

Rethinking Hawaii Tourism: Time to Shift from Marketing to Managing Tourism?

Revised version of a paper presented at the Hawaii Economic Association
Luncheon, May 3, 2018

James Mak
Research Fellow, UHERO
and
Professor Emeritus, University of Hawaii at Manoa
May 9, 2018

While there are remarkable economic benefits from tourism generating significant revenues, governments largely do not invest in managing environmental, social, or cultural environmental impacts as part of the cost of doing business in destinations around the world.

Megan Epler Wood, Director
International Sustainable Tourism Initiative
Harvard University

I. The Case for Better Management of Tourism

In 2000, Frances Brown published a book with an intriguing title, *Tourism Reassessed: Blight or Blessing?* The title presents a false choice because it requires the reader to choose between one or the other. Tourism is both.

Hawaii Tourism Authority's (HTA) resident surveys find that Hawaii residents perceive tourism is our economic lifeline, but it is also a cause of significant number of problems in our lives.¹ Even though most respondents still think tourism brings more benefits than costs to the

¹ <http://www.hawaiiitourismauthority.org/research/reports/evaluation-performance-measures/>

Islands, the percent of those who think otherwise has been rising for some time. That perception is supported by Paul Brewbaker's presentation today. Paul's main point is that tourism's economic benefits have not risen while its negative social costs to residents have been rising steadily. Hawaii received 2.9 million more tourists in 2017 than in 1989 while real (inflation-adjusted) tourism receipts were \$2.0 billion less.² Real visitor spending *per resident* declined from \$17,195 (2017 dollars) in 1989 to \$11,752 in 2017. I made the same observation in my UHERO Brief, "Sustainable Tourism Development and Overtourism," November 15, 2017. As tourism continues to set "records"—six consecutive years so far, according to HTA--the negative social costs of tourism will become more burdensome relative to tourism's benefits.

HTA's resident surveys also find that the majority of Hawaii's residents today feel that tourism is being run more for the industry than it is for them.³ That is most disturbing for those of us who believe that residents' wellbeing should come first. Dina Ruden, senior vice president of Travel Leaders Group—America's largest travel agency company with more than 7,000 agencies—said at the recent (May 2, 2018) Travel Weekly's Hawaii Leadership Forum: "Lots of sun and fun destinations have beautiful beaches, but none have the combination of attributes Hawaii does...Most importantly, it has the Aloha spirit."⁴ What if residents begin to lose the Aloha spirit and turn against tourism?

In her January 11, 2017 *Honolulu Star Advertiser* column Lee Cataluna opined that Hawaii has too many tourists: "...we're getting all the tourism problems without the tourism

² Paul H. Brewbaker. *Longer-term trends in Hawaii tourism performance*, Kailua, Hawaii: TZ Economics, May 3, 2018.

³ <http://www.hawaiiitourismauthority.org/research/reports/evaluation-performance-measures/>

⁴ <http://www.travelweekly.com/Hawaii-Travel/Insights/Insights-and-optimism-at-Hawaii-Leadership-Forum>

benefits.”⁵ She was too harsh as I suggested in my UHERO blog post.⁶ In 2017, Hawaii’s geographic isolation and high cost of visitation kept our tourist count to 9.4 million; by comparison, a more accessible Florida had 116 million.⁷ Admittedly it is absurd, but imagine what Hawaii would be like with 116 million visitors per year. In this presentation, I raise the question: Is it time for Hawaii to shift from marketing tourism to managing tourism?

Source: *Honolulu Star Advertiser*, April 27, 2018.

⁵ *Honolulu Star Advertiser*, “Foundering canoe is full already, yet more get in,” January 11, 2017.

⁶ <http://uhero.hawaii.edu/news/view/317>

⁷ <https://www.visitflorida.org/resources/research/>

While misbehaving tourists can be very annoying, it is unfortunate that all of tourism's "problems" are frequently blamed on tourists, when the finger should be pointed at local governments and residents for allowing them to happen. In her much praised 2013 book, *Overbooked, The Exploding Business of Travel and Tourism*, Elizabeth Becker writes, "The best and worst of tourism have governments at the center." Megan Epler Wood writes in her just published book, *Sustainable Tourism on a Finite Planet* (p. 264), "local authorities hold the key to the future of tourism destinations and planning." Hawaii state lawmakers did fund a pricey statewide sustainable tourism study in 2000. The study was completed in 2005.⁸ No plan emerged and no one seems to have paid any attention to it.

Elsewhere, even those in the travel industry are getting on the tourism sustainability bandwagon. As Darrell Wade, CEO of the Australia-based Intrepid Travel, said recently, "[Managing tourism] is a good thing to be talking about because our industry is good at selling the virtues of tourism, but we're not very good at being honest with ourselves about what we do well and what we don't."⁹

Around the world, tourism's negative impacts, or at least people's response to them, are getting a lot of attention lately. Shortly after her appointment as the CEO of the prestigious World Travel and Tourism Council (WTTC), an organization whose members include about 150 CEOs of the world's largest travel companies, Gloria Guevera and her staff had one-on-one

⁸ <http://dbedt.hawaii.gov/visitor/sustainable-tourism-project/>

⁹ <https://skift.com/2017/10/23/proposing-solutions-to-overtourism-in-popular-destinations-a-skift-framework/> See, also, <http://www.travelweekly.com.au/article/exclusive-intrepid-co-founder-darrell-wade-talks-overtourism/>

meetings with 80% of the members; she asked them: What are your needs, challenges and priorities. She noted that three priorities were repeated over and over: security and travel facilitation; crisis management in the event of natural disasters, terrorism or outbreak of diseases; and sustainability.¹⁰

One area of particular concern to the global tourism CEOs is overcrowding and overtourism to certain destinations and visitor sites. “Overtourism”, a new word in tourism that has gone viral since 2012, occurs where locals (or tourists) believe that visitor numbers have reached levels that reduce their quality of life (or the quality of the tourist experience) unacceptably.¹¹ What is acceptable or unacceptable is subjective. Overtourism is the opposite of sustainable tourism.

One might think that overtourism and overcrowding are important mainly to residents of tourist destinations, not so much to travel companies. Not so. As Ninan Chaco, CEO of Travel Leaders Group noted recently: “Not many tourists want to be where it is crowded, expensive and there’s nothing local or authentic.”¹²

According to a special survey conducted by the World Travel Monitor in September 2017 of 29,000 international travelers in 24 countries in Europe, Asia and the Americas, around 25 percent of all international tourists felt that their destination had been “overcrowded.”¹³ Nearly

¹⁰ <http://www.travelweekly.com/Travel-News/Government/WTTC-First-tango-Buenos-Aires>

¹¹ <http://responsibletourismpartnership.org/overtourism/>

¹² <http://www.travelweekly.com/Travel-News/Government/WTTC-First-tango-Buenos-Aires>

¹³ <https://www.hospitalitynet.org/performance/4086031.html>

one in ten of international travelers said overcrowding had affected the quality of their travel experience.

A recent *New York Times* story described the experience of one tourist at the Louvre where the world's most famous painting, Leonardo da Vinci's Mona Lisa, was on display. Surrounded by nearly 150 people, the young woman from Shanghai commented that "It's too small, and it's too crowded to get close to look at the detail. I can see it better in a book or on the internet." Instead of admiring the iconic artwork, she took a selfie. Then more photos with her husband. The *Times* reporter wrote, "the Mona Lisa has, to all meaningful intents and purposes, ceased to exist as an original work of art. It has become an idea — and a photo opportunity."

Reviewing responses from the last three HTA visitor satisfaction surveys, John Knox noted that for Hawaii's visitors, the things most likely to make or mar a trip to Hawaii were weather/climate; scenery, natural environment; congestion/crowding; and friendly or unfriendly people.

In the 2017 HTA resident survey, the top three problems cited by respondents who view tourism as creating more problems than benefits in Hawaii were traffic congestion, higher prices and cost of living, and overcrowding.¹⁴ The survey should have asked all respondents, not just those who see tourism in a negative way. But the point is made; overcrowding is bad for travel businesses and locals. And it isn't going to get better. As both international and domestic travel continue to rise faster than economic and population growth, overtourism will become a growing

¹⁴ <http://www.hawaiiitourismauthority.org/research/reports/evaluation-performance-measures/>

problem. With the spread of social media, no hidden attractions/destinations will remain undiscovered.

In Venice, Barcelona, and Ibiza citizens marched in the streets to protest against too many tourists. A Google-search of “Too many tourists” turns up a long list of places where residents don’t want to have more visitors. Governments are beginning to respond to citizen demands. Venice and Dobrovnik are placing restrictions on cruise ships. In Dubrovnik, cruise lines have agreed to co-ordinate their scheduling this summer to reduce overcrowding. Barcelona is cracking down on the proliferation of illegal short-term vacation rentals which residents blame for disrupting their neighborhood life. City officials have also agreed to curb the number of tourist accommodations in the center of the city but allow a limited number of licenses in the outskirts of the city. Last year, the city produced a detailed strategic plan for sustainable tourism development with specific action plans.¹⁵ Putting residents first, Venice restricted tourists from visiting some popular landmarks during the busy Festa del Lavoro (Labor Day/May Day) 4-day celebration this year; local IDs were required to gain access.¹⁶ In Ibiza, a new law was passed this year banning Airbnb and other accommodation rental platforms from listing rooms in private homes and apartments in Ibiza Town; other areas in Ibiza have implemented similar bans.¹⁷

Elsewhere, in the Galapagos Islands, Ecuador has imposed a 100,000 annual limit on visitors. At Taj Mahal visitors are told to leave within 3 hours. Two prefectures in Japan seek to reduce congestion on Mount Fuji by reducing the number of climbers allowed to use two of the

¹⁵https://ajuntament.barcelona.cat/turisme/sites/default/files/barcelona_tourism_for_2020.pdf

¹⁶ <https://www.cntraveler.com/story/venice-is-banning-tourists-from-some-parts-of-the-city>; also http://www.travelweekly.com/Europe-Travel/Venice-ready-to-turn-back-tourists-if-too-many-come?utm_source=eNewsletter&utm_medium=Email&utm_campaign=eltrdb&cid=eltrdb

¹⁷ <https://www.telegraph.co.uk/travel/news/ibiza-tourism-protest/>

mountain trails to the summit. Destinations are also turning to technology for help. Last year, the two prefectures began to use apps to advise Mt. Fuji climbers to avoid busy days. Likewise, Amsterdam is using technology to inform visitors in real time on the best time and day to visit popular attractions. The city is also encouraging visitors to visit outlying areas. The Philippine government is taking the drastic step of closing the popular—two million annual visitors--island destination of Boracay to tourists for six months to fix its overloaded infrastructure and clean up the island. The government is sending hundreds of riot police to keep tourists out.¹⁸

Hawaii should take a look at what other destinations are doing to cope with potential overtourism and perhaps learn which best practices employed elsewhere—especially in the adoption of technology-- might work here. For too long, we have deceived ourselves into believing that we are the best in every aspect of tourism and hence need not look at what's happening in the rest of the world. It is time for us to emerge from our insularity.

Hawaii's residents are not yet marching in the streets to protest the presence of too many tourists. But when I concluded in my UHERO brief that Hawaii does not yet have overtourism, I received emails from two retired UH Maui College professors telling me what a terrible essay I had written. One of them suggested that I was not deserving of the title of professor emeritus, and invited (at my own expense) to come to Maui to see evidence of overtourism for myself.

John Knox pointed out to me in a recent email exchange, that what we have in Hawaii—and indeed in the most popular tourist destinations around the world—is overcrowding at some popular tourist sites and during peak travel periods of the year. Prof. Alexis Papathanassis, director of the Institute of Maritime Tourism in Bremerhaven, Germany, explained:

¹⁸ <https://www.npr.org/sections/parallels/2018/04/25/604933436/as-philippines-shuts-down-a-popular-tourist-island-residents-fear-for-their-futu>

"Overtourism is a very localised problem at certain times in certain places, and is not always a problem in the surrounding area. The problem is not overtourism in general, but under-management of tourism."¹⁹ Taleb Rifai, Secretary General of the United Nations World Tourism Organization (UNWTO) agrees: "What is required is the need to manage tourism in a sustainable and responsible way that benefits the local community".²⁰



Climbing Diamond Head at 7:00 a.m. (Photo by PingSun Leung)

¹⁹ <https://hotelandtourisonline.com/2018/02/15/analysing-overtourism/>

²⁰ <https://skift.com/2017/11/18/destinations-around-the-world-search-for-overtourism-solutions/>

What to do? WTTC CEO Guevera recalls that “We had two options: do nothing or be part of the solution.” So WTTC partnered with the consulting firm McKinsey & Co. to develop strategies and work with destinations to cope with this growing problem. A 64-page report—*Coping with Success, Managing Overcrowding in Tourism Destinations*—was published in December, 2017.²¹ I picked a few conclusions from that report to share with you. First, overcrowding “alienates local residents, a degraded tourist experience, overloaded infrastructure, damage to nature, and threats to culture and heritage.” Second, “overcrowding is easier to prevent than to recover from.” Third, “destinations need to shift their focus from promotion to broader planning and management challenges.”

It is the third point that I would like for us to think about: *To shift focus from tourism promotion to broader planning and management challenges*. And this is endorsed by the CEOs from the top tourism businesses around the world!²² Is it time for our lawmakers to do the same? Some state lawmakers think so. Bills introduced in the 2018 legislative session proposed to drastically cut HTA’s annual funding.²³ *Honolulu Star Advertiser* editors opined (May 9, 2018 editorial) that “...it seems sensible that state lawmakers this year authorized less money for HTA marketing efforts; more, indeed, should be available for stewardship of resources.” HTA’s *Resident Sentiment Survey 2017* finds that statewide only 23% of the respondents agreed that

²¹ <https://www.wttc.org/-/media/files/reports/policy-research/coping-with-success---managing-overcrowding-in-tourism-destinations-2017.pdf>

²² See also Megan Epler Wood (2017) who writes (pp. 266-267): “The reallocation of such [marketing] funds is one of the most important dialogs that should transpire to ensure that global destinations are not focused only on marketing but rather on protecting their destinations from overuse and a lack of planning.”

²³ *Honolulu Star Advertiser*, April 15, 2018, pp. B1 and B3. At session’s end the cut was not as drastic.

“funds should be spent to promote tourism in Hawaii.”²⁴ It is noteworthy that HTA’s annual appropriations for marketing and promotion in recent years actually have declined in inflation-adjusted dollars.

From what I observe, HTA tries to lure as many visitors to come to Hawaii as it can from whatever source and opposes measures (e.g. taxes) that would increase the cost of visits. HTA’s *Resident Sentiment Survey 2017* finds that most Hawaii residents are aware of HTA’s role in marketing and promoting Hawaii tourism but believe that HTA is less effective in “communicating with and listening to Hawaii residents concerning tourism-related issues and concerns.” The report concludes: “Moving forward, the opportunity exists to deepen awareness and satisfaction with HTA beyond its role in marketing and promoting Hawaii tourism—an opportunity to move beyond destination marketing to destination management in the minds of Hawaii residents.” In other words, Hawaii residents want HTA to also mind the store.

II. Solution(s) to Overtourism:

The key challenge facing the travel industry and destinations is how to manage overcrowding, now and in the future, without restricting growth. Not everyone agrees that growth should not be restricted. One community activist argued that Hawaii should cap its tourist numbers at 7 million per year without stating how that could be done.²⁵ Hawaii cannot, in ways that are constitutionally legal and politically acceptable. Policies have to achieve political equilibrium.

²⁴ It was 21% in 2015 and 27% in 2014, the first year the question was asked.

²⁵ *Honolulu Star Advertiser*, April 15, 2018, pp. B1 and B3.

If we accept the idea that overtourism is a localized and not a general problem, the challenge becomes one of managing space and time. Solutions include spreading visitors across sites, smoothing visitors over time, and creating new visitor attractions and destinations. This is accomplished by using market mechanisms (i.e. adjusting prices to balance demand and supply; make it more expensive; provide incentives) and non-market mechanisms (e.g. limit access).²⁶ Economists tend to favor market mechanisms while public officials tend to favor non-market solutions. There are limitations to both approaches.

Hanauma Bay Nature Preserve provides important lessons on the efficacy of market versus non-market rationing. It employs both an admission fee (i.e. user charge) *and* limits access using non-price rationing (e.g. when the 300 parking spaces are filled, barricades are set up at the entrance to prevent more cars from entering).²⁷ User charges are most effective when demand is price sensitive, and those who don't pay can be excluded from using the service at reasonable administrative cost.²⁸ At extremely popular sites like Hanauma Bay demand for visits is price insensitive unless the admission fee is raised to very high levels, which may not be politically acceptable.

To illustrate, when the National Park Service first announced that admission fees would be raised steeply to fund a backlog of maintenance projects estimated at more than \$11.6 billion,

²⁶ See, for example, <https://skift.com/2017/10/23/proposing-solutions-to-overtourism-in-popular-destinations-a-skift-framework/>; <https://www.wttc.org/-/media/files/reports/policy-research/coping-with-success---managing-overcrowding-in-tourism-destinations-2017.pdf>; and <http://uhero.hawaii.edu/assets/SustainableTourismDevelopmentOvertourism.pdf>

²⁷ See James Mak. *Developing a Dream Destination, Tourism and Tourism Policy Planning in Hawaii*, Honolulu: University of Hawaii Press, 2008, Chapter 6.

²⁸ Ronald C. Fisher. *State and Local Public Finance*, 3rd edition, Thomson South-Western, 2007, Chapter 8.

there was a huge public backlash against the idea. During the month-long comment period last year, park officials received 109,000 comments. Last month the Park Service came up with a proposal for more modest increases.²⁹

When the idea of an admission fee was first proposed for Hanauma Bay, I suggested that locals should also pay (if the purpose was to reduce overcrowding), someone left a threatening message on my office voice mail.³⁰ The initial fee of \$5 for tourists only was subsequently reduced to \$3 due to objections by some County Council members to an admission fee.³¹ Today, locals don't have to pay the \$7.50 admission fee at Hanauma Bay but still have to pay \$1 per car for parking.³² A modest admission fee still serves an important purpose as it provides funding for maintenance and management of the Reserve.

Hanauma Bay shows that sound policy is often not about choosing between price versus non-price rationing; at popular attractions both are necessary to ration access, raise revenue, and achieve political equilibrium. Achieving political equilibrium requires the collaboration of all the stakeholders in decision-making, though not everyone gets what he/she wants. Hanauma Bay is generally regarded as a success story in resource management even though tour operators

²⁹ <https://www.nytimes.com/2018/04/05/us/national-parks-fee-increase.html>

³⁰ A survey conducted by University of Hawaii students found that residents strongly preferred the first-come, first-served system. James Mak. *Developing a Dream Destination...*p. 149.

³¹ For the full story, see James Mak. *Developing a Dream Destination...* pp. 149-150.

³² During the summer, Reserve hours are 6 a.m. to 7 p.m., but the ticket and parking booths are not open the entire time, so entrance is free for everyone before the ticket booths open and again after they are closed. Thus, the Reserve effectively has a two-tier price system for nonresident tourists: \$7.50 during peak hours and \$0 when the Reserve is uncongested. One problem with ticket booths is that they also cause delays, especially since residence status has to be verified.

were big losers because they were largely prohibited from discharging their customers onto the beach.

Who should be tasked with managing tourism in Hawaii? Not HTA, although it can help, especially by providing tourism data, and perhaps acting as the point/coordinating agency in identifying potential problems that other government agencies must fix. Before HTA was created, there was much public discussion about the need for a tourism czar for Hawaii. For a while we got a less intimidating “tourism liaison.” Act 156 created HTA, signed into law on July 9, 1998. Act 143 passed by the Legislature in 2002 requires HTA to “have a permanent, strong focus on marketing and promotion”; it also requires HTA (among other things) to “coordinate all agencies and advise the private sector in the development of tourism-related activities and resources,” and “establish a program to monitor, investigate, and respond to complaints about problems resulting directly or indirectly from the tourism industry and taking appropriate action as necessary.”³³ That is a tall order. As it turned out, HTA has been better at tourism promotion and marketing than in minding the store.

At the recent Travel Weekly’s Hawaii Leadership Forum HTA CEO George Szigeti said “HTA is strongly committed to sustainability of Hawaii’s core qualities that distinguish these islands from every other destination in the world. Today Hawaii has seen such an influx of tourists that residents are expressing concerns about quality of life...”³⁴

³³ https://www.capitol.hawaii.gov/session2002/bills/HB2192_cd1_.htm

³⁴ <http://www.travelweekly.com/Hawaii-Travel/Insights/Insights-and-optimism-at-Hawaii-Leadership-Forum>

Action speaks louder than words. Hawaii has not had a stellar record of planning and managing sustainable development. In 2008, the *Hawaii 2050 Sustainability Plan* for the state (not just tourism) was completed and submitted to the Legislature. State law required the plan to be updated every 10 years, but insufficient funding made it impossible to update the plan. In a March 2018 report, the State Auditor “found that through the course of the past ten years, the *Hawaii 2050 Sustainability Plan* was disregarded.” Recommendations and steps to implementing sustainability statewide “either only partially implemented or not implemented at all.”³⁵ Hawaii’s lawmakers must make a stronger commitment, including funding, to do better in the future.

III. Funding Tourism Management

Nearly 50 years ago in 1970 when Hawaii hosted a relatively paltry 1.7 million visitors, Princeton University economist, William Baumol, authored a report, *The Visitor Industry and Hawaii’s Economy: A Cost-Benefit Analysis*, in which he advised Hawaii to implement provisions “capable of discouraging the visitor’s contribution to the problems of pollution, crowding, waste removal, and misuse of the land”; if not, tourism will decline.³⁶ He wrote (p. 9): “Since the visitor to the Islands unquestionably contributes significantly to the State’s environmental problems, he will no doubt have to bear a substantial portion of the outlays needed for their solution.” He suggested (p 13) a “system of taxes” to address these problems.

³⁵ State of Hawaii, the Office of the Auditor, *Hawaii 2050 Sustainability Plan, Ten Year Measurement Update (2008-2017)*, March, 2018, p.4.

³⁶ Mathematica, *The Visitor Industry and Hawaii’s Economy: A Cost-Benefit Analysis*, Princeton, N.J.: February 20, 1970. p.9.

Hawaii's visitors account for sizable state and county tax revenues. In fiscal year (FY) 2014, tourist expenditures generated \$395 million (directly) in transient accommodation tax revenues (TAT).³⁷ They also contributed 18% of total general excise tax revenues (GET), or \$522 million (directly).³⁸ TAT and GET revenues are state taxes.³⁹

At the county level, property taxes are the biggest source of own-source revenues. In FY2014, property taxes collected from hotels and resorts, timeshares, and vacation rentals totaled \$238 million. The \$238 million figure is an underestimate of tourism generated property taxes because it does not include property tax revenues collected from non-lodging tourism businesses (e.g. restaurants, shops, etc.) Thus, in FY 2014, tourism directly accounted for, at least, \$1.155 billion in State and county tax revenues.

State and county governments spend a lot of money to provide public services directly consumed by tourists. My calculations indicate that in FY 2014, *net* state and county expenditures on services consumed directly by visitors totaled \$348 million; the counties spent \$127.5 million and the State spent \$126.6 million plus another \$94 million was spent by the Hawaii Tourism Authority. (Net expenditures are gross expenditures minus revenues from user charges and operating grants and contributions. These are amounts that have to be funded by

³⁷ State of Hawaii Department of Taxation.

³⁸ The 18% figure came from Dr. Eugene Tian, Research and Economic Analysis Division, Department of Business, Economic Development and Tourism (DBEDT) in a private email on April 27, 2017.

³⁹ \$93 million of the TAT revenues were allocated to the counties.

taxes.)⁴⁰ Thus, direct State and county expenditures on tourism (\$348 million) were significantly less than (direct) tourism generated tax revenues (at least \$1.155 billion).

My public expenditure estimates are probably too low because they were calculated using the same average cost per person per day for both tourists and residents. There is evidence that tourists use Hawaii's resources and generate waste/ discharges in greater amounts per day than residents.⁴¹ Suppose my estimates are off by 100%, the corrected net state and county operating expenditures on tourism would rise to around \$500 million plus another \$94 for HTA. In other words, there is still plenty of money left to provide more funding to manage tourism. How the extra money is spent depends on lawmakers' priorities.

Hawaii Governor David Ige recently said at the Travel Weekly's Hawaii Leadership Forum, "We know it's the people, place and culture that make Hawaii the best destination in the world."⁴² In FY 2014, the state government spent \$9.5 billion dollars (gross) on operating expenses (referred to as "primary government activities"); it spent \$101.6 million (=1%) on "conservation of natural resources" and \$104.3 million (=1.1%) on "culture and recreation." The percentages rise to around 3% if we take out lower and higher education and welfare (=\$6.2 billion). Looking only at *net* expenditures, the State spent \$14.4 million (=0.2%) and \$87 million

⁴⁰ James Mak. *State Aid to Local Governments: How Hawaii's State Government Shares Transient Accommodation Tax Revenues With Its Local Governments*, University of Hawaii at Manoa Department of Economics Working Paper No. 16-5, Appendix at http://www.economics.hawaii.edu/research/workingpapers/WP_16-05.pdf

⁴¹ James Mak, *Developing a Dream Destination...* p.145.

⁴² <http://www.travelweekly.com/Hawaii-Travel/Insights/Insights-and-optimism-at-Hawaii-Leadership-Forum>

(=1.4%) respectively on the two programs, out of total net expenditures of \$6.1 billion.⁴³ These are, arguably, modest sums.

Interest in sustainable development in Hawaii rises and ebbs in tandem with fluctuations in the broader economy. When the economy is doing poorly, interest wanes. Hawaii's economy and tourism are booming right now (the state's unemployment rate is below 3 percent), and the state government enjoys a \$1 billion fiscal surplus. New tourist taxes levied by the 2018 state legislature to tax markups by online travel agencies on accommodation bookings (SB2868) and mandatory resort fees (SB2699), and an increase in the car rental tax (only on non-resident renters) (HB2601)⁴⁴ will generate even more tax revenue.⁴⁵ This is a good time to renew effort to manage tourism in a sustainable way. Indeed, it might not be necessary to take money away from tourism marketing to fund stewardship of Hawaii's precious resources.

Finally, without sound tourism management, will tourist arrivals grow unabated? Not necessarily. The life cycle of tourist destinations suggests that tourism growth inevitably slows down.⁴⁶ It already has in Hawaii.⁴⁷ Tourism may even decline as the destination becomes less

⁴³ <http://ags.hawaii.gov/wp-content/uploads/2012/09/soh-cafr-20140630.pdf>

⁴⁴ The State Attorney General's office testified that HB 2601 "may be challenged as violating the Equal Protection and Privileges and Immunities Clause of the United States Constitution." At https://www.capitol.hawaii.gov/Session2018/Testimony/HB2601_SD1_TESTIMONY_WAM_04-04-18_LATE.PDF

⁴⁵ Effective January 1, 2018 the transient accommodation tax was raised by 1% from 9.25% to 10.25% to fund the Honolulu rail transit system.

⁴⁶ Andrew Kato and James Mak, "Technical Progress in Transport and the Tourism Area Life Cycle," in Clem Tisdell, ed., *Handbook of Tourism Economics—Analysis, New Applications and Case Studies*, London: World Scientific Publishing, 2013. pp. 225-255; or http://uhero.hawaii.edu/assets/WP_2010-13.pdf For a different approach, see Stanley Plog, "Why Destination Areas Rise and Fall in Popularity, An Update of a Cornell Quarterly Classic," *Cornell Hotel and Restaurant Administration Quarterly*, June, 2001, pp. 13-24.

⁴⁷ See James Mak. *Developing a Dream Destination....* 2008, Chapter 2.

attractive if not properly managed. The destination will be less crowded, but it is not a winning situation for residents. One can see that in declining tourist destinations. The worst-case scenario is when even the locals want to leave.

