Finally, Realistic Reporting of Tourism Numbers

Let me recap for you several important developments regarding the visitor industry.

The Hawaii Tourism Authority reported that statewide hotel occupancy had declined for October, for the fifth month in a row. Occupancy stood at 76.4 percent, and revenue per available room was a stagnant $190. There were declines on all the major islands, with Hawaii Island experiencing the most significant drop due to the Kilauea eruption.

HTA's report for November was no less discouraging, showing statewide occupancy numbers falling to 75.8 percent, the worst in two years, and attributed this to the prolonged hotel workers' strike and several other factors.

The HTA also released figures showing that non-hotel, transient vacation rentals (TVR) saw double-digit increases in 2016. According to the HTA, bed-and-breakfast accommodations and vacation rental homes grew by 12.3 percent over the previous year—a significant phenomenon. About 54 percent of our visitors stayed in hotels in 2017, but the remainder used other accommodations.

One revealing fact from the HTA's report: In the visitor plant inventory report, there were 80,336 lodging units available for short-term rental by visitors, representing an increase of 1.6 percent (1,244 units) over 2016. The gains were in hotel (519), vacation rental (470) and timeshare (346) units.

For months, many in the industry like former HLTA Board Chair Gregg Nelson of the Napili Kai Beach Resort on Maui, myself and others had expressed concern that we needed more in-depth accurate reporting and assessment of the state of the hospitality industry. It seemed that all the public was hearing was "good news" that focused on the increases in numbers of visitor arrivals and the like. We favor the more realistic approach that HTA is using now under its new head, Chris Tatum.

Meanwhile, the state's projection on economic growth has been downgraded from 1.5 percent to 1 percent. Some economists argue that the local economy peaked in 2015 and growth has been slowing since. Many believe that visitor arrivals will decrease, as will their spending.

For tourism businesses, these numbers are very significant. For instance, visitor arrival reports are showing the impact of transient vacation rentals—the overwhelming majority of which are operating illegally—on the economy and our hospitality industry.

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While I'm not an alarmist by any means, I have long cautioned legislators and the public about the fragility of the visitor industry.

These latest figures provide evidence that the state and county governments must take long-overdue action on regulating the illegal TVR market and collecting transient accommodations and general excise taxes from these scofflaws, if only to level the playing field between the hotel industry and TVRs, much less address the complaints from neighborhoods plagued by the proliferation of these rentals. After the Legislature failed to pass legislation the past three years, the HLTA is now looking to the county governments to provide the leadership and action to resolve this problem and, we hope, spur the state into action.

Furthermore, these latest numbers give credence to our contention that the industry is being unnecessarily taxed because of an erroneous belief among public decision-makers that the hospitality industry is flush with cash from the record-high visitor arrival numbers. The TAT has been raised to pay for Honolulu's rail transit program and was nearly included in a constitutional amendment to authorize use of TAT revenue for public education. We beat back an attempt to impose the TAT on resort fees. The fact is that the hospitality industry continues to experience ever-increasing labor, construction and operating costs, and adding to our tax burden harms our ability to compete.

With the economy slowing, it would be prudent for government leaders, along with their counterparts in the visitor industry, to work together to keep our industry competitive and healthy.

I've pointed out several times this year that the HTA should underwrite a strategic marketing campaign to help Hawaii Island regain the visitors it has lost. While a number of businesses have closed because of the impact of the volcano, we can do more to bolster the hospitality industry by encouraging more travel to that unique and beautiful destination. Gov. David Ige just traveled to Japan on a tourism campaign, and we need more of that involved leadership. We need quality tourism, as opposed to quantity tourism.

I'm an optimist; I see the glass as half-full rather than half-empty. So while the numbers may not seem encouraging for the hospitality industry, I'm encouraged that we are beginning to see what should be an extended effort to educate our government leaders and the public of the challenges facing our industry, on the need to address major flaws in governance and that the hospitality industry is not a bottomless pot of money.

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