

HAWAII TOURISM AUTHORITY AND SUSTAINABLE DESTINATION MANAGEMENT IN HAWAII

APRIL 7, 2020



By Paul Brewbaker, Frank Haas, and James Mak

Destination management organizations (DMO) are often the only advocates for a holistic tourism industry in a place; and in this role they ensure the mitigation of tourism's negative impacts to the environment and local communities as well as the sharing of opportunities for a vibrant exchange of people.

*David C. Brown and Jennifer Stange¹
International Institute for Tourism Studies
The George Washington University*

Introduction

The first rule in tourism development is that the wellbeing of destination residents must come first.² Unfortunately, the majority of Hawaii residents now think that tourism in Hawaii is being run for tourists at the expense of local residents.³ The perception of being relegated to second class was first reported by the Hawaii Tourism Authority (HTA) in 2005.⁴ HTA is a semi-autonomous state government agency charged with marketing and managing Hawaii as a world class tourist destination. On its website, HTA states that it “provides comprehensive management of tourism for the State of Hawaii.”⁵ Thus, HTA is a destination management organization and not strictly a destination marketing organization.⁶

According to Prague Eventery, an event and destination management company, “Destination management involves coordination of various activities in order to benefit the environment, local residents and businesses of a destination while providing satisfaction to the visitors.”⁷ The key word in the sentence is “coordination.” The United Nations Environment Programme (UNEP) observes that around the globe “governance structures led by local authorities, with the involvement of local NGOs, community and indigenous representatives, academia, and local chambers of commerce make up...‘destination management organizations.’”⁸

1 Jennifer Stange, David Brown and Solimar International, Tourism Destination Management, Achieving Sustainable and Competitive Results, George Washington University and USAID, March 2013 at https://www.usaid.gov/sites/default/files/documents/2151/DMOworkbook_130318.pdf

2 World Tourism Organization. National and Regional Tourism Planning, Methodologies and Case Studies. Madrid: 1994, p. 8.

3 Sixty-four percent of the respondents to the 2019 HTA Resident Sentiment Survey at <https://www.hawaiiauthority.org/media/4268/resident-sentiment-board-presentation-02-27-20.pdf>

4 In the midst of the Great Recession and the national financial crisis (2009), less than half (49%) of Hawaii residents felt that way. Hence, general economic conditions appear to sway resident perceptions to some degree.

5 <https://www.hawaiiauthority.org/who-we-are/>

6 Prague Eventery notes that “while destination marketing helps in positioning a particular destination as an attractive brand, the role of destination management is to ensure its sustainability over a prolonged period of time.” See Prague Eventery, Role of Destination Management and Destination Marketing in Tourism, July 27, 2017 at <https://pragueeventery.com/role-of-destination-management/>

7 Prague Eventery, How can Destination Management be Enhanced by Good Governance? July 27, 2017 at <https://softonics.cz/tests/pe/destination-management/> The same acronym—DMO—is also used to describe destination marketing organizations.

8 The Global Development Research Center (GDRC), The Sustainable Tourism Gateway at <https://www.gdrc.org/uem/eco-tour/st-infosheets.html>

HTA's annual resident sentiment surveys also find that Hawaii's 1.4 million residents agree that tourism brings tremendous economic benefits to the Islands, but at 10 million visitor arrivals per year in 2019,⁹ it is *perceived* to cause a lot of problems in their lives. The top four problems mentioned in 2019 were traffic problems, higher cost of living, overcrowding, and damage to the environment. Even though most respondents still think tourism brings more benefits than problems to the Islands, the percent of those who think otherwise has been rising for some time. At the personal level, in 2019, only 41 percent of the respondents agreed that "tourism has been 'mostly positive' for you and your family," down from 60 percent in 1988. These negative resident perceptions should be of great concern to HTA and policymakers.

Hawaii is still a dream destination for millions of travelers around the world, but HTA's long-time approach to tourism development that focuses on maximizing the number of tourist arrivals without adequate management is rejected by many Hawaii residents today.¹⁰ There is widespread concern that the wellbeing of Hawaii's future residents (and tourists) will be in jeopardy. Indeed, many believe that the quality of life for residents and tourist experiences have already been degraded.¹¹ This article examines HTA's recent commitment to increase its emphasis on destination management relative to brand marketing. The article concludes that HTA still lacks the necessary requirements that would lead to sustained success in destination management. The article does not include an analysis of the Hawaii Convention Center.¹²

The Hawaii Tourism Authority (HTA)

In 1998 the Legislature created HTA under Chapter 201B Hawaii Revised Statutes (HRS) during a prolonged economic slump in Hawaii. HTA began operations in June 1999.¹³ The purpose of creating HTA was to consolidate responsibility for the state's diverse tourism-related programs under a single institution, thus giving tourism more focus and attention. HTA states that its mission is "to strategically manage Hawaii tourism in a sustainable manner consistent with economic goals, cultural values, preservation of natural resources, community desires and visitor industry needs."¹⁴

HTA's first strategic plan (Ke Kumu—Strategic Directions for Hawaii's Visitor Industry, June 1999) outlined its primary objectives: (1) to promote tourist travel to Hawaii; (2) to diversify Hawaii's visitors including the development of agri-, cultural, edu-, health and wellness, eco- and techno-tourism; and (3) to increase visitor spending per person per day.

In 2002, the State Legislature spelled out HTA's organizational structure and responsibilities in great detail (Chapter 201B-3, Hawaii Revised Statutes)¹⁵. The current statute requires HTA to:

1. Develop, coordinate, and implement state policies and directions for tourism and related activities taking into account the economic, social, and physical impacts of tourism on the State, Hawaii's natural environment, and areas frequented by visitors;

9 Preliminary data issued by the Department of Business, Economic Development and Tourism (DBEDT) show the average daily census of visitors for 2019 was around 247,000. At <http://files.hawaii.gov/dbedt/visitor/tourism/2019/Dec19.pdf>

10 The National Geographic Traveler magazine made the same observation in 2003; see the March 2004 issue. See also, Lee Cataluna, "How much is too much? Probably this much," Honolulu Star-Advertiser, February 20, 2019, pp. B1 and B3.

11 See <https://www.civilbeat.org/2019/08/tourisms-tipping-point-should-be-a-turning-point-for-hawaii/> Also, Office of the City Auditor, City and County of Honolulu, The National Community Survey (NCS), Honolulu Community Livability Report, FY2019 at http://www.honolulu.gov/rep/site/oca/oca_docs/2019_NCS_Report_Final.pdf

12 A brief analysis of the performance of the convention center is at <https://www.uhero.hawaii.edu/news/index/page:6>

13 A brief history of the beginning of the Hawaii Tourism Authority is in The Auditor, State of Hawaii, Audit of Major Contracts and Agreements of the Hawaii Tourism Authority, A Report to the Governor and the Legislature of the State of Hawaii, Report No. 13-09, December 2013 at <http://files.hawaii.gov/auditor/Reports/2013/13-09.pdf>

14 <https://www.hawaiitourismauthority.org/who-we-are/> Also HTA's 2020-2025 strategic plan at <https://hawaiitourismauthority.org/media/4286/hta-strategic-plan-2020-2025.pdf>

15 https://www.lawserver.com/law/state/hawaii/hi-statutes/hawaii_statutes_201b-3

2. Have a permanent, strong focus on Hawaii brand management;
3. Conduct market development-related research as necessary;
4. Coordinate all agencies and advise the private sector in the development of tourism-related activities and resources:
 5. Work to eliminate or reduce barriers to travel in order to provide a positive and competitive business environment, including coordinating with the department of transportation on issues affecting airlines and air route development;
 6. Market and promote sports-related activities and events;
 7. Coordinate the development of new products with the public and private sectors, including the development of sports, culture, health and wellness, education, technology, agriculture, and nature tourism;
 8. Establish a public information and educational program to inform the public of tourism and tourism-related problems;
 9. Encourage the development of tourism educational, training, and career counseling programs;
 10. Establish a program to monitor, investigate, and respond to complaints about problems resulting directly or indirectly from the tourism industry and take appropriate action as necessary; and
 11. Develop and implement emergency measures to respond to any adverse effects on the tourism industry, pursuant to section 201B-9.

When Chapter 201B-3 HRS was enacted the number of visitor arrivals in Hawaii in 1998 (6.60 million) was less than in 1990 (6.72 million). Under the circumstance, one might have expected the law to focus more aggressively on tourism promotion and marketing. Instead, it laid out broad mandates for HTA to create a sustainable tourist destination. HTA reports its activities and progress in its annual report to the State Legislature (and Governor). It is currently funded from revenues generated by the state's transient accommodation tax (TAT), also known as the hotel room tax.

HTA's volunteer board, whose members are appointed by the Governor for a term of four years (but not to exceed eight consecutive years), oversees the agency's work. The board hires a president and CEO (not a "Director" as in other state agencies) to manage the agency. The members of the board are chosen from a list of names nominated by the Senate President, the Speaker of the House, and the Governor; nominees are subject to Senate confirmation, which makes the board a political entity.

Board members meet during their monthly "regular" meetings to set policy and direct the agency's work on behalf of the State. (HTA also holds separate board meetings on tourism marketing and promotion.) The membership of the board consists of the following: At least one member of the board is appointed to represent the four island counties. At least six board members "shall have knowledge, experience and expertise in the area of visitor industry management, marketing, promotion, transportation, retail, entertainment or visitor attractions. At least one board member shall have knowledge and expertise in the area of Hawaiian cultural practices. Finally, no more than three members shall represent, be employed by, or be under contract to any sector of the industry represented on the board."¹⁶ Of the current 12 board members, 4 are employed by the hotel industry, 1 from a law firm, 2 from nonprofits (a representative from a public access television station and the other from the Land Use Research Foundation of Hawaii, self-described as "the only Hawaii based organization devoted exclusively to promoting the interests of the development community...")¹⁷, 1 visitor

¹⁶ HTA, Board of Directors, at <https://www.hawaiitourismauthority.org/who-we-are/board-of-directors/>

¹⁷ <http://www.lurf.org>

attraction, 1 land use architect/planner, an airline representative, the President and CEO of the Chamber of Commerce of Hawaii, and the Ambassador of Aloha. Thus, the majority of the board members come from tourism.¹⁸

Board members select their own chairperson. Seven members in attendance comprise a quorum and a minimum of 7 affirmative votes are necessary to pass any proposed measure for action. HTA's executive director (CEO) has a staff; the size of the staff is set by the Legislature. The Legislature also has capped HTA's budget allocated to administration.

With no government members on the board, HTA resembles a trade association or a large business rather than a government agency. Board members, bonded by their shared interest in promoting and growing tourism, are a collegial group and take their tasks seriously. Votes taken in the monthly regular board meetings are not reported in the minutes; decisions are usually unanimous.

From early on there was concern that with majority membership comprising of people from tourism, "when push comes to shove the broader interests of the community will be sacrificed to the narrower interests of the various factions in the visitor industry."¹⁹ If that were to happen, a government agency created to act in the public interest instead is "captured"²⁰ by the industry to advance private economic interests. The result is a net welfare loss to the community.

HTA's Performance

State law requires periodic management and financial audit of all HTA contracts valued at over \$15 million; audits "may include any additional audit issues the Auditor deems appropriate." Thus, the State Auditor has broad discretion to audit HTA. To date the State Auditor has conducted 5 management audits of HTA (2002, 2003, 2009, 2013 and 2018) and two follow-up reports (2012 and 2016) on the implementation of recommendations made in 2009 and 2013.

Audits look for faults and hence they tend to be critical in tone. They identify deficiencies so they can be fixed. Some of HTA's deficiencies discovered through audits fall under the category of housekeeping. For example, in the 2002 audit, the Auditor "identified a wide array of management deficiencies in the authority's contracting process, including a lack of written policies and procedures."²¹ In the 2003 audit, the Auditor "found the authority's inadequate contract management and internal controls failed to safeguard state funds allocated for marketing Hawaii as a visitor destination." The 2018 audit examined two contracts valued at over \$15 million and HTA's procurement of service contracts. "In all three areas, we found that HTA's autonomy, which includes permanent funding and an exemption from the State Procurement Code, has facilitated lax oversight, deficient internal controls, and, ultimately, less accountability."

The 2009 audit focused on HTA's effectiveness in accomplishing its goals. The audit noted that while "HTA had taken steps to address many of its deficiencies..." it "had not established agency visitor industry targets nor reported on its own performance towards achieving its goals. We also could not discern from our review of agency documents how well HTA is achieving its overarching goal to optimize benefits that integrate visitors', the community's, and the visitor industry's interests. We found that the authority commissions reports and gathers data (through visitor satisfaction and resident sentiment surveys) relevant to such a determination, but does minimal analysis or reporting of that data." These deficiencies were not resolved by the next audit.

18 Which business is a tourism businesses is not always easy to determine as a business that serves tourists also serves residents.

19 James Mak, *Developing a Dream Destination, Tourism and Tourism Policy Planning in Hawaii*, University of Hawaii Press, 2008, p.132.

20 "Regulatory capture" is a concept associated with Nobel laureate economist, George Stigler. The theory is that regulatory agencies may come to be dominated by the industry they are charged to regulate and do not necessarily serve the public interest. At <https://www.investopedia.com/terms/r/regulatory-capture.asp>

21 Summaries of HTA deficiencies come from the 2013 and 2018 audits and the 2016 follow-up report on the 2013 audit.

In the 2013 audit, the Auditor “found that HTA board members and administrators lack policies, procedures, and guidelines for complying with State tourism marketing plan requirements and for documenting HTA’s progress in achieving its strategic goals.”²² Accountability is a key requirement of good governance. According to the State Auditor, HTA has not been accountable.

Follow-up Auditor’s reports show that HTA made laudable efforts to fix some of the deficiencies after each audit in line with the Auditor’s recommendations. But it is noteworthy which recommendations remained unresolved. The Auditor’s 2016 following-up report found that 9 recommendations from the 2013 audit were “closed” (i.e. resolved) and 5 were still “open” (i.e. being worked on.) The 9 closed cases were related to housekeeping; the 5 unresolved cases were performance related. Briefly, the Auditor faulted HTA for failure to measure progress against its strategic goals. Instead, its “measures of effectiveness monitored the overall performance of Hawaii tourism market.”²³ In a separate interview with the Honolulu Star-Advertiser, the State Auditor questioned whether HTA can claim credit for Hawaii’s recent tourism boom: “Frankly, I’m not sure we can or maybe even HTA can determine how much of their efforts have increased tourism or spending.”²⁴

In the 2016 HTA Strategic Plan (HTASP), HTA tried to address the Auditor’s concerns by stating clearly its goals and established 1-year, 3-year, and 5-year numerical targets “as a means to measure the success of attaining HTASP goals.”²⁵ It is important to note that the State Auditor does not question whether HTA’s strategic goals are reasonable goals. It turned out the goals for the 2016 plan were far too ambitious.

Starting in 2019, HTA announced that it would abandon its 2016 Five-Year Strategic Plan goals and measures used to evaluate its performance. Instead it would use four Key Performance Indicators (KPIs): (1) resident satisfaction, (2) visitor satisfaction, (3) average daily visitor spending, and (4) total visitor spending.²⁶

The problem with the KPIs is that visitor expenditure figures are reported in current (nominal) dollars and not in inflation-adjusted (real) dollars. Nominal visitor expenditure data are useless to evaluate HTA’s performance over time. To illustrate this point, in 2019, total visitor spending in Hawaii increased by 1.4% over the previous year to \$17.754 billion in current dollars. However, total visitor spending in Hawaii adjusted for inflation actually decreased by .2% compared to the previous year.²⁷ Hawaii’s tourism economy in 2019 did not expand; it contracted. The public and state lawmakers would not know that by reading HTA’s annual report.

Not applying inflation-adjustment to visitor spending data can leave the public with grave misconceptions about the long-term performance of tourism in Hawaii. In 1989, 6.5 million visitors spent \$9 billion (in current) dollars in Hawaii; that was equivalent to \$18.3 billion in 2019 dollars. By comparison, in 2019, the 10.4

22 According to the 2013 audit (p. 20) “The HTA strategic plan identifies 12 performance indicators that include number of jobs, unemployment rate, tax collections, visitor satisfaction, resident satisfaction towards tourism, quality-of-life measures, and cost per arrival. Although some of these indicators can be linked to HTA’s strategic goals, the strategic plan does not establishment targets against which to assess the performance of each indicator.”

23 The Auditor, State of Hawaii, New HTA Management Continues to Improve Plans, Contract Oversight, and Reporting: Follow-up on Recommendations Made in Report No. 13-09, Audit of Major Contracts and Agreements of Major Contracts and Agreements of the Hawaii Tourism Authority, A Report to the Governor and the Legislature of the State of Hawaii, Report No. 16-05, May 2016 at <http://files.hawaii.gov/auditor/Reports/2016/16-05.pdf>

24 Allison Schaefer, “Lawmakers question HTA’s spending,” Honolulu Star-Advertiser, March 1, 2018, p. B1.

25 Hawaii Tourism Authority Five-Year Strategic Plan 2016 at https://www.hawaiitourismauthority.org/media/1849/hta15001-strategic-plan_web.pdf

26 Hawaii Tourism Authority, 2019 Annual Report to the Hawaii State Legislature, p.7. Not all changes in visitor arrivals and spending are attributable solely to HTA.

27 See Allison Schaefer, “Visitors to Hawaii are spending less,” Honolulu Star-Advertiser, February 17, 2020, p. A8.

million visitors spent \$17.75 billion. Thus, Hawaii received nearly 4 million more tourists in 2019 than in 1989, but with less total (real) visitor spending. In sum, tourism's benefits to Hawaii were falling while the costs/problems imposed by tourism on the local community were rising. Tourism industry's imprint on Hawaii's economy peaked around 1989 and has languished below that since. It is not surprising that fewer residents now perceive the benefits of tourism out-weighting the problems it causes. Until recently, the media didn't report this important story.

The U.S. National Travel and Tourism Office reports visitor spending in the U.S. in both current and in inflation-adjusted dollars. HTA still has not.

HTA's Troubles at the Legislature and Public Concerns

From the beginning of its existence, HTA was embroiled in controversy.²⁸ At times HTA's relationship with the Legislature (and the Governor) has been rocky, especially in recent years. Growing dissatisfaction expressed by key state lawmakers over HTA's leadership and the direction tourism was taking convinced the HTA board to fire CEO George Szegeti without cause in July, 2018.²⁹ HTA's board chairman, Richard Fried, explained that the termination was a unanimous vote to "go in a new direction."³⁰ He further explained that "One of the major reasons that we are doing this is the difficulty in the current political climate and the difficulty in keeping our budget through the Senate."³¹ A former HTA board member remarked, "HTA was created by the Legislature. If you lose the support of key legislators, it's hard to get past that."³² Despite heaping praise on CEO Szegeti's accomplishments at the HTA during his three-year tenure, HTA board members terminated his contract before it had expired. The Governor also withdrew Board Chairman Fried's own term extension.³³ Earlier in the year, HTA's vice president of marketing and product development and the chief operating officer—the second and third-highest ranking leaders-- both resigned.³⁴ Their replacements, announced in December 2018, are accomplished professionals (the new CEO—Chris Tatum—is a former hotel executive from Marriott).³⁵

The public also wants HTA to do a better job. 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 leaving his post, HTA CEO Szegeti opined that "the challenge for the next CEO will be how to balance the [tourist] numbers with managing the destination."³⁶

28 See James Mak, *Developing a Dream Destination...*, p. 130.

29 Allison Schaefer, "Tourism authority board fires CEO," Honolulu Star-Advertiser, June 29, 2018, p. A1 and A8; also Tovin Lapan, "HTA readies for 'a new direction' with CEO departure," Travel Weekly, July 6, 2018 at <https://www.travelweekly.com/Hawaii-Travel/Insights/HTA-readies-for-new-direction>

30 "Politics, disasters challenge to HTA," Honolulu Star-Advertiser, July 2, 2018, p. A8.

31 Allison Schaefer, "Tourism authority board fires CEO Szegeti," Honolulu Star-Advertiser, June 29, 2018, p. A8. In the regular HTA board meeting in June, 2018, HTA board chairman noted that "Since [CEO Szegeti] took charge of HTA, it is in a much better position than when he entered." It did not save Szegeti's job or even earn him a split vote on his firing.

32 Allison Schaefer, "Tourism authority board fires CEO Szegeti," p. A8.

33 Allison Schaefer, "HTA's third-highest ranked leader resigns," Honolulu Star-Advertiser, April 26, 2018, p. B4.

34 Allison Schaefer, "HTA's third-highest ranked leader resigns," p. B4.

35 Allison Schaefer, "HTA fills 2 more top leadership positions," Honolulu Star-Advertiser, December 11, 2018, p. B3; and Vicki Viotti, "Chris Tatum," Honolulu Star-Advertiser, March 13, 2020, p. A17.

36 Allison Schaefer, "Tourism authority board fires CEO Szegeti," p. A8.

HTA Under New Management

With the appointment of Chris Tatum as HTA's new president and CEO on November 29, 2018, HTA pronounced its intention to chart a new course for Hawaii tourism: one that aims to achieve greater balance between tourism marketing and promotion and destination management.³⁷ HTA's new strategic plan for 2020–2025 states (p. 3): “This is the first strategic plan developed while HTA is rebalancing our attention from mainly marketing to greater emphasis on destination management.”³⁸

Under Tatum, HTA plans to redirect its resources to attract higher spending and lower impact visitors and to focus more on community enrichment and preservation of Hawaiian culture and natural resources. The process began before his arrival. After a very difficult 2018 legislative session for the agency, HTA's director of Hawaiian cultural affairs said that HTA “began looking at shifting dollars, including some previously earmarked for marketing, into programs that manage the destination.”³⁹ These programs, some new and others enhanced, are reported in the minutes of its monthly regular board meetings. A major focus is educating visitors on safety and how to behave responsibly while in Hawaii. At public meetings Tatum emphasizes that he works with the industry but for the residents of Hawaii.⁴⁰ HTA professes to “place the interests and benefits of residents first.”⁴¹

Changes made at the HTA during the first year under Tatum's leadership have not gone unnoticed. A recent Honolulu Star-Advertiser editorial (November 30, 2019) observed that “A couple of major policies are shifting [Hawaii's] tourism landscape”: The City and County of Honolulu's new regulations on short-term vacation rentals, and Hawaii Tourism Authority's (HTA) “new push for more environmentally-friendly and sustainable tourism.” In an interview with Travel Weekly at the conclusion of his first year in office, Tatum disclosed that before his arrival there were only two people reporting to the CEO, the marketing director and the chief administrative officer; now, after the reorganization of its internal management structure, the director of cultural and natural resources and the director of community engagement also report directly to the CEO.⁴²

HTA's strategic plan for 2020–2025 contains a vision statement for 2025. It is now guided by four Pillars: Natural Resources (Pillar I), Hawaiian Culture (Pillar II), Community Enrichment (Pillar III), and Brand Marketing (Pillar IV).⁴³ Each of the first three pillars features a program that provides grants to community-based non-profits: the Aloha Aina program (29 grants in CY2019) to protect Hawaii's natural resources, the Kukulu Ola program (28 grants) to perpetuate Hawaiian culture, and the Community Enrichment program (CEP) (74 grants) which “funds a diverse array of festivals, events and year-round programs in support of culture, culinary, education, health and wellness, nature, agriculture, sports, technology and voluntourism.”⁴⁴ The three featured programs have been around long before the latest management change at HTA but at smaller scales.⁴⁵

37 During the 2014 legislative session, state lawmakers amended HRS Section 201B-6 and replaced the term “marketing and promotion” with “brand management.”

38 Hawaii Tourism Authority, Strategic Plan 2020–2025 at <https://hawaiitourismauthority.org/media/4286/hta-strategic-plan-2020-2025.pdf>

39 Honolulu Star-Advertiser, June 3, 2018, pp. A1 and A15.

40 Viotti, March 13, 2020, p. A17.

41 Hawaii Tourism Authority, 2019 Annual Report to the Hawaii State Legislature, p. 6. Also HTA's 2020–2025 strategic plan, p. 18.

42 <https://www.travelweekly.com/Hawaii-Travel/Insights/HTA-CEO-Chris-Tatum-recaps-first-year-in-office-looks-to-2020>

43 Hawaii Tourism Authority, 2019 Annual Report to the Hawaii State Legislature.

44 For information on the individual recipients of the grants and purposes, see the 2019 HTA Annual Report to the Hawaii State Legislature.

45 Before FY2016, the Community Enrichment program was called the County Product Enrichment Program and the Aloha Aina Program was called the Natural Resources Program.

HTA's strategic plan states (p. 11): "Recognizing the increasing impact of high-volume tourism on attractions, sites, and residential neighborhoods, HTA has begun rebalancing our budgets to provide additional support for Hawaiian culture, community activities and visitor safety. HTA's fiscal 2020 budget increased spending for Hawaiian culture, natural resources, and community programs by \$7.5 million compared to the previous year's budget." It's not apparent how the \$7.5 million is derived. To delve further, it is helpful to be familiar with the basics of HTA's finances.

On the revenue side, HTA receives an annual legislative appropriation from revenues generated by the state's transient accommodations tax (TAT). The Legislature determines the amount arbitrarily and not by pre-determined formula.⁴⁶ Between FY 2016 and FY 2018, HTA received \$82 million per year from the TAT; in FY2019 and FY2020 HTA received \$79 million each year. In nominal and in inflation-adjusted dollars, HTA has had to operate with fewer financial resources in recent years. HTA tries to live within its appropriations; thus, in FY2019, HTA's (actual) total expenditures were \$78.9 million. But the total budget for that year was \$86.8 million. That's because available revenues for FY 2019 consisted of the \$79 million appropriation from TAT revenues plus \$7.8 million from unspent funds carried over from previous years. If all available money (\$86.8 million) were spent in FY2019 there would not be carry-over money available for FY2020. (As it turned out, FY2020 total revenues were \$79 million from TAT revenues plus \$8.5 million in carry-over revenues.)

Not all the sums budgeted for various HTA spending categories/programs at the start of the fiscal year are actually spent. The percentage actually spent varies from category to category. For example, for FY2018, the amount budgeted for "Hawaiian culture" was \$3,897,500, but the actual cumulative amount spent as of June 30, 2018 (the end of FY2018) was \$1,140,352 (or, 29.3%). For "natural resources", \$1,857,500 were budgeted but only \$1,049,903 was actually spent (or, 56.5%). The percent of the budget allocation to "community" enrichment actually spent was 36.8%.⁴⁷ By comparison, the percentage of the annual total budget actually spent in FY2018 was 93.3%; in FY2019 it was 90.9%. Money from one budget category could be re-allocated to another category mid-fiscal year.

Which of the two—the budget or actual spending-- best represents HTA's spending priorities? One might consider the budget as a wish list (e.g., initial budgets may include money set aside under, say, Hawaiian culture for yet-to-be determined expenditures); actual spending is what really matters. Since actual spending data for FY2020 are still unavailable, following HTA, we compare budgets for FY2019 and FY2020. Unfortunately, the definition of spending categories had changed between the two fiscal years. In FY2020, Safety and Security was pulled out of Hawaiian culture, natural resources and community and listed as a separate category, and Sports/Sports Marketing was pulled out of Branding/Sales and Marketing. If the same definitions were employed, the difference between the two years for Pillars I-III would be less than \$3 million, not \$7.5 million (Table 1). Budget comparisons can safely be made between fiscal years only if definitions of spending categories are first standardized. In Table 1 we attempt to standardize definitions for different spending categories so the budget data can be compared for fiscal years 2018 - 2020.⁴⁸

46 James Mak, How Hawaii's State Government Shares Transient Accommodation Tax Revenues with its Local Governments, University of Hawaii Economic Research Organization (UHERO) Working Paper No. 2016-4, May 12, 2016.

47 Information packet distributed for the August 30, 2018 HTA regular board meeting.

48 It is an attempt since the only people who can make the precise comparisons are HTA staff who worked on the budgets and have knowledge of how each expenditure is assigned to which expenditure category.

Table 1: HTA Annual Budgets for FY2018 - FY2020
(in 000s)

	FY2018		FY2019		FY2020	
	\$	%	\$	%	\$	%
Hawaiian Culture, Natural Resources & Community	\$12,062	13.6%	\$15,224	17.4%	\$18,167	20.9%
Branding/Sales & Marketing	62,057	70.2	54,051	61.8	51,561	59.4
Sports/Sports Marketing	5,883	6.7	8,135	9.3	7,200	8.3
Safety & Security	986	1.1	1,910	2.2	2,150	2.5
Tourism Research	2,531	2.9	4,615	5.3	3,993	4.6
Administration & Organization-wide Costs	4,852	5.5	3,523	4.0	3,719	4.3
Total	\$88,372	100.0%	\$87,458	100.0%	\$86,790	100.0%

Source: Hawaii Tourism Authority, Packets for the August, 2018 and January 2019 and January 2020 regular monthly board meetings.

Table 1 shows that HTA budgeted more money between FY2018 and FY2020 to programs/activities that support Hawaiian culture, natural resources, community enrichment and safety and security although its total annual budget actually decreased.⁴⁹ It also shows the dollar amount and shares of the budgets allocated to branding (promotion and marketing) have declined. The share of branding in the total budget fell from about 70% to less than 60% between FY2018 and FY2020, while the shares allocated to community enrichment, natural resources, and Hawaiian culture increased from 13.6% to 20.9%. There has been a budget shift at HTA.

However, HTA's shift of resources to support community needs does not adequately address the problems that are of greatest concern to residents as revealed in the annual resident sentiment surveys—traffic, overcrowding, damage to the environment, and high prices. The 2017 resident sentiment survey revealed that HTA-sponsored festivals, activities and sports events for tourists and residents received high scores in resident satisfaction but low scores in importance to residents.

The most challenging problems faced by HTA in destination management are those that involve multiple government agencies and private stakeholders. Myriad state and county government agencies, non-profits and non-governmental organizations are involved in tourism. In a recent UHERO research brief—Charting a New Course for Hawaii Tourism—we concluded that “the current dysfunctions in tourism...are not the result of a failure of any one of the [many] entities involved [in tourism], but rather a failure to co-ordinate and manage tourism related activities across jurisdictions and functional boundaries.”⁵⁰ For example, it is much easier for HTA to provide a grant to support a hula festival than it is for HTA to solve traffic congestion problems at Laniakea Beach (also known as Turtle Beach) on the North Shore of Oahu, which involves the State Department of Transportation (DOT) (in charge of the highway) and the City and County of Honolulu (in

49 The amounts budgeted for Hawaiian Culture, Natural Resources, and Community include much more than the amounts budgeted on the 3 featured grant programs. For FY 2020, the amount budgeted for the Kukulu Ola program is \$1,585,000, representing 19.6% of the \$8,093,613 total amount budgeted for Hawaiian Culture. Other expense items assigned to Hawaiian Culture include amounts budgeted for such activities as festivals, harbor and airport greetings, Duke's Oceanfest, etc. The amount budgeted for the Aloha Aina program (\$2,081,000) comprise 51.5% of the total amount budgeted for Natural Resources. The amount budgeted for the Community Enrichment program (CEP) of \$3,464,200 represents 57.5% of the total budget for community enrichment.

50 <https://uhero.hawaii.edu/assets/ChartingANewCourseForHawaiiTourism.pdf>

charge of traffic enforcement.), surfers, and tourists who jaywalk across the highway to watch turtles at the beach and tying up traffic for miles on both sides of the highway.⁵¹ HTA reportedly had offered money to state and city officials to pay for short- to medium- term traffic solutions, but what HTA cannot do is to force the Department of Transportation to fix a problem that it wasn't ready to fix.⁵²

Requirements for Tourism's Success

In our UHERO research brief, we argued that three conditions are required to successfully manage a destination: 1.) authority to take action, 2.) sufficient resources to implement actions, and 3.) a long-term, strategic view.⁵³ HTA does not meet the three requirements of success.⁵⁴ This was publicly acknowledged in HTA's FY2015 *Annual Report to the Hawaii State Legislature*:

"In 2015, the HTA developed a new 5-year strategic plan to replace the previous 10-year plan adopted in 2004. The Hawai'i Tourism Strategic Plan 2005-2015 was organized as an overall "state" plan for tourism that designated government agencies or various private-sector groups as the lead agencies responsible for some of the plan's key initiatives. In reality, the HTA did not have sufficient authority or resources to require others to help carry out that plan, or to constantly monitor and oversee what was being done by others. Therefore, the new [2016-2020] Hawai'i Tourism Authority Strategic Plan (HTASP) is an "HTA" plan only, though it recognizes the need to work with partners and stakeholders. This approach is intended to increase the odds the HTASP can be successfully implemented, give clear guidance on priorities, and permit accurate measures of success and progress."

HTA's strategic tourism plan for 2020-2025 is also a HTA tourism plan and not a state tourism plan.⁵⁵ It focuses (p. 16) "primarily on what HTA can do on its own, and secondarily, what it hopes to do in partnership with other public and private organizations." HTA's definition of destination management (p. 17) "includes attracting and educating responsible visitors, advocating for solutions to overcrowded attractions, overtaxed infrastructure, and other tourism related problems, and working with other responsible agencies to improve natural and cultural assets valued by both Hawaii residents and visitors." [Italics added.] "Advocating" is not "managing." The enabling legislation (Chapter 201B-3 HRS) directs HTA to do more than "advocating."

It is common for tourist destinations to craft strategic plans to guide the development of tourism. Far too often approved plans are not implemented. Hawaii has not had a stellar record of planning and managing sustainable development. Hawaii state lawmakers funded an expensive statewide sustainable tourism study in 2000. The study was completed in 2005.⁵⁶ No plan emerged and no one seems to have paid any attention to it.

Then in 2008 the Hawaii State Legislature passed Act 8 which established the Hawaii 2050 Task Force (of 25 members) to come up with recommendations for a statewide sustainability plan for the 21st century. The Office of the Auditor, after receiving the Task Force's recommendations, prepared the Hawaii 2050 Sustainability Plan, and the Legislature passed it. (The plan did not contain a specific plan for tourism.) State law required the plan to be updated every 10 years, but there was insufficient funds 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

51 <https://www.khon2.com/local-news/residents-lawmakers-demand-solutions-following-pedestrian-crash-at-laniakea/>; <https://www.staradvertiser.com/2013/12/24/hawaii-news/controversial-parking-barriers-installed-at-laniakea-beach/>

52 Dan Nakaso, "Some fear backlash against tourists could arise at Laniakea Beach," Honolulu Star-Advertiser, August 14, 2019 at <https://www.staradvertiser.com/2019/08/14/hawaii-news/some-fear-backlash-against-tourists-could-arise-at-laniakea-beach/>

53 <https://uhero.hawaii.edu/assets/ChartingANewCourseForHawaiiTourism.pdf> See how Rotterdam (Netherlands) developed its long-term strategic view--"Tourism in Rotterdam should be of benefit to all our citizens,"-- at <https://en.rotterdampartners.nl/wp-content/uploads/2019/09/IAB-Final-Report-PDF.pdf>

54 By comparison, European Cities Marketing, a non-profit organization, offers ten tools in its "tool box" for managing tourism growth in Europe. See <https://www.europeancitiesmarketing.com/european-cities-marketing-launches-a-toolbox-for-managing-tourism-growth-in-europe/>

55 Hawaii Tourism Authority, Strategic Plan 2020-2025.

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

Sustainability Plan was disregarded.” Recommendations and steps to implementing sustainability statewide “either only partially implemented or not implemented at all.”⁵⁷

The plan did contain a novel component. Realizing that having a strategic plan is insufficient to get the plan implemented, the Task Force also recommended the establishment of a separate implementation/coordination agency, the Sustainability Council, whose primary purpose is to coordinate and implement the Hawaii 2050 Sustainability Plan. It would be a permanent, non-regulatory entity with recognized responsibilities and authorities, and budgetary funding, to develop, co-ordinate, and implement Hawaii’s sustainability goals, priorities, and planning throughout government. Membership on the Council would be diverse. It would be made up of 6 governmental appointees (not necessarily restricted to government officials) and 9 public members and 2 non-voting ex-officio members from the Department of Education and the Office of Planning.⁵⁸ The Sustainability Council was not established, which may explain why the 2050 Sustainability Plan has been “ignored,” but it does provide a model for the design of a similar institution for tourism; call it the Sustainable Tourism Council, or simply, the Tourism Council.

Destinations elsewhere are establishing tourism co-ordination/implementation entities of their own. For example, the City of Edinburgh (UK) in developing its strategic tourism plan--Edinburgh Tourism 2020 Strategy--employs a ‘collective leadership approach’ to implementing the strategy. As a response, the City formed the Strategic Implementation Group (SIG) which “brings together senior stakeholders from across the tourism sector who collectively are responsible for overseeing the successful delivery of the strategy.”⁵⁹

Earlier, in July 2016, Barcelona’s City Council approved the establishment of a Tourism Council “which aims to represent the general public as a whole as well as the sector. It is chaired by the Mayor and composed of representatives from the general public and neighbourhood sector, the tourist sector, the commerce and catering sector, culture and sport, trade unions, environmental, social and territorial groups, experts and municipal professionals, as well as representatives from each of the municipal political groups.”⁶⁰ It is only an advisory body. Inter-departmental co-ordination of tourism is achieved through the Tourism Council, the Tourism and City Municipal Working Group (a municipal inter-departmental working group), and the Tourism Management Working Group “which coordinate municipal service initiatives.” In both Edinburgh and Barcelona, new institutions were created to facilitate plan implementation.

To date, there is paucity of information on how well such tourism coordination/implementation entities have worked. The Destination Stewardship Center is searching for great destination stewardship councils.⁶¹ According to the Global Sustainable Tourism Council (GSTC), the minimum requirements for a successful stewardship organization include “responsibility for a coordinated approach to sustainable tourism, with involvement by the private sector, public sector and civil society. This group has defined responsibilities, oversight, and implementation capability for the management of socio-economic, cultural and environmental issues. The group is adequately funded, works with a range of bodies in delivering destination management, has access to sufficient staffing (including personnel with experience in sustainability) and follows principles of sustainability and transparency in its

57 State of Hawaii, the Office of the Auditor, Hawaii 2050 Sustainability Plan, Ten Year Measurement Update (2008-2017), March, 2018, p.4 at <http://planning.hawaii.gov/sustainability/hawaii2050/#gallery-1>

58 Further details on the Sustainability Council, its responsibilities, size, membership composition are available at <http://planning.hawaii.gov/sustainability/hawaii2050/#gallery-1> beginning on page 69.

59 Edinburgh Tourism Action Group (ETAG), Edinburgh Tourism Strategy 2030, Setting the Scene, Evidence Review & Analysis at <https://www.etag.org.uk/wp-content/uploads/2014/01/Edinburgh-Tourism-Strategy-2030-Phase-1-Setting-the-Scene.pdf>, beginning on page 65.

60 Harold Goodwin, Managing Tourism in Barcelona, Responsible Tourism Partnership Working Paper 1, 3rd Edition, November 2019 at <https://responsibletourismpartnership.org/wp-content/uploads/2019/11/Managing-tourism-in-Barcelona.pdf>

61 <https://destinationcenter.org/destination-watch/the-search-for-great-stewardship-councils/>

operations and transactions.”⁶² The U.S. created an interagency Tourism Policy Council chaired by the Secretary of Commerce which “...has proven effective when afforded sufficiently high-level leadership.”⁶³

Conclusion

Sustainable tourism development is about stewardship for the future. Unfortunately, many Hawaii residents today are feeling the strains of too rapid tourism growth, and their support for tourism is eroding. The Hawaii Tourism Authority is perceived as not adequately managing the destination. Commendably, HTA is striving to change. But despite its heightened focus on destination management, it still doesn't meet the three conditions of success: it lacks resources, it lacks authority, and it lacks a long-term strategic view. It sees itself as an advocate for solutions to tourism-generated problems, and not as a manager. HTA's current strategic plan is notable for what it doesn't say as much as what it does say. For example, it has no stated strategies to respond to climate change, natural disasters, terrorism, geopolitical conflicts, or the spread of contagious diseases that may produce catastrophic impacts on tourism and the local community. Planning to create a “smart destination”?⁶⁴ Not yet. HTA employs performance indicators—i.e. visitor spending data—that lead to incorrect conclusions about tourism's performance. Moreover, while HTA's CEO has changed, one wonders if the internal culture of the institution—still heavily committed to tourism marketing and the visitor industry--has really changed as the composition of its board membership remains essentially unchanged. All of this argues for the establishment of a separate tourism management/coordination entity much like the Sustainability Council recommended by the Task Force on the Hawaii 2050 Sustainability Plan, and, similarly, the Global Sustainable Tourism Council's destination stewardship councils. Ultimately, getting things done depends on having strong leadership. In Hawaii that means leadership from the Governor's office and the Legislature.

UHERO BRIEFS ARE CIRCULATED TO STIMULATE DISCUSSION AND CRITICAL COMMENT. THE VIEWS EXPRESSED ARE THOSE OF THE INDIVIDUAL AUTHORS.

62 Global Sustainable Tourism Council, GSTC Destination Criteria, Version 2.0, 6 December, 2019 <https://www.gstccouncil.org/wp-content/uploads/GSTC-Destination-Criteria-v2.0.pdf>

63 Task Force on Travel Competitiveness, National Travel & Tourism Strategy, 2012, pp. 14-15 at https://legacy.trade.gov/org_charts/Industry-and-Analysis.pdf

64 One definition of a “smart destination” is “an innovative space, accessible for all, established on a cutting edge technology infrastructure which guarantees sustainable development of the land, facilitates the interaction and the integration of the visitor with the surroundings and increases the quality of their experience in the destination, as well as the quality of life of residents.” Smart Destination Report (2015) at <https://www.segittur.es/opencms/export/sites/segitur/.content/galerias/descargas/documentos-en/Smart-Destination.pdf>

About the Authors

Paul H. Brewbaker is the Principal of TZ Economics.

Frank Haas is Director for Strategic Development and Assistant Dean at the University of Hawaii School of Travel Industry 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.