# Developing a Dream Destination: From Laissez-Faire to Destination Management

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By James Mak

## EXECUTIVE SUMMARY

In 2008, I published an interpretive history of how public policies toward tourism in Hawaii changed over nearly half a century from statehood until circa 2005. During much of this period, tourism in Hawaii was booming until the 1990s, followed by a period of relative stagnation. The early role of the state government in developing tourism in Hawaii was much at odds with conventional wisdom that developing a successful and sustainable tourism destination requires comprehensive planning and tight government oversight and control. Hawaii succeeded in becoming one of the world's greatest destinations—one of 50 Places of a Lifetime—according to the National Geographic Traveler magazine in 1999 without heavy-handed government intrusion in the development process.

A very different story is currently unfolding. Beginning in 2009, Hawaii experienced an uninterrupted string of rising visitor arrivals which were celebrated in state news releases. Unfortunately, what was overlooked in the news releases was that growth in visitor spending (after adjusting for inflation) had fallen way behind that of visitor arrivals. Thus, tourism's negative impacts on the community were rising but its economic benefits had not kept pace. The laissez-faire model of tourism development wasn't working for the benefit of residents. Not surprisingly, there has been growing public pressure on the state government to do a better job of managing Destination Hawaii. This essay tells the story of the state government's response, and explains why it is so difficult to pivot from brand management to destination management under the current governance structure.

Myriad state and county government agencies, non-profits and non-governmental organizations are involved in tourism. At present, the lead organization tasked with the responsibility to manage tourism is the quasi-autonomous Hawaii Tourism Authority (HTA), founded in 1998. However, HTA does not have sufficient authority or resources to require others to help carry out its plans. HTA's new strategic plan for 2020-2025 aims to accelerate the shift of its resources (time and money) into programs that support the community, perpetuate the Hawaiian culture and protect Hawaii's natural resources. However, the plan focuses "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 sees its role as destination manager to include "…advocating for solutions to overcrowded attractions, overtaxed infrastructure, and other tourism related problems." Advocating is not managing. State lawmakers have not been impressed with HTA's performance and have passed measures to reduce the state's financial support and strip away some of HTA's fiscal autonomy.

Hawaii's inability to manage the destination holistically is not the fault of any single organization/institution. It is a failure of governance. What is needed is a new governance model that is able to manage tourism across jurisdictions, agencies, functions and stakeholder groups. It must have the authority to marshal the expertise and resources of other agencies in addressing tourism's challenges. The long-term solution for tourism sustainability will require buy in and participation from a broad range of stakeholders. That may mean either creating a more inclusive super-HTA with more authority and resources or creating a separate implementation/coordinating agency similar to the Sustainability Council recommended by the Hawaii 2050 Task Force (2008) to implement the statewide sustainability plan.

Hawaii appears to have reached an impasse in deciding how best to manage Destination Hawaii. Before the impasse becomes too entrenched, perhaps it is time to bring in outside expertise to provide an independent evaluation of the situation and offer suggestions/options on how the state might move forward. That person (or group) selected should be someone who has knowledge of tourism, understands and is committed to the principles of sustainability, and has had a lot of experience studying how other destinations have successfully managed their destinations.

Hikers at Maunawili Falls, Oahu (Photo supplied by KITV.com)

## BACKGROUND

In 2008, I published an interpretive history of tourism and tourism policy development in Hawaii between statehood (1959) and *circa* 2005.[1] It told the story of how public policies toward tourism in Hawaii changed over nearly half a century when tourism was booming until the 1990s followed by a period of relative stagnation. During a remarkable stretch between 1959 and 1990, there was only one year (1980) in which visitor count fell below that of the previous year. 2005 was a good year to end the book because in 2004, the Hawaii Tourism Authority (HTA) just completed its 10-year Tourism Strategic Plan for 2005-2015, and the counties would come out with their parallel plans a year later. Thus, 2005-06 would begin a new chapter in Hawaii's tourism saga.

Tourism in Hawaii in 2005 was vastly different from what it was in 1959. For one thing, the tourism business had become very much larger. In 2005, there were 7.4 million visitor arrivals compared to less than 250,000 in 1959. The 2005 visitors spent nearly $12 billion in Hawaii versus $109 million in 1959 (or $708 million in 2005) dollars. Statistically, one out of every 8 people in Hawaii on a typical day in 2005 was a tourist. On the Neighbor Islands the tourist-to-resident population ratio was much higher.

During the 1990s, the concept of "sustainable tourism" was beginning to receive a lot of attention around the world.[2] Sustainable tourism is based on the notion that tourism development today must not harm the well-being of people in the future. The UN World Tourism Organization (UNWTO) defines sustainable tourism "as an enterprise that achieves a balance between the environmental, economic, and socio-cultural aspects of tourism development so as to guarantee *long-term benefits* to recipient communities." [italics added] [3] The traditional tourism model focuses on short-term rewards.

It is generally agreed among tourism observers that developing a successful and sustainable tourism destination over time requires comprehensive planning and tight government oversight and control. Hawaii's nearly half-a-century story is at odds with conventional wisdom because Hawaii had not imposed rigid government control over tourism development in the islands. Indeed, comprehensive tourism planning came rather late to the state with the passage of Act 133 in 1976 which called for the development of a ten year tourism master plan to guide the development of tourism in Hawaii. The plan was prepared in response to widespread public concern that tourism was growing too fast and needed to be reined in. During the 1960s, tourist arrivals grew at a phenomenal rate of 19.7% per year and 8.7% per year in the 1970s. It was to be a sustainable tourism plan even before the term "sustainable tourism" became fashionable. The tourism functional plan—which became one of twelve functional plans in the State Plan—was passed in 1980. The plan clearly stated that "The initiative in the development of tourism belongs to the private sector; it is the role of the government to support and regulate the visitor industry according to what is best judged to be in the public interest." University of Hawaii Business School professor, David McClain, observed (1992) that Hawaii had succeeded for a long time, "but in many ways it has been despite governmental efforts rather than because of them." In a nutshell, that is the central theme of my book. A very different story is currently unfolding. This essay tells that story.[4] One might consider this brief as the next chapter in *Developing a Dream Destination*.

## THE RISE OF MASS TOURISM

In 1999, the National Geographic Traveler magazine included Hawaii in its list of "50 Places of a Lifetime: The World's Greatest Destinations." Hawaii became a dream destination for millions of people around the world due to factors that were largely beyond the state's control. From the end of World War II and for the next 40+ years, it was escalating demand that drove the growth of tourist travel to Hawaii. Several exogenous factors stood out. The most

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

2 James Mak, *Tourism and the Economy, Understanding the Economics of Tourism*, University of Hawaii Press, 2004, Chapter 15.

3 USAID, *Tourism Destination Management, Achieving Sustainable and Competitive Results*, p.8 at https://www.usaid.gov/sites/default/files/documents/2151/DMOworkbook_130318.pdf

4 I borrowed liberally from my earlier work as well as those I wrote with my esteemed co-authors.

important was advances in aviation technology, specifically, the jet plane.[5] First, it was the Boeing 707 in 1959 followed by the Boeing 747 jumbo (wide-body) jet in 1970. They were bigger and faster than any piston engine planes previously used on the Hawaii route. Cost savings from using faster and bigger planes in the 1960s and 1970s were passed on to consumers via lower airfares. Jet travel dramatically reduced travel times making it possible for time-constrained visitors from distant places to visit Hawaii; visitors also took more frequent trips of shorter duration. Today, most of Hawaii's visitors are repeat visitors. The massive Boeing 747, which is still rolling off the assembly line (until 2022), accommodated large tour groups, ushering in what came to be described as the democratization of travel—i.e. travel by the masses, or mass tourism. Deregulation of the U.S. airline industry in 1978 brought more air carriers to Hawaii, and keener competition brought down airfares further.

Government travel restrictions on out-bound pleasure travel were coming down around the world, especially in the Asia-Pacific region. After the Tokyo Olympics in 1964, the Japanese government began to allow its citizens to take leisure trips abroad. There were still restrictions on how much foreign currency Japanese tourists could take abroad; but by 1976 all currency restrictions were lifted. In the 1980s, the Japanese yen appreciated sharply against the dollar making a Hawaii vacation a bargain. This produced a surge in Japanese travel (and real estate investments) to Hawaii. In 1992, Japanese visitors accounted for one-quarter of all visitor arrivals in Hawaii.

Underlying all of that was rising consumer affluence after World War II. Demand for travel is highly sensitive to income growth.

In the 1980s, tourist arrivals in Hawaii grew at an average annual rate of 5.6%. The rate of growth had slowed appreciably compared to the previous two decades, but it was still an impressive performance. The visitor numbers were staggering, rising from 3.9 million arrivals in 1980 to 6.7 million in 1990. If the intent of Hawaii's 1980 tourism functional plan was to rein in the number of visitors, it failed.

## FROM BOOM TO STAGNATION

In the 1990s Hawaii was mired in a decade-long economic slump. Tourist arrivals grew at an anemic rate of .4% per year, and the share of tourism in the state's economy actually fell. In Hawaii, tourism policy shifted from trying to rein in tourism growth to reinvigorating its growth. The transient accommodation (hotel occupancy) tax rate was raised (initially set at 5% in 1987) to provide a dedicated source of revenue for tourism marketing and promotion and also money for the construction of a $350 million world class convention center which was completed in October, 1997. Emerging from Governor Ben Cayetano's Economic Revitalization Task Force (1997) was a proposal for a major institutional change—the creation in 1998 of the Hawaii Tourism Authority (HTA). HTA was a game changer. It consolidated virtually all state government tourism functions (except research, initially) into a single, separate quasi-autonomous entity thus giving tourism more visibility and attention than when it was housed in relative obscurity in the Department of Business, Economic Development and Tourism (DBEDT). While HTA's mandate is to guide and manage the future course of tourism development in Hawaii, its primary interest, until very recently, was firmly focused on marketing and promotion. The year after it was established, and in the immediate ensuing years, HTA's annual expenditures were more than double the amounts previously spent on tourism promotion. HTA's first strategic "plan" (Ke Kumu—Strategic Directions for Hawaii's Visitor Industry, June, 1999) laid out 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.

## "THE TIMES THEY ARE A CHANGIN"[6]

The 9/11 (2001) terrorist attacks crippled tourist travel to Hawaii. By 2004 tourist arrivals had fully recovered in Hawaii. The recovery was much sooner than in the U.S. as a whole in part because Americans decided it was safer to

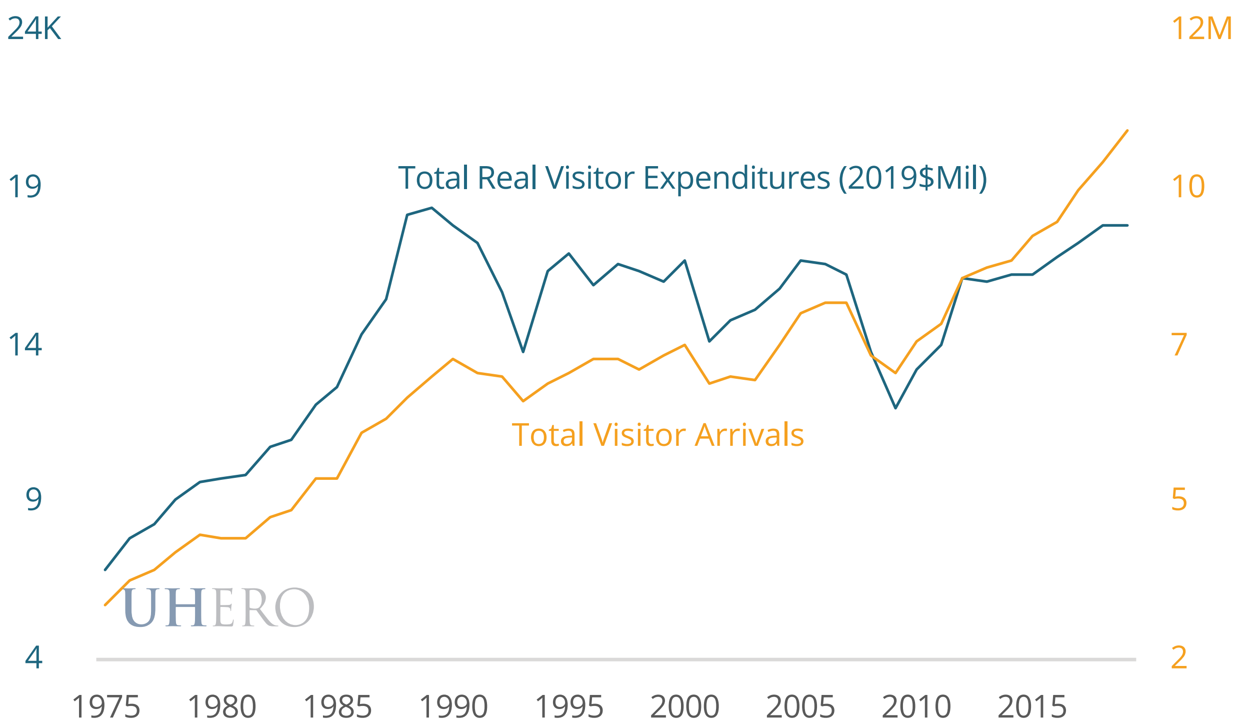
5 Andrew Kato and James Mak, "Technical Progress in Transport And the Tourism Area Life Cycle", in Clement A. Tisdell (ed.), *Handbook of Tourism Economics, Analysis, New Applications and Case Studies*, World Scientific, 2013, Chapter 11.

6 From a Bob Dylan song.

travel to Hawaii than to go abroad. There was a retreat in visitor arrivals after 2005, but beginning in 2009, Hawaii experienced an uninterrupted string of rising visitor numbers until the COVID-19 pandemic hit in 2020.

Overlooked in the much publicized rising visitor counts was a troubling picture. The number of tourists coming to Hawaii had increased by the millions—from 6.72 million in 1990 to 10.24 million in 2019—while real (inflation-adjusted) visitor spending remained below that in 1989 (Figure 1). Thus, tourism's social costs—e.g. increasing congestion of beaches, highways, natural resources, and other attractions—on the community have been rising while the economic benefits have not. HTA's annual resident surveys reveal community support for tourism was waning. It became increasingly clear that tourism now required more direct government oversight and intervention. A *laissez-faire* model of development does not maximize resident well-being when there are spillovers, negative or positive.

**Figure 1**




In January 2017, Honolulu Star-Advertiser columnist, Lee Cataluna, wrote an essay in which she argued that Hawaii has too many tourists.[7] My response to her column was that Hawaii cannot, in ways that are constitutionally permissible and politically acceptable, to place a limit on the number of tourists traveling to Hawaii. Just ask the mayor of Maui County who wants a tourism "pause" for his county now that tourists are surging back in numbers comparable to those before the pandemic because visitors have far fewer choices of places to visit than before. He has been meeting with airline representatives to see if they would voluntarily reduce airlift into Maui.[8] Good luck with that approach! What Hawaii should do, instead, is to do a better job of managing the destination.

Before a packed crowd at the Hawaii Economic Association luncheon meeting in May, 2018 Paul Brewbaker, Frank Haas, John Knox and I raised the question that is also being raised in the world's leading destinations: Is it time to shift from tourism marketing to tourism management? The preferred answer is not a simple yes or no, but what is the appropriate balance between the two. There was consensus that Hawaii is spending too little on stewardship of its touristic resources. Hawaii Governor David Ige said at the 2018 Travel Weekly's Hawaii Leadership Forum, "We know it's

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7 James Mak, "How Many Tourists is Too Many?" UHERO Blog, January 26. 2017 at https://uhero.hawaii.edu/how-many-tourists-is-too-many/

8 Audrey McAvoy, "Maui mayor asks airlines for fewer tourists amid travel boom," *Travel Weekly*, July 6, 2021 at https://www.travelweekly.com/Hawaii-Travel/Maui-mayor-asks-airlines-fewer-tourists

the people, place and culture that make Hawaii the best destination in the world." Yet, in FY2014 the state government spent only 1% of its total operating expenses on "conservation of natural resources" and 1.1% on "culture and recreation," while tourism (including all of its multiplier effects) accounts for around 20 percent of Hawaii gross domestic product (GDP). The spending percentages rise to around 3% if we take out expenditures on lower and higher education and welfare. These are modest sums.

There was no consensus on whether Hawaii is spending too much on marketing. Frank Haas argued that the State needs to spend more, not less, money to manage demand strategically to attract higher-spending visitors so Hawaii doesn't need as many visitors. Strategically targeted marketing is an integral part of destination management. Attracting higher spending visitors has been an elusive goal at HTA since its founding. Indeed, just about every destination in the world wants to do the same. If HTA hasn't tried hard enough, it doesn't mean that the strategy is faulty. Haas also argued that the state needs to invest more resources to upgrade the destination's infrastructure and increase the supply of its touristic attractions so that the high-spending visitors who do come will know that their dollars are well-spent.

## DIVERSIFICATION AWAY FROM TOURISM

One way to reduce tourism's imprint on the state is to diversify Hawaii's economy away from tourism. But it is not about finding the next big industry to replace tourism, because that is not economic diversification. It only brings Hawaii back to where it always has been, tethered tightly to one or two industries at any given time. The United Nations (UN) defines "economic diversification … as a strategy to transform the economy from using a single source to multiple sources of income spread over primary, secondary and tertiary sectors, involving large sections of the population."[9] A 2018 International Monetary Fund (IMF) working paper notes that there is considerable agreement in existing literature that small states should adopt policies to diversify their economies in order to strengthen their resilience to shocks and achieve a higher sustainable rate of economic growth.[10]

The COVID-19 pandemic once again exposed the fragility of Hawaii's economy to external shocks. The pandemic hit the economies of tourist destinations especially hard. In 2020, Hawaii and equally tourism-dependent Nevada had the highest state unemployment rates in the country. For as long as the state has been conducting surveys of Hawaii resident sentiments toward tourism, respondents have consistently replied that the state is too dependent on tourism. The pandemic has prompted more people to demand state lawmakers find ways to diversify Hawaii's economy. Mistakenly, quite a few people in Hawaii still believe that the state can diversify its economy quickly by turning on the right policy switch. The IMF study debunks that idea.

Among the 33 states that were included in the IMF study, roughly half are upper-middle or high-income economies. Many are island countries (Hawaii was not included). Ten countries are traditionally in tourism, and 8 more diversified to tourism. The IMF researchers defined a diversified economy as one where no dominant industry exists. A dominant industry exists if the export share of that industry is greater than 50% of total exports.

In the study, the authors "test the proposition whether more diversified small states tend to have higher GDP per capita growth and lower volatility." They also tried to ascertain if it matters "whether countries are commodity intensive or tourism intensive." Finally, they investigated "whether activist development policies to promote diversification are justifiable in small states." The study period was between 1990 and 2015. Some of their findings most relevant to Hawaii can be summarized as follows:

1. Tourism dependent states "would have been better off…were they not specialized."

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9 United Nations, *The Concept of Economic Diversification in the Context of Response Measures, Technical Paper*, 2011, p. 12 at https://unfccc.int/files/cooperation_support/response_measures/application/pdf/technical_paper_economic_diversification.pdf

10 Arnold McIntyre, Mike Xin Li, Ke Wang, and Hanlei Yun, *Economic Benefits of Export Diversification in Small States*, International Monetary Fund (IMF), Working Paper WP/18/86, April 2018 at https://www.imf.org/en/Publications/WP/Issues/2018/04/11/Economic-Benefits-of-Export-Diversification-in-Small-States-45795

2. Export diversification has a greater impact on reducing economic volatility than in raising long-run economic growth.

3. Only a small number of states have successfully diversified their economies.

In sum, the reward from diversification can be large, but the odds of getting the reward are small.

On policies that led to successful diversification, the IMF authors note that "…macroeconomic policy stability and a supportive business environment (quality of infrastructure, human capital, and essential business services) have proven important to attracting investment and in turn fostering new economic sectors. These policies are more cost-effective compared to activist development policies and compensative tax incentives." The implications for Hawaii are obvious: trying to pick winners by dangling generous incentives may not be a winning strategy.

Hawaii has a reputation for being a difficult place to do business. It is plagued by high cost of living, lack of affordable housing, horrendous traffic, poorly maintained public infrastructure, high taxes, maligned K-12 public education system, onerous regulations, not close to major markets and so on. Some of the problems can be fixed like affordable housing, schools, roads, fiscal system, and onerous regulations. That would take time and effort. The odds are non-existent that Hawaii will be able to find a magic policy switch that will diversify the state's economy any time soon.

Regardless of how diversified Hawaii's economy can become, the key question remains: How can we better manage Destination Hawaii?

## THE HAWAII TOURISM AUTHORITY AND DESTINATION MANAGEMENT[11]

HTA's mission, spelled out in detail as early as 2002, 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."[12] On its website, HTA states that it "provides comprehensive management of tourism for the State of Hawaii." What if residents are dissatisfied with how HTA is doing its job? HTA's 2017 resident sentiment study concludes that Hawaii residents want HTA to focus "…beyond marketing and promoting Hawaii tourism…to destination management." After five scathing audits by the State Auditor—the first one in 2002 and the most recent one in 2018—HTA has come under fire from the public and key state lawmakers. Leadership changes at HTA haven't made life easier at the authority. A new President and CEO—Chris Tatum, a long-time local hotel executive—was appointed in late November 2018 to lead HTA in a new direction.

HTA's new strategic plan for 2020-2025, prepared under Tatum's leadership, notes that "This is the first strategic plan developed while HTA is rebalancing our attention from mainly marketing to greater emphasis on destination management."[13] HTA began to accelerate the shift of its resources (time and money) into programs that support the community, perpetuate the Hawaiian culture, and protect Hawaii's natural resources. (The shift actually began with the FY2018 budget.)[14] HTA is now guided by four pillars: Natural Resources (Pillar I), Hawaiian Culture (Pillar II), Community Enrichment (Pillar III), and Brand Marketing (Pillar IV). Each of the first three pillars features a program that provides small grants to community-based nonprofits. In 2020 the Aloha Aina program provided 34 grants totaling $2,081,000 to nonprofits to "maintain, preserve and protect Hawaii's natural resources"; the Kukulu Ola: Living Hawaiian Program

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11 Paul Brewbaker, Frank Haas and James Mak, *Hawaii Tourism Authority and Sustainable Destination Management in Hawaii*, UHERO Research Brief, April 7, 2020 at https://uhero.hawaii.edu/hawaii-tourism-authority-and-sustainable-destination-management-in-hawaii/

12 Hawaii Tourism Authority, *Strategic Plan* 2020-2025 at https://hawaiitourismauthority.org/media/4286/hta-strategic-plan-2020-2025.pdf

13 Hawaii Tourism Authority, *Strategic Plan* 2020-2025 at https://hawaiitourismauthority.org/media/4286/hta-strategic-plan-2020-2025.pdf

14 In FY2018, 13.6% of HTA's budget was allocated to Hawaiian culture, natural resources and community engagement while 76.9% was allocated to brand marketing and sports and sports marketing. In FY2020, the respective percentages were 20.9% and 67.7%. Brewbaker, Haas and Mak (2020), p. 9.

awarded 43 grants in 2020 to nonprofit programs "that are perpetuating Hawaiian culture"; and the Community Enrichment program (CEP) "supports a diverse array of festivals, events and year-round programs in the tourism niche areas of culture, education, health and wellness, nature, agriculture, sports, technology and voluntourism."[15] However, less than two years into his tenure, the much respected Tatum abruptly announced his decision to retire effective August 31, 2020. His replacement, John De Fries, came on board the very next month.

Born and raised in Waikiki, John De Fries—a Native Hawaiian—came to HTA "steeped in Hawaiian culture," and served most recently as executive director of the Native Hawaiian Hospitality Association. One might wonder how the new strategic plan would have turned out if it had been prepared under his direction. Having inherited his predecessor's plan, De Fries proceeded to put his own imprint on the plan and initiated changes to HTA's organization structure. Under his leadership:

> "We have realigned HTA's primary focus from brand marketing to brand management, in our accelerated pivot toward being a more effective destination management organization that rightfully prioritizes the well-being of our communities and the initiatives in our 2020-25 Strategic Plan that are shaped by the principles of regenerative tourism."[16]

The term "regenerative tourism" was not mentioned in the 2020-2025 Strategic Plan. While just about everyone else around the world is still trying to make tourism more sustainable, De Fries intends to take sustainability "one step further" by infusing regenerative tourism as the guiding principle of the 2020-2025 Strategic Plan. Regenerative tourism is "bolder and more inspiring. It aims not just to do less harm, but to go on and restore the harm that our system has already done to the natural world, and by using nature's principles, to create the conditions of life to flourish. It views wholes and not parts, and is a very different way of looking at the world."[17] In partnership with the counties and respective island visitor bureaus, HTA embarked on crafting destination management action plans (DMAPs) for each island "that aim to rebuild, redefine and reset the direction of tourism over a three year period".[18] As of early July, 2021 only Oahu's DMAP remains to be completed.

De Fries began to reorganize HTA by replacing the chief brand officer (a veteran hospitality executive) with someone who has been the director of Hawaiian cultural affairs and natural resources at HTA; he also replaced the director of communications.[19] Both were recruited by Tatum. However, the membership composition of the current HTA's volunteer board still consists of majority members—appointed by the Governor on four year terms—from industry.[20] Pure community folks are underrepresented. Good governance requires representation from a broad spectrum of stakeholders from the community. Effective destination management calls for "a coalition of many organizations and interests working towards a common goal, ultimately being the assurance of the competitiveness and sustainability of

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15 https://www.hawaiitourismauthority.org

16 Allison Schaefers, "Tourism Faces Pushback," *Honolulu Star-Advertiser*, July 8, 2021, pp. A1 and A8.

17 Quote by Anna Pollock, international tourism consultant. Hawaii Tourism Authority, *Maui Nui, Destination Management Action Plan* 2021-2023, p. 3 at https://www.hawaiitourismauthority.org/media/6860/hta-maui-action-plan.pdf

18 Hawaii Tourism Authority, *Maui Nui, Destination Management Action Plan* 2021-2023, p. 3 at https://www.hawaiitourismauthority.org/media/6860/hta-maui-action-plan.pdf; also https://www.hawaiitourismauthority.org/what-we-do/hta-programs/community-based-tourism/

19 Allison Schaefers, "Agency launches reorganization," *Honolulu Star-Advertiser*, July 6, 2021, p. A1.

20 The membership of the 12-member volunteer board of directors 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." For current board members and their occupational affiliations see https://www.hawaiitourismauthority.org/who-we-are/board-of-directors/

the tourism destination."[21] By contrast, HTA's board of directors resembles a trade association board whose members are bonded by their shared interest in promoting and growing tourism.[22]

## POLITICAL BACKLASH

Despite on-going internal reforms at HTA since at least FY2018, state lawmakers remain unimpressed. During the 2021 legislative session, lawmakers passed a budget bill that would have cut the HTA appropriation by $19 million in the next fiscal year from $79 million per year in FY2019 and FY2020. Lawmakers explain that marketing is no longer needed owing to the summer surge in tourist arrivals due to vaccination exemptions.[23] HB 862 CD1 proposed to change the source of HTA's funding from an annual allocation from the transient accommodation tax revenues to a special fund[24] to requiring HTA to compete against all other state programs for funding from the general fund.[25] The bill would also eliminate HTA's procurement exemption, which would require HTA to seek potentially cumbersome State approval before it can issue contracts and make purchases. An earlier proposal to redirect HTA to focus on brand management—and presumably giving up its three other pillars—did not make it into the final bill. The governor vetoed HB 862 CD1 explaining that the proposed changes would "severely damage HTA's shift to destination management"[26] and the visitor industry worked hard to sustain it. But the Legislature successfully overturned the veto and allowed HB 862 CD1 to become law. Now, HTA will become less autonomous than when it was established in 1998. Whether or not that's a good change is debatable.

## WHO SHOULD MANAGE DESTINATION HAWAII?

A successful destination management organization requires strategic leadership, effective implementation, and efficient governance.[27] Governance means "the process of decision-making and the process by which decisions are implemented or not implemented."[28] Efficient governance means that "processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal." Governor Ige believes that HTA is the best organization to manage Destination Hawaii. Some lawmakers strongly disagree. House Finance Chairwoman, Sylvia Luke, argues that lawmakers were "elected to do management."[29] She pointed out that the Legislature raised the car rental tax, allowed the counties to levy their own hotel occupancy tax, and allowed the Department of Land and Natural Resources to charge access fees and to charge for ocean recreation which are "all part of a sustainable management plan that the Legislature has already started and embodied. HTA will always be our partner, but to rely on HTA to come up with these solutions at some later point is not the right thing. The time has already passed."

HTA is fully aware of its limitations. This was publicly acknowledged in HTA's FY2015 *Annual Report to the Hawaii State Legislature*:

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21 UNWTO, *Policy and Destination Management*, at https://www.unwto.org/policy-destination-management

22 Brewbaker, Haas and Mak, April 7, 2020, p.4.

23 Allison Schaefers, "Tourism Faces Pushback," *Honolulu Star-Advertiser*, July 8, 2021, p. A1.

24 Unspent money in the Tourism Special Fund doesn't revert to the general fund at the end of the fiscal year.

25 In an obvious attempt at diverting as much money from the transient accommodation tax to the general fund for the state's own use, HB862 CD1 also takes away the counties' share of the transient accommodation tax revenues but would permit each county to levy its own hotel occupancy tax of up to 3% by ordinance. James Mak, "Should the Counties Get a Share of the Transient Accommodation Tax?" UHERO Blog, June 16, 2021 at https://uhero.hawaii.edu/should-the-counties-get-a-share-of-the-transient-accommodation-tax/

26 Allison Schaefers, "Agency launches reorganization," *Honolulu Star-Advertiser*, July 6, 2021, p. A6.

27 UNWTO, UNWTO *Guidelines for Institutional Strengthening of Destination Management Organizations* (DMOs)—*Preparing DMOs for new challenges*, May, 2019 at https://www.e-unwto.org/doi/epdf/10.18111/9789284420841

28 According to the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), "Good governance has 8 major characteristics: It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive, and follows the rule of law." For explanation of each of these 8 characteristics, see United Nations Economic and Social Commission for Asia and the Pacific, *What is Good Governance?* At https://www.unescap.org/sites/default/files/good-governance.pdf

29 Allison Schaefers, "Veto override targets tourism," *Honolulu Star-Advertiser*, July 7, 2021, p. A1.

"In 2015, the HTA developed a new 5-year strategic plan to replace the previous 10-year plan adopted in 2004. The Hawaiʻi 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] Hawaiʻi 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."

Likewise, HTA's 2020-2025 Strategic Plan also focuses "primarily on what HTA can do on its own, and secondarily, what it hopes to do in partnership with other private and public organizations." In acknowledging its own limited capabilities, HTA adopts a weak definition of destination management to include "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." By comparison, the U.N. World Tourism Organization (UNWTO) defines destination management as "the coordinated management of all the elements that make up a tourism destination."[30] The key term in the UNWTO definition is "coordinated management." "Advocating for solutions" is not "coordinated management."

HTA's destination management plans for the individual islands are dotted with good ideas, but like the earlier 2005-2015 plan, they designate various state and county government agencies as the lead agencies responsible for some of the plan's key initiatives, but HTA has no authority over these agencies to make sure that the plans are actually implemented. Thus, the new plans retain the shortcomings of the earlier plan. On the legislature side, enacting a few laws to enable state agencies to levy taxes and fees on visitor activities, if they choose to, is not a plan.

One take-away from the above is that Hawaii's inability to manage the destination holistically is not the fault of any single organization/institution. It is a failure of governance.

In a 2019 white paper—Charting A New Course for Hawaii Tourism[31]—Paul Brewbaker, Frank Haas and I 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. Hawaii doesn't meet these conditions. What is needed is a new management model that is able to manage tourism across jurisdictions, agencies, functions and stakeholder groups. It must have the authority to marshal the expertise and resources of other agencies in addressing tourism's challenges. The long-term solution for tourism sustainability will require buy in and participation from a broad range of stakeholders. Whether that means creating a more inclusive super-HTA with more authority and resources or creating a new institution remains to be determined.

Some destinations have created separate organizations with broad community representation to co-ordinate and implement their strategic tourism plans. In Hawaii, the 2008 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 plan contained 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/coordinating agency, the Sustainability Council, with diverse membership, 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 with an adequate budget. The Sustainability Council was not established, which may explain why the 2050 Sustainability Plan has largely been ignored. Nonetheless, it provides a model for the design of a similar institution for tourism; call it the Tourism Council. 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."[32]

30 UNWTO, *Policy and Destination Management*, at https://www.unwto.org/policy-destination-management

31 Paul Brewbaker, Frank Haas and James Mak, "Charting a New Course for Hawaii Tourism," UHERO Brief, February 14, 2019 at https://uhero.hawaii.edu/charting-a-new-course-for-hawaii-tourism/

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

## CONCLUSION

In November 2020, the International Sustainable Tourism Initiative (ISTI) and the Harvard Extension School held a forum on tourism policy and governance. Thirty participants held a live discussion virtually "to discuss recent research on tourism governance representing policy makers, tourism associations, the private sector, international convening bodies, consultants, academics, financing organizations, local authorities and tourism boards."[33] An additional 50 observers including students, experts and academics participated in a webinar and chat system. Topics discussed included: 1.) Advancing public private collaboration for destination stewardship and recovery; 2.) Tourism taxes; 3.) Climate smart accounting for government management of the invisible burden of tourism; 4.) Financing sustainable tourism recovery; and 5.) New models of partnership to support the tourism sector. Major themes and conclusions are available on-line. The main conclusion/recommendation to come out of the forum is that "effective governance requires new organizational systems to ensure sustainability is embedded into the future management of tourism" and that creation of "interlinked government bodies" will be necessary. That sounds very much like the Sustainability Council proposed by the Hawaii 2050 Task Force.

Hawaii appears to have reached an impasse in deciding how best to manage Destination Hawaii. Before the impasse becomes too entrenched, perhaps it is time to bring in outside expertise to provide an independent evaluation of the situation and offer suggestions/options on how the state might move forward. That person (or group) selected should be someone who has knowledge of tourism, understands and is committed to the principles of sustainability, and has had a lot of experience studying how other destinations have successfully managed their destinations.

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About the Author

James Mak is Professor Emeritus from UH-Mānoa Economics and a Research Fellow at the University of Hawaii Economic Research Organization.

33 Harvard Extension School, *Building Back Better: Reconstructing Government Systems and Policies for Sustainable Tourism, Results of the International Sustainable Tourism Initiative and Harvard Extension Virtual Forum*, November 19, 2020 at https://scholar.harvard.edu/files/sustainabletourism/files/building_back_better.pdf Hawaii's Frank Haas and John Knox participated in the forum.