

Salient Points  
in testimony opposed to HB 952 / SB 1621  
RELATING TO COLLECTIVE BARGAINING

LATE

presented to members of the Hawaii State  
Senate and House of Representatives

By the Hawaii Automobile Dealers Association  
Hawaii's franchised new car dealers

2009 MAR -9 P 2:08

March 9, 2009

Dear members of the Senate and House of Representatives:

**Falling consumer confidence, credit market turmoil and a steep drop in lending has created an unsustainable business climate for thousands of Hawaii businesses.**

**Even the unions agree that there cannot be unions without the existence of Hawaii companies.**

Today, above certain unemployment levels, the number of healthy companies is in direct (inverse) relationship to the number of unemployed individuals in a marketplace.

In other words, increasing unemployment numbers, means fewer healthy companies.

When unemployment levels are below 4% almost all businesses in the marketplace are healthy.

When the unemployment level reaches 6% weaker businesses start to fail. (Hawaii is now at 5.5% unemployment. December 2008)

At 7% unemployment, even strong businesses in a marketplace are affected adversely. Further, a strange phenomenon begins—a vortex, of sorts, develops. Such pulls retail activity down into a growing grip of consumer fear. Quickly then the numbers proceed through 8%, 9%, and usually hit 10% unemployment in the worst of the recessions.

**Why is all this significant?**

A soon-to-be-published study of unions in Canada in the 1970's will show that a 3% point increase in union membership results in a 1% point increase in unemployment.

If Hawaii's current 24% union membership, the second highest in the country, increases to the Canadian level of 30% (a 6% point increase) then Hawaii might expect a commensurate 2% point increase in unemployment.

All agree that unions create higher salaries for their members, but in a declining economy, this means fewer workers.

In our testimony we indicated that at 10% unemployment, "it's game over (for many failing businesses, particularly retail businesses)."

**After the testimony, a Republican Senator asked us in the hallway, "What are you business folks worried about at 10% unemployment? We'd still have 90% employed, right?"**

One has to ask, I said, at what level should one be concerned...50% unemployment? Then I added, "No, the level to be concerned is 7%."

**Clearly, either of the card check bills, if passed, will propel us to 7% unemployment (46,300 unemployed). Note: Unemployment in Hawaii was 3.1% in December 2007 and has climbed to 5.5% in December of 2008—already a +2.3% climb in one year.**

**To put things into perspective See the below chart:**

**State of Hawaii Seasonally Adjusted Labor Force Data**

	<u>Dec 2008</u>	<u>Nov 2008</u>	<u>Dec 2007</u>
Labor Force	661,750	660,750	648,500
Employment	625,300	627,750	628,550
Unemployment	36,450	32,950	19,900

Again, the business community's greatest fear, since "fear" is the subject at hand, is 7%, or greater, unemployment.

In the consumer economy, fear rules; with unemployment, comes fear.

Respectfully submitted,  
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