



## ISLAND MATTERS *Mufi Hannemann*

# The Future Of Tourism In The Islands

The state's chief economist, Edward Tian, has predicted that tourism won't grow as much in 2017 as it has in recent years. In Tian's words, "We expect visitor arrivals will reach more than 9 million in 2017, about the same as we forecasted in the previous quarter. However, we now expect visitor days will grow by 1.4 percent in 2017, lower than the 2 percent we forecasted in November 2016. We will see fewer or slower growth from those longer length-of-stay markets such as Oceania, Canada, Europe and U.S. West. The slower growth in visitor days will lead to slower growth in visitor expenditures."

Paul Brewbaker, another respected

economist, shares similar views.

In short, despite all these rosy numbers of late, we need to be guardedly optimistic moving forward with Hawaii's No. 1 industry. As we await the outcome of this prediction, we have an opportunity to take stock of where we are and what we're doing. I always say that it's best to prepare for the bad times during good times. You never want to wait for an economic crisis or downturn before taking meaningful action.

And that's where actions by the state government, in both the executive and legislative branches, and certain agencies are vitally important.

First, although the visitor industry is flush right now following five consecutive years of growth and what

looks like another good year, it does not mean tourism will be perennially profitable or infinitely expandable. Tourism is an industry like any other, subject to periods of expansion and contraction. It's imperative that we remain competitive and we can only do so by providing value for the dollar (or yen, yuan or Euro).

Yet, it seems that some in our community see tourism as the proverbial golden goose that can fund everything, judging by some of the proposals at the Legislature looking to raise or tap hotel room tax revenues for assorted spending that ordinarily would be funded by income taxes, general excise taxes and other traditional sources of funding. More than half of our hotel room tax revenue already is going for

government operating expenses, and so it is a risky fiscal strategy to rely even more heavily on tourism to fund public services. Raising hotel room or general excise taxes also would make us less competitive among similar tourist destinations.

Second, the agency that directs the state's tourism efforts, Hawaii Tourism Authority, should be formulating a well thought-out plan to combat any prospective decline. Less should be said by HTA about "how well we're doing," and more should be stated about what it is going to do when we start going south. This should include a meaningful process that can be shared, which welcomes input and suggestions from government and the public, and not viewed as a per-

functory exercise. And it shouldn't be a plan that is exclusively driven by staff and consultants. Given the spate of criticism by legislators and others about HTA's policies and practices, it behooves authority officials to be more candid and inclusive about their efforts to preserve tourism's standing as the state's economic engine.

Third, now is the time (although, in my opinion, it should have happened sooner) the fifth floor at the Capitol support efforts by the Legislature to collect the tens of millions of dollars in taxes, both hotel room and general excise, that are going uncollected by the illegal transient vacation operations spread throughout the Islands. There has been heavy stakeholder lobbying at the Legislature by the hotels, Airbnb

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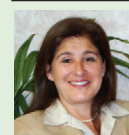
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## Hoops Fever

and other online services, labor and the public. It appears the Legislature is poised to approve a compromise measure similar to one passed last year. However, no one seems to know, especially key legislators, where the Ige administration stands and what position his Department of Taxation can support.

Last session, DOTAX led the charge and gave public support to a similar measure, only to have the governor veto the legislation at the 11th hour, leaving the department with egg on its face and legislators and the visitor industry flummoxed and speechless.

With the state searching high and low for money, and with estimates showing as much as \$30 million in tax revenue to be had in the first year alone, we cannot afford a repeat of

last year's clumsy handling of the situation. (As a footnote, one version of the bill still alive in the Legislature this session would make it mandatory for all of the TVUs to comply. If that comes to pass, we could be looking to possibly as much as \$75 million that would pour into the state's coffers.)

If the governor has concerns with what the Legislature is considering, he needs to more fully communicate his thoughts to the Legislature and let them know what changes, if any, he would like to see in the current versions of the bill that are being deliberated upon. This would give legislators adequate time to assuage his concerns, so that they send ultimately to him a bill that he will not veto again. There simply is too much at stake to

blow another opportunity.

**H**oops fever is in the air again, as March Madness is right around the bend. You have to admire the way Eran Ganot has the Rainbow Warriors competing in a season he could have easily written off, with several key losses of star players exacerbated by an NCAA postseason ban (as of this writing) hovering

over them. Rebuilding is simply not in his vocabulary. With a bunch of unheralded players who play hard for him, he is showing that his successful coaching style and ability last year was no fluke.

And what about the Sultan of Storrs? Geno Auriemma, winner of 11 NCAA championships has achieved the impossible with his UConn Lady Huskies basketball team, cap-

turing their 100th victory in a row — 100 consecutive wins in any competition is absolutely amazing!

Locally speaking, we have our own Geno in the name of the highly respected Bobbie Awa, head coach of the Konawaena High School Wahine basketball team, with one of the smallest enrollments in the state. Earlier this month, the Lady Wildcats, led by 5-foot-5

point guard Cherilyn Molina, won another state championship. This marks Awa's record eighth state high school championship in 14 years. As I have intimated for years, Bobbie Awa of the Big Island is truly a prep basketball coaching legend in the making, and it's unfolding before our very eyes.

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