from The Honorable Maryanne W. Kusaka, Mayor, County of Kauai
 4. Letter from The Honorable James "Kimo" Apana, Mayor, County of Maui
 5. Letter from Murray Towill, President, Hawaii Hotel Association
 6. Table 1. Hawaii Average Daily Passenger Count*
 7. Table 2. Hawaii Unemployment: Initial Claims by Industry*
 8. Table 3. Hawaii GSP and Investment: 1990-2000*
 9. Table 4. Economic Impact of 9-11 on Hawaii's Economy: CY 2001*
 10. Chart 1. Total Hawaii Domestic Passenger Count*
 11. Chart 2. Total Hawaii International Passenger Count*
 12. Chart 3. Hawaii Initial Unemployment Claims Weekly*
- (*Source: State of Hawaii, Department of Business, Economic Development & Tourism, October 2001)

For more information, contact Sandra T. Goya, Chief of Staff, Office of the Lieutenant Governor - State of Hawaii at (808) 586-0255.