

CHARTING A NEW COURSE FOR HAWAII TOURISM

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Summary

Despite a string of record visitor arrivals now totaling almost ten million annually, Hawai'i tourism shows signs of trouble. Inflation-adjusted spending per visitor has trended downward. Diminishing economic contribution, eroding resident sentiment, and increasing congestion and stress on sites and attractions provide evidence that the current governance model is inadequate for effectively managing the increasingly complex issues facing Hawai'i tourism.

A focus on visitor arrivals and nominal spending has masked a range of concerning underlying problems which, without change, will continue to undermine tourism's value as a positive contributor to the health of the Hawai'i economy and Hawai'i's communities. Adjusted for inflation, visitor spending has been dropping—on trend—for three decades. As a result, Hawai'i now has more visitors than ever but has not experienced the commensurate growth in economic contribution that would be expected with that growth in arrivals. In short, unless conditions change, Hawai'i will need to attract more and more visitors just to maintain the same economic benefits of tourism.

The dramatic increase in visitors comes with a cost. More visitors require more services from state and county agencies and create more “wear and tear” on visitor sites and attractions. Congestion and inadequate management threaten the quality of the experience at sites popular with both visitors and residents. Resident satisfaction with tourism has fallen, especially on Hawai'i's Neighbor Islands.

In the twenty years since its creation, the Hawai'i Tourism Authority has been tasked as the lead agency for tourism management; however, the HTA has faced chronic structural challenges which have prevented it from fully taking on that role. It lacks the authority to address many key issues; there is inadequate funding to manage a growing and changing tourism sector; and there is a limited strategic vision.

The Economic Recovery Task Force (1997-98) provides a precedent for convening experts, policymakers and stakeholders to analyze the source of tourism's challenges and to propose new approaches to address them for the benefit of residents and Hawai'i's visitor industry.

The purpose of this paper is to stimulate a conversation among all tourism stakeholders. The paper attempts to lay out an objective assessment of the current state of tourism in Hawai'i and its challenges and, by providing clarity about the issues, stimulate a dialog to develop responsive initiatives.

Introduction

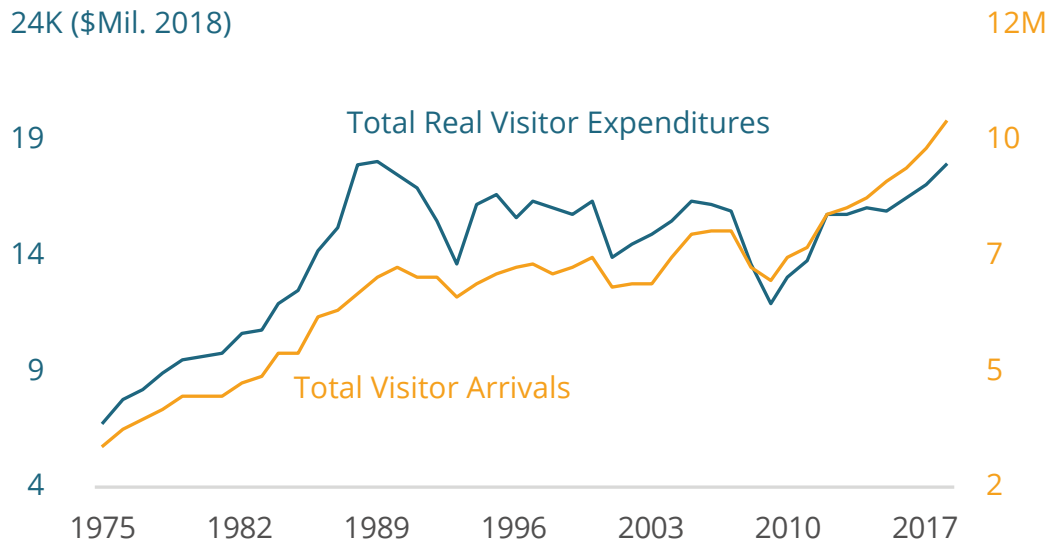
Hawai'i has long been a “dream destination” providing both unmatched experiences for millions of visitors and serving as a key economic engine for the state's economy. Currently, though, Hawai'i tourism is at risk both for its ability to maintain an acceptable quality of life for residents, quality of experience for visitors, and economic vitality for the state. Hawai'i tourism has been negatively affected by rapid growth, diminishing economic contributions, and the lack of a comprehensive tourism management plan.

The nature of the problem for Hawai'i Tourism

Evidence of negative impacts can be found in economic, environmental, and social indicators:

Economic Contributions. The economic contributions of tourism have not kept pace with explosive growth in visitor arrivals. Despite the fact that Hawai'i received 2.8 million more visitors in 2017 than in 1989, real (inflation adjusted) receipts were \$1.1 billion less in 2017 than in 1989. Real expenditures in 2017 dollars peaked at \$17.9B in 1989 and then fell and rose with economic cycles, but likely still fell short of the peak again in 2018. This means that Hawai'i tourism is a smaller overall contributor to the state's economy than in 1989

Since the turn of the century, and especially since the Great Recession, visitor counts have been rising while total spending has not. This means Hawai'i needs more visitors to yield the same economic benefit. The following charts show these trends.



Source: [UHERO Data Portal](#)

The long-term decline in overall (real) visitor spending is largely due to the sharp decline in spending per visitor per day. Another way to look at economic impact is to measure real visitor spending per resident. This measure has declined from \$17,195 (2017 dollars) in 1989 to \$11,752 in 2017.

Community Support. Community support for tourism has eroded (as measured by the HTA resident sentiment studies). Survey results on the Neighbor Islands, especially, show diminishing belief that tourism benefits outweigh problems; strong doubts about authenticity of tourism cultural content; and sense of conflict between tourism and “community values.” A steady stream of negative news stories indicates that overuse and unregulated or poorly-regulated access to popular sites have degraded both their physical condition and visitor and resident experiences. Parks and trails and other public amenities have suffered from over-use to the point where citizen groups, in some cases, have organized to intervene.

While “overtourism” has become a buzzword, resident concerns about “too many tourists” often stem from specific “hot spots” of congestion that have not been effectively managed. With very few exceptions (notably Hanauma Bay Nature Preserve and recent restrictions in Hawai'i’s National Parks) Hawai'i has not effectively managed these sites.

Longstanding issues (like homelessness, the price of housing, safety and security, environmental quality and others) that affect the state generally also affect tourism specifically and these have not been effectively addressed. Unresolved, these issues can lessen the visitor experience and potentially result in fewer visitors and a decline in visitor spending. Homelessness, for example, is a statewide issue that affects residential neighborhoods, but the presence of homeless people in visitor areas also detracts from the visitor experience.

The unregulated expansion of vacation rental units has a general effect on housing availability and pricing as well as neighborhood characteristics. However, the growth of vacation rental units also expands the pool of accommodations that do not generate as many jobs as full-service options. While vacation rentals are not going away and provide certain benefits, their unregulated development has created a range of problems which need to be identified, addressed and managed.

The degraded quality of parks, trails, and public amenities similarly affect the experience for visitors and residents alike.

While the negative impacts of “overtourism” have become evident, it is important to note that many, if not all, of these impacts affect both visitors and residents and comprehensive solutions are needed to address them for the sake of both sets of stakeholders.

Tourism Management. These general negative forces on contemporary Hawai'i tourism are evident despite the efforts of the lead government agency for tourism: the Hawai'i Tourism Authority. HTA was created as a result of recommendation from the “Economic Recovery Task Force” convened in 1997 and the adoption of Act 156 by the Hawai'i State Legislature in 1998. HTA was meant to “consolidate the responsibility for the state’s diverse tourism-related activities.” The HTA’s mission was (and remains) “to strategically manage Hawai'i tourism in a sustainable manner consistent with economic goals, community desires, and visitor industry needs.” The mission is broad and comprehensive but, in reality, tourism-related activities have not been consolidated or coordinated and the impacts have not been effectively managed in a way to achieve HTA’s broad mission. Achieving HTA’s mission was never realistic given the limitations of the governance model under which it has operated.

Three Requirements for Tourism’s Success.

Three critical conditions are required to manage the complex visitor industry: 1) authority to take action; 2) sufficient resources to implement actions; and 3) a long-term, strategic view.

Authority. Currently, management of issues that affect tourism does not reside within a single agency but, rather, is the responsibility of a myriad of agencies and jurisdictions including the Hawai'i Tourism Authority; Hawai'i’s counties; state agencies (including the departments of Land and Natural Resources, Labor and Industrial Relations, Transportation); and non-profits and non-governmental organizations (like the Native Hawaiian Hospitality Association, the Waikiki Improvement Association, the Hawai'i Lodging and Tourism Association and many others). Issues are not effectively managed because there is no effective means for coordination.

Tourism is, by its nature, complex. It consists of companies engaged in transportation, accommodations, food service, attractions and entertainment, and related support services. Oversight of tourism is spread among various state and county agencies as well as non-governmental organizations. The current dysfunctions in tourism, therefore, are not the result of a failure of any one of the entities involved, but rather a failure to coordinate and manage tourism related activities across jurisdictions and functional boundaries.

Resources. While the number of visitor days has increased by nearly 15 million since 2007 (driving the need for additional services and creating more congestion and wear-and-tear on sites and facilities), the State’s investments in tourism infrastructure and the visitor experience (to support higher real spending) have not kept pace. Visitors contribute half a billion dollars in transient accommodations taxes, about \$5.8B in General Excise Taxes (GET), plus property taxes on visitor accommodations that go to the counties; yet the investments that support the health of tourism have lagged.

Investing in Tourism's Future. There are three key reasons that resources devoted to tourism should be increased from their current levels.

First, the increased number of visitor days requires additional services simply to keep up with the impacts created by current visitor volume. Lifeguards, police and emergency services, trail maintenance, and similar services are examples of variable costs which should increase in tandem with increased visitor volume.

Second, to improve the economic contributions of tourism, Hawai'i needs to provide for (and invest in) a visitor experience that attracts higher-than-average spending visitors.

Finally, although some argue for a reduction in marketing spending, a shift in marketing programs to focus on higher-spending/higher-yield visitors will be instrumental in increasing receipts faster than increasing visitor numbers.

Long-term planning. There are no "quick fixes" for many of tourism's complex issues and, therefore, long-term plans and programs will be necessary to manage them over time.

Although the Hawai'i Tourism Authority was created with a broad mandate, the twenty years since its establishment have demonstrated that it has neither been given the authority nor the resources to effectively manage tourism's complexity.

Constraints and Concerns

The effective management of Hawai'i tourism has been constrained by conditions inherent in the existing environment and management structure.

The State has supported tourism programs since the early days of tourism more than a century ago. However, in recent years this funding has not matched needs created by changing tourist behaviors despite significant growth in tourist arrivals and days. For example, when Transient Accommodations Tax receipts since 2007 are compared with the growth in visitor days and the allocation of TAT funds to the Tourism Special Fund it is apparent that investments have not kept pace with growing visitor impacts. (While difficult to measure, the direct spending on tourism by state agencies and counties is likely to show a similar result).

The Hawai'i Convention Center alone has deferred maintenance totaling more than \$50M.

Hawai'i Governor David Ige, speaking to a gathering of travel professionals, said "We know it's the people, place and culture that make Hawai'i the best destination in the world." However, out of the \$12.055 billion (gross) in operating expenses in FY 2018 (referred to as "primary government activities"), it spent only \$118.7M (0.98%) on "conservation of natural resources" and \$89.6M (0.74%) on "culture and recreation."

It seems that the State has adopted the view that Hawai'i tourism is viable without significant public funding. In reality, however, effective tourism management will require investment beyond current funding levels to: attract a set of visitors who will spend more than average; invest in infrastructure and develop amenities to improve the visitor (and resident) experience to justify a higher spend; and maintain public spaces (that benefit both residents and visitors) that have been degraded by higher levels of usage.

Resident concerns about the value of tourism have risen to the point where media stories and op-ed pieces are arguing for absolute reductions in the number of visitors. However, it is the management of tourism and not solely the size of the visitor base that is at the heart of mitigating community concerns about the industry. The lack of effective management is a root cause of resident dissatisfaction with tourism.

Hawaii has enjoyed enviable hotel occupancy and high average rates because visitors see the value in a Hawaii experience. If the visitor experience declines through lack of management and degradation of amenities, the State runs the risk that demand for Hawaii will erode.

Opportunities for Improving the Existing Model.

The ultimate solution for visitor industry sustainability will require developing a new model that overcomes this distribution of authority and significantly expands the resources available to effect change. In the meantime, however, there are modifications that can be made within the existing model to refocus activities and programs to partially address current challenges.

Rebalance the activities of the HTA to emphasize tourism management. The focus of the Hawaii Tourism Authority can shift from marketing and, instead, adopt tourism management as a priority. This shift was a specific recommendation in the 2017 Resident Sentiment survey report. At the recent Global Tourism Summit, there was general discussion about the need for this shift; the challenge will be to change established mindsets and models.

As part of that shift in focus, the Hawaii Tourism Authority can reallocate its budgets to adequately fund programs that enhance the visitor experience. Competitive destinations spend significant amounts of money on festivals, events, visitor safety, visitor amenities, wayfinding/post-arrival visitor information and other initiatives that enhance the visitor experience.

Strategically focus marketing on higher spending visitors. Current technology exists to create marketing programs that can better target higher spending visitors. Techniques in “big data” such as data analysis and data mining can identify visitor types with much higher-than-average spending profiles and provide the basis for shifting marketing programs to more effectively reach these prime prospects. The corollary to this is to reduce or eliminate programs that are broadly targeted toward generating visitor volume and not proven to reach higher-than-average spending visitors. Similarly, the Hawaii Tourism Authority can develop marketing programs that attract visitors who are likely to stay in full service hotels. Full-service hotels support higher levels of employment than alternative accommodations.

While HTA does not have direct management authority over many areas that intersect with tourism (airports, visitor safety, parks and trails, homelessness, to name a few) it can make better use of its “bully pulpit” to create and propose solutions for other agencies to consider and to collaborate on the development of programs that improve the visitor experience.

Necessary Changes that are Difficult or Impossible to Implement Using the Current Management Model.

Significant improvements in tourism management will require a new management model that specifically addresses current structural deficiencies.

First, any new model must be able to manage tourism across jurisdictions, agencies, functions, and stakeholder groups. The model does not necessarily have to be a “super HTA,” but it must necessarily have the authority to marshal the expertise and resources of other agencies in addressing tourism’s challenges.

A second necessary change for the long-term health of tourism is to collaboratively engage the industry, community and policymakers. The Hawaii Tourism Authority Board was designed to have a balance of industry, community, Hawaiian culture and other diverse representatives. The reality has been that this

diversity hasn't always been represented on the HTA board, or the diversity was not adequately expressed. The long-term solution for tourism sustainability will require buy in and participation from a broad range of experts and stakeholders.

The volume of tourism in Hawai'i has reached a point where the management of tourism will require fresh thinking regarding restrictions, fees, or new management technology – including higher or better targeted taxation to increase the resources available for tourism management. In the past, Hawai'i has adopted management practices such as restricted access, user fees or other devices only when conditions reached a crisis point (restrictions at Hanauma Bay are a case in point). With nearly 10 million visitors (and counting) the state and counties need to more broadly consider implementing these management practices.

Finally, though the underlying problems facing tourism have often been masked by euphoria over increasing levels of visitor arrivals, the problems are real and will require a reliable source of significant funding to comprehensively manage them for the long-term benefit of the state.

Rethinking Tourism – Considering a New Management Model

The “imperatives” in moving to a more sustainable model include:

Recognize the need for more/better data. Within the universe of potential Hawai'i visitors lie groups who are likely to contribute significantly more economic impact than others. Identifying these potential visitors through data mining and data analysis can support initiatives to enrich the mix of Hawai'i visitors with more targeted marketing. Data can also be used to understand the “hot points” of resident frustration and lead to programs that are targeted to address them and improve overall resident sentiment. Data are key to the objective response to many of the issues that tourism faces. Hawai'i has an enviable record of data collection. Continuing to gather and analyze this treasure trove is essential to respond to changing conditions and capitalizing on latent opportunities.

Secure adequate funding for comprehensive solutions. The State government seems to have adopted a “laissez faire” attitude toward investing in tourism, assuming the private sector will step into the breach or that investment is unnecessary. The challenges facing tourism are real and the solutions will require investment; the problem will be to find the funds. At the very least, the Legislature should be asked to remove the “cap” from tourism fund appropriations. Further, the agencies involved in tourism should actively consider user fees, variable pricing, technology and other mechanisms to both raise funds and manage visitor impacts.

Change the metrics of success. Despite attempts to broaden the metrics of success, press releases, presentations and other communications have been focused on visitor arrivals and overall spending unadjusted for inflation. Those gross measurements downplay the importance of real economic impact, visitor satisfaction, and resident sentiment, which are measures better related to sustainability. Hawai'i public and private tourism entities need to move away from the simplistic view that more economic benefit necessarily requires more visitors.

Develop a new statewide, long-range strategic plan for tourism. After twenty years of existence, it is clear that HTA is only partially able to manage tourism for the state. A comprehensive, multi-jurisdictional, multi-agency long range state tourism strategic plan would reflect the reality of managing a complex industry. This statewide plan would have a longer timeframe and different purpose than the plans for any individual agency involved in tourism. With an eye to addressing longstanding issues, this long-range plan would coordinate essential activities over time to achieve a strategic result (rather than short term “key performance indices” which would remain with operating agencies).

Increase collaboration. A successful governance model must ensure that representatives of industry, community, government (State and county), and cultural and community organizations are involved in long-term planning.

Learn from best practices. Over the years, various task forces, agencies, and organizations have spent time and resources developing reviews and recommendations regarding tourism issues. Many of the issues considered in these initiatives remain relevant and it will be useful to review previous plans and reviews (for example, the 1980 Hawai'i State Plan and its follow-up as well as the 2005-15 Tourism Strategic Plan) and other documents and studies that reside in the archives.

Additionally, other states and countries have already begun to revamp their management models and develop new programs to address emerging tourism issues. Hawai'i can also learn from the best practices of other states and countries. Early in the development of Hawai'i tourism (and as late as the late 1990s) the state invested resources in learning best-practices from other successful tourism destinations.

Developing a Workable Tourism Management Model

A precedent for developing a new and comprehensive approach to tourism organization exists in the Economic Recovery Task Force (ERTF) of 1997-98 which, among other things, proposed the creation of the Hawai'i Tourism Authority. Legislation addressing the ERTF recommendations followed a year-long and systematic study by the Legislative Reference Bureau (LRB). In the past, the LRB also surveyed best practices in other destinations that can inform and guide recommendations for Hawai'i. A broad consortium of industry experts, community leaders and policy makers as well as comprehensive analysis of recommended actions will be required to address the complex, multi-jurisdictional barriers that have hampered the effectiveness of the current management model.

Addressing the fundamental issues identified here requires the development of a new structure and model. The charge for any task force must be to address the broad spectrum of issues facing tourism (not just marketing); sufficient budget to effect solutions; and an organizational structure to coordinate or direct activities across jurisdictional boundaries.

Alternative models/best practices

Hawai'i is not alone in its need to address the complex challenges of high-volume tourism. Various existing alternatives in other locales can be examined as a starting point for developing a new model for Hawai'i. This paper does not propose any single proposal since a successful model needs both input and buy-in from policymakers, the community and the visitor industry. Several models exist which could be the basis for developing a new Hawai'i model.

A Department or "Ministry" of Tourism at the cabinet level. The Hawai'i Tourism Authority is an "attached" agency of the Department of Business Economic Development and Tourism. While there was some language in its early development suggesting that the agency would be a "cabinet level" agency it does not, in fact, have a seat at the table in the highest levels of state government. Establishing tourism as a separate agency would recognize the importance of tourism as a component of Hawai'i's economy and provide direct access to the highest levels of government in developing effective policies and coordinating cross-departmental activities.

Reconstitute HTA as a "super" agency with authority to act on tourism issues across jurisdictions and boundaries. The head of HTA, in this scenario, would essentially become a tourism "czar" with the

authority to direct other agencies in accomplishing defined objectives. Other destinations have a tourism agency with much broader powers and access to much greater resources than the HTA. The Las Vegas Convention and Visitors Authority budget for fiscal year 2018 is \$385M and its authority goes far beyond its marketing role. For example, it has its own safety and security program and is responsible for the development of the new Las Vegas sports arena.

Create a “Tourism Coordinating Council” to direct and manage tourism programs across state and county agencies. The Federal Government developed a tourism coordination model in which a council of representatives from different agencies coordinated their various activities related to tourism. The council was chaired by the Secretary of Commerce, but included Interior, Labor, Transportation, Department of State and other representatives. To be effective, such a council would necessarily require a significant budget which could be allocated to the various departments, similar to Block Grants, with defined deliverables. Programs could be initiated by the council based on priorities set in a long-range plan, funded as contracts, and with results measured as contract deliverables.

Other models and methods. At the recent Hawai'i Tourism Global Summit, presentations from various tourism destinations outlined ideas for public-private partnerships, user fees, management areas across jurisdictional boundaries, and other innovative solutions to otherwise difficult tourism issues.

There are, undoubtedly, other innovative ideas and management models that could provide the basis for an improved Hawai'i tourism management program. In the past, various state administrations have convened task forces, study groups, commissions and conferences to evaluate responses to vital issues with mixed success. Given the challenges facing twenty-first century tourism and its economic, social and environmental impacts, a review of best practices is overdue.

The issues facing Hawai'i tourism are intractable but not unsolvable. The time has come to acknowledge these issues before they permanently affect Hawai'i's global appeal and the quality of life in the islands. Hawai'i is still a “dream destination” although that dream does not come with a guarantee of future success. It has been said that “past success is your worst enemy,” and “What got you here won't get you where you need to go.” The time has come to face up to today's challenges and chart a new course to keep Hawai'i's dream vibrant.

About the Authors

Paul Brewbaker is Principal of TZ Economics; for 25 years researched the Hawai'i economy and financial risk analytics for Bank of Hawai'i; lectures extensively in economics; and received the Certified Business Economist designation from the National Association for Business Economics.

Frank Haas is former Marketing Director for the Hawai'i Tourism Authority (HTA); formerly served as Assistant Dean of the University of Hawai'i School of Travel Industry Management, Dean and lecturer at Kapi'olani Community College Hospitality and Tourism program; and national chair of the American Marketing Association. He currently consults on tourism projects locally and internationally as President of Marketing Management.

James Mak is Professor Emeritus of Economics at the University of Hawai'i and a Research Fellow at the University of Hawaii Economic Research Organization. He has authored two books on tourism in Hawaii and elsewhere and many published articles on the economics of travel and tourism. He is internationally regarded as a "Discoverer" in the field of tourism economics.

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