

RETHINKING HAWAII TOURISM: TIME TO SHIFT FROM MARKETING TO MANAGING TOURISM?

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This brief was prepared for the Hawaii Economic Association panel, *Rethinking Hawaii Tourism: 21st Century Solutions for 21st Century Challenges*, with Frank Haas, Paul Brewbaker and John Knox.

While there are remarkable economic benefits from tourism generating significant revenues, governments largely do not invest in managing environmental, social, or cultural environmental impacts as part of the cost of doing business in destinations around the world.

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I. The Case for Better Management of Tourism

In 2000, Frances Brown published a book with an intriguing title, *Tourism Reassessed: Blight or Blessing?* The title presents a false choice because it requires the reader to choose between one or the other. Tourism is both.

We know from Hawaii Tourism Authority (HTA) resident surveys that Hawaii residents perceive tourism is our economic lifeline, but it is also a cause of significant number of problems in our lives.¹ Even though most respondents still think tourism brings more benefits than costs to our state, the percent of those who think otherwise has been rising for some time. That perception is supported by Paul Brewbaker's presentation today. Paul's main point (backed by striking charts) is that tourism's economic benefits have not risen while its negative social costs to residents have been rising steadily. I made the same observation in my UHERO Brief, "Sustainable Tourism Development and Overtourism," November 15, 2017. As tourism continues to set "records", according to HTA, the negative social costs of tourism will become more burdensome relative to tourism's benefits.

HTA's resident surveys also find that the majority of Hawaii's residents today feel that tourism is being run more for the industry than it is for them. That is most disturbing for those of us who believe that residents' wellbeing should come first. So, who is listening and doing something about it?

In her January 11, 2017 Honolulu Star Advertiser column Lee Cataluna opined that Hawaii has too many tourists: "...we're getting all the tourism problems without the tourism benefits."² She was too harsh as I suggested in my UHERO blog post.³

It is unfortunate that all of tourism's "problems" are frequently blamed on tourists, when the finger should be pointed at local governments and residents for allowing them to happen. In her much lauded 2013 book, *Overbooked, The Exploding Business of Travel and Tourism*, Elizabeth Becker writes, "The best and worst of tourism have governments at the center." Megan Epler Wood writes in her 2017 book, *Sustainable Tourism on a Finite Planet* (p. 264), "local authorities hold the key to the future of tourism destinations and planning." Hawaii state lawmakers did fund a pricey statewide sustainable tourism study

1 <http://www.hawaiitourismauthority.org/research/reports/evaluation-performance-measures/>

2 Honolulu Star Advertiser, "Foundering canoe is full already, yet more get in," January 11, 2017.

3 <http://uhero.hawaii.edu/news/view/317>

in 2000. The study was completed in 2005.⁴ No plan emerged and no one seems to have paid any attention to it.⁵

Even those in the travel industry are getting on the sustainability bandwagon. As Darrell Wade, CEO of the Australia-based Intrepid Travel, said recently, “[Managing tourism] is a good thing to be talking about because our industry is good at selling the virtues of tourism, but we’re not very good at being honest with ourselves about what we do well and what we don’t.”⁶

Around the world, tourism’s negative impacts, or at least people’s response to them, are getting a lot of attention lately. Shortly after her appointment as the CEO of the prestigious World Travel and Tourism Council (WTTC), an organization whose members include about 150 CEOs of the world’s largest travel companies, Gloria Guevera and her staff had one-on-one meetings with 80% of the members; she asked them: What are your needs, challenges and priorities. She noted that three priorities were repeated over and over: security and travel facilitation; crisis management in the event of natural disasters, terrorism or outbreak of diseases; and sustainability.⁷

One area of particular concern to the global tourism CEOs is overcrowding and overtourism to certain destinations and visitor sites. “Overtourism”, a new word added to the tourism vocabulary since 2012, occurs where locals (or tourists) believe that visitor numbers have reached levels that reduce their quality of life (or the quality of the tourist experience) unacceptably.⁸ What is acceptable or unacceptable is subjective. Overtourism is the opposite of sustainable tourism.

One might think that overtourism and overcrowding is important mainly to residents of tourist destinations, not so much to travel companies. Not so. As Ninan Chaco, CEO of Travel Leaders Group—America’s largest travel agency company with more than 7,000 agencies—noted recently: “Not many tourists want to be where it is crowded, expensive and there’s nothing local or authentic.”⁹

According to a special survey conducted in September 2017 by the World Travel Monitor of 29,000 international travelers in 24 countries in Europe, Asia and the Americas, around 25 percent of all international tourists felt that their destination had been “overcrowded.”¹⁰ Nearly one in ten of international travelers said overcrowding had affected the quality of their travel experience.

Reviewing responses from the last three HTA visitor satisfaction surveys, John Knox noted that for Hawaii’s visitors, the things most likely to make or mar a trip to Hawaii were weather/climate; scenery, natural environment; congestion/crowding; and friendly or unfriendly people.

In the 2017 HTA resident survey, the top three problems cited by respondents who view tourism as creating more problems than benefits in Hawaii were traffic congestion, higher prices and cost of living, and overcrowding.¹¹ The survey should have asked all respondents, not just those who see tourism in

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

5 In 2008, the *Hawaii 2050 Sustainability Plan* for the state (not just tourism) was completed and submitted to the Legislature. State law required the plan to be updated every 10 years, but insufficient funding made it impossible 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 Sustainability Plan* was disregarded.” Recommendations and steps to implementing sustainability statewide “either only partially implemented or not implemented at all.” State of Hawaii, the Office of the Auditor, *Hawaii 2050 Sustainability Plan, Ten Year Measurement Update (2008-2017)*, March, 2018, p.4.

6 <https://skift.com/2017/10/23/proposing-solutions-to-overtourism-in-popular-destinations-a-skift-framework/>. See, also, <http://www.travelweekly.com.au/article/exclusive-intrepid-co-founder-darrell-wade-talks-overtourism/>

7 <http://www.travelweekly.com/Travel-News/Government/WTTC-First-tango-Buenos-Aires>

8 <http://responsibletourismpartnership.org/overtourism/>

9 <http://www.travelweekly.com/Travel-News/Government/WTTC-First-tango-Buenos-Aires>

10 <https://www.hospitalitynet.org/performance/4086031.html>

11 <http://www.hawaii-tourism-authority.org/research/reports/evaluation-performance-measures/>

a negative way. But the point is made; overcrowding is bad for travel businesses and locals. And it isn't going to get better. As both international and domestic travel continue to rise faster than economic and population growth, overtourism will become a growing problem. With the spread of social media, no hidden attractions/destinations will remain undiscovered.

In Venice and Barcelona, citizens marched in the streets to protest against too many tourists. A Google-search of "Too many tourists" turns up a long list of places where residents don't want to have more visitors. Governments are beginning to respond to citizen demands. Venice and Dobrovnik are placing restrictions on cruise ships. In Dubrovnik, cruise lines have agreed to co-ordinate their scheduling this summer to reduce overcrowding. Barcelona is cracking down on the proliferation of illegal short-term vacation rentals which residents blame for disrupting their neighborhood life. City officials have also agreed to curb the number of tourist accommodations in the center of the city but allow a limited number of licenses in the outskirts of the city. Last year, the city produced a detailed strategic plan for sustainable tourism development with specific action plans.¹²

Elsewhere, in the Galapagos Islands, Ecuador has imposed a 100,000 annual limit on visitors. At Taj Mahal visitors are told to leave within 3 hours. Two prefectures in Japan seek to reduce congestion on Mount Fuji by reducing the number of climbers allowed to use two of the mountain trails to the summit. Destinations are also turning to technology for help. Last year, the two prefectures began to use apps to advise Mt. Fuji climbers to avoid busy days. Likewise, Amsterdam is using technology to inform visitors in real time on the best time and day to visit popular attractions. The city is also encouraging visitors to visit outlying areas.



Climbing Diamond Head at 7:00 a.m. (Photo by PingSun Leung)

Hawaii's residents are not yet marching in the streets to protest the presence of too many tourists. But when I concluded in my UHERO brief that Hawaii does not yet have overtourism, I received emails from two retired UH Maui College professors telling me what a terrible essay I had written. One of them suggested that I was not deserving of the title of professor emeritus, and invited (at my own expense) to come to Maui to see evidence of overtourism for myself.

¹² https://ajuntament.barcelona.cat/turisme/sites/default/files/barcelona_tourism_for_2020.pdf

As John Knox pointed out to me in a recent email exchange, what we have in Hawaii—and indeed in the most popular tourist destinations around the world—is overcrowding at some popular tourist sites and during peak travel periods of the year. Prof. Alexis Papathanassis, director of the Institute of Maritime Tourism in Bremerhaven, Germany, explained: “Overtourism is a very localised problem at certain times in certain places, and is not always a problem in the surrounding area. The problem is not overtourism in general, but under-management of tourism.”¹³ Taleb Rifai, Secretary General of the United Nations World Tourism Organization (UNWTO) agrees: “What is required is the need to manage tourism in a sustainable and responsible way that benefits the local community.”¹⁴

What to do? WTTC CEO Guevera recalls that “We had two options: do nothing or be part of the solution.” So WTTC partnered with the consulting firm McKinsey & Co. to develop strategies and work with destinations to cope with this growing problem. A 64-page report—*Coping with Success, Managing Overcrowding in Tourism Destinations*—was published in December, 2017.¹⁵ I picked a few conclusions from that report to share with you. First, overcrowding “alienates local residents, a degraded tourist experience, overloaded infrastructure, damage to nature, and threats to culture and heritage.” Second, “overcrowding is easier to prevent than to recover from.” Third, “destinations need to shift their focus from promotion to broader planning and management challenges.”

It is the third point that I would like for us to think about: *To shift focus from tourism promotion to broader planning and management challenges.* And this is endorsed by the CEOs from the top tourism businesses around the world!¹⁶ Is it time for Hawaii to do the same? Some state lawmakers think so. Bills introduced in the 2018 legislative session propose to drastically cut HTA’s annual funding.¹⁷ It is noteworthy that HTA’s annual appropriations for marketing and promotion in recent years actually have declined in inflation-adjusted dollars.

From what I observe, HTA tries to lure as many visitors to come to Hawaii as it can from whatever source and opposes measures (e.g. taxes) that would increase the cost of visits. 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 other words, Hawaii residents want HTA to also mind the store. HTA is not up to the task, at least not alone.

II. Solution to Overtourism:

The key challenge facing the travel industry and destinations is how to manage overcrowding, now and in the future, without restricting growth. Not everyone agrees that growth should not be restricted. One community activist argued that Hawaii should cap its tourist numbers at 7 million per year (it’s approaching 10 million) without stating how that could be done.¹⁸ Hawaii can’t, in ways that are constitutionally legal and politically acceptable. Policies have to achieve political equilibrium.

13 <https://hotelandtourisonline.com/2018/02/15/analysing-overtourism/>

14 <https://skift.com/2017/11/18/destinations-around-the-world-search-for-overtourism-solutions/>

15 <https://www.wttc.org/-/media/files/reports/policy-research/coping-with-success---managing-overcrowding-in-tourism-destinations-2017.pdf>

16 See also Megan Epler Wood (2017) who writes (pp. 266-267): “The reallocation of such [marketing] funds is one of the most important dialogs that should transpire to ensure that global destinations are not focused only on marketing but rather on protecting their destinations from overuse and a lack of planning.”

17 *Honolulu Star Advertiser*, April 15, 2018, pp. B1 and B3.

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If we accept the idea that overtourism is a localized and not a general problem, the challenge becomes one of managing space and time. Suggested solutions include spreading visitors across sites, smoothing visitors over time, and creating new visitor attractions and destinations. This is accomplished by using market mechanisms (i.e. adjusting pricing to balance demand and supply; make it more expensive; provide incentives) and non-market mechanisms (e.g. limit access).¹⁹ Economists tend to favor market mechanisms, but there are limitations to that approach.

Hanauma Bay Nature Preserve provides important lessons on the efficacy of market versus non-market rationing. It employs both an admission fee *and* limits access using non-price rationing (e.g. when the 300 parking spaces are filled, barricades are set up at the entrance to prevent more cars from entering).²⁰ At extremely popular sites like Hanauma Bay demand for visits is price insensitive unless the admission fee is raised to very high levels, which may not be politically acceptable.

To illustrate, when the National Park Service first announced that admission fees would be raised steeply to fund a backlog of maintenance projects estimated at more than \$11.6 billion, there was a huge public backlash against the idea. During the month-long comment period last year, park officials received 109,000 comments. Last month the Park Service came up with a proposal for more modest increases.²¹

When the idea of an admission fee was first proposed for Hanauma Bay, I suggested that locals should also pay (if the purpose was to reduce overcrowding), someone left a threatening message on my office voice mail. The initial fee of \$5 for tourists only was subsequently reduced to \$3. Today, locals don't have to pay the \$7.50 admission fee at Hanauma Bay but still have to pay \$1 per car for parking.²² A modest admission fee still serves an important purpose as it provides funding for maintenance and management of the Reserve.

Hanauma Bay shows that sound policy is often not about choosing between price versus non-price rationing; at popular attractions both are necessary to ration access, raise revenue, and achieve political equilibrium. Achieving political equilibrium requires the collaboration of all the stakeholders in decision-making, though not everyone gets what he/she wants. Hanauma Bay is generally regarded as a success story in resource management even though tour operators were big losers because they were largely prohibited from discharging their customers onto the beach.

Who should be tasked with managing tourism in Hawaii? Not HTA, although it can help, especially by providing tourism data. Before HTA was created, there was much talk about the need for a tourism csar for Hawaii. What we got instead was HTA, created by Act 156 and signed into law on July 9, 1998. Act 143 passed by the Legislature in 2002 requires HTA to “have a permanent, strong focus on marketing and promotion”; it also requires HTA (among other things) to “coordinate all agencies and advice the private sector in the development of tourism-related activities and resources,” and “establish a program to monitor, investigate, and respond to complaints about problems resulting directly or indirectly from the tourism industry and taking appropriate action as necessary.”²³ That is a tall order. As it turned out, HTA is better at tourism promotion and marketing. We need to look to other institutions—state and county--to plan and manage

19 See, for example, <https://skift.com/2017/10/23/proposing-solutions-to-overtourism-in-popular-destinations-a-skift-framework/>; <https://www.wttc.org/-/media/files/reports/policy-research/coping-with-success---managing-overcrowding-in-tourism-destinations-2017.pdf>; and <http://uhero.hawaii.edu/assets/SustainableTourismDevelopmentOvertourism.pdf>

20 See Mak, James. *Developing a Dream Destination, Tourism and Tourism Policy Planning in Hawaii*, Honolulu: University of Hawaii Press, 2008, Chapter 6.

21 <https://www.nytimes.com/2018/04/05/us/national-parks-fee-increase.html>

22 During the summer, Reserve hours are 6 a.m. to 7 p.m., but the ticket and parking booths are not open the entire time, so entrance is free for everyone before the ticket booths open and again after they are closed. Thus, the Reserve effectively has a two-tier price system for nonresident tourists: \$7.50 during peak hours and \$0 when the Reserve is uncongested.

23 https://www.capitol.hawaii.gov/session2002/bills/HB2192_cd1_.htm

tourism development. But that alone is not enough. Hawaii has not had a stellar record of planning and managing sustainability development. Lawmakers at the state and county levels have to make a stronger commitment, including funding, to do better in the future.

Finally, in the absence of sound management, will tourist arrivals grow unabated? Not necessarily. The life cycle of tourist destinations suggests that tourism growth inevitably slows down.²⁴ It already has in Hawaii. Tourism may even decline as the destination becomes less attractive if not properly managed. The destination will be less crowded, but it is not a winning situation for residents. One can see that in declining tourist destinations. The worst-case scenario is when even the locals want to leave.

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UHERO Briefs are circulated to stimulate discussion and critical comment. The views expressed are those of the individual authors.

²⁴ Kato, Andrew and James Mak, "Technical Progress in Transport and the Tourism Area Life Cycle," in Clem Tisdell, ed., *Handbook of Tourism Economics—Analysis, New Applications and Case Studies*, London: World Scientific Publishing, 2013. pp. 225-255; or http://uhero.hawaii.edu/assets/WP_2010-13.pdf