A MESSAGE FROM RICHARD R. KELLEY TO OUR OUTRIGGER ‘OHANA

“The future ain’t what it used to be”

By Dr. Richard Kelley

That funny but perceptive statement is often attributed to baseball great (and folk philosopher) Yogi Berra, who later explained, “I just meant that times are different. Not necessarily better or worse. Just different.”¹,²

That is the way I feel as I try to predict what is going to happen in the world of Travel & Tourism in 2015. With Outrigger’s properties and operations now reaching more than halfway around the globe and our guests coming from virtually any place on earth, we are no longer concerned just with what is happening in Waikiki or Hawaii, where Outrigger was born. We have to be conscious of everything going on in the world.

It looks as if 2015 will be a good year for the U.S. hotel industry. PKF Hospitality Research recently published a forecast predicting 65 percent occupancy for the U.S. lodging industry in 2015, adding, “If [this] prediction comes true, it will be the highest national occupancy rate since 1987. An ever-improving economy and the favorable relationship between supply and demand, have led to significant growth from 2009 to 2014. We expect this trend to continue through 2017.”

International air passenger traffic to and from the U.S. was up 7 percent through November 2014, according to eTN Global Travel Industry News.

However, there are many unsettling items in the news. The murderous attack this week, apparently by radical Islamists, on the Paris offices of Charlie Hebdo, a satirical magazine, was shocking in some ways, yet regrettably predictable in others. That and other terror attacks around the world have certainly given many potential business and leisure travelers a feeling of uncertainty and danger.

Inflation is increasing the price of everything including air travel, hotel rates and sightseeing.

In addition to inflation, the decreased value of many currencies, including the yen, Australian dollar, ruble, British pound and euro, as compared to the U.S. dollar, is adding to the “sticker shock” for travelers coming from those currency areas to Outrigger properties in Hawaii or Guam. However, this is not all bad because an increase in the value of the U.S. dollar can make our resorts in Australia, Fiji, Thailand, Mauritius or the Maldives more attractive for many.

Flying on commercial airlines to major airports is becoming increasingly uncomfortable, uncertain and inconvenient. Cramped seating in aircraft cabins, year-round airport terminal snarls and air traffic congestion in the skies, including around Honolulu International Airport, make one wonder if the predicted 3.6 percent annual increase in the number of aircraft and passengers is physically possible without massive improvements in terminals and the air traffic control system. David Scowsill, president and CEO of the World Travel & Tourism Council, recognizes that such improvements will take years of planning and unbelievable

A graphic nightmare of today’s not so friendly, crowded skies created by an unknown artist using Photoshop or similar software.
The future ...

amounts of funding, but adds they are sorely needed in the U.S. if our nation is to benefit from the potential for job and economic growth in the Travel & Tourism industry.

There is also some excellent news to share.

**Brand USA going strong.** Late last year, the U.S. Congress reauthorized Brand USA, America’s public-private travel promotion program, which works in close partnership with the travel industry to maximize the economic and social benefits of travel. The organization’s activities are funded at no cost to U.S. taxpayers through a combination of private-sector investment and matching funds collected by the U.S. government from international visitors who come to the U.S. under the Visa Waiver Program. Brand USA’s Discover America program invites foreign travelers to explore the boundless variety of destinations and activities that the United States has to offer.

Research by Oxford Economics confirms that in 2013, the Discover America program brought 1.1 million new international visitors to the U.S., generating $3.4 billion in additional visitor spending and $1 billion in additional federal, state and local taxes. Returning $47 on every $1 spent on promotion, the program supported nearly 53,000 new U.S. jobs, according to the U.S. Travel Association.

**Another bright spot – China.** Most observers predict that international travel from China will significantly increase in 2015. Nearly 100 million Chinese traveled abroad in 2014, spending over $128 billion. Many are predicting the number of outbound Chinese travelers will jump by 15 percent to over 114 million, with their spending rising to more than $140 billion in 2015. Helping make this increase possible is the recent agreement by China and the United States to increase the validity period for travel visas issued by both countries. B1/B2 visas for business and tourism will increase in validity from one to 10 years – the longest period possible under U.S. law. Other visa types will increase in validity from one to five years or to the length of the U.S. program for which they are issued. As I have pointed out in previous articles, it has been very difficult for Chinese citizens to get a U.S. visa. Under the new system, while this basic difficulty remains in place, once they have a visa, they can now at least make multiple trips to our country over a 10-year period, which drastically cuts the cost and inconvenience.

Also, unlike many other currencies, the Chinese yuan is very near the top of a steady 10-year rise in value against the U.S. dollar, which makes travel to the U.S. look less expensive. That is one of the reasons why Roger Dow, CEO of U.S. Travel Association, is so excited about improvements in the visa program for Chinese citizens. “The typical overseas traveler to the U.S. spends an average of $4,500 per trip. The figure for Chinese visitors is $7,200 per trip!” says Dow.

**“The Russians Are Still Coming!”** I am tweaking the title of a 1966 comedy film to emphasize my hope that the Russians will still be traveling overseas in 2015. The dramatic recent drop in the price of oil, from near $100 per barrel to around $48, has been good for oil importing nations but a disaster for Russia, which is unusual among the major economies in the way its economy relies on energy revenues. The country has an abundance of natural resources, including oil, natural gas and precious metals, which make up most of Russia’s exports. As of 2012 (according to figures on Wikipedia), the oil and gas sector accounted for 16 percent of Russia’s GDP, 52 percent of its government budget and over 70 percent of total exports.

The over-50-percent plunge in oil prices over the past few years has caused the value of the ruble to plummet against the U.S. dollar.

![Graph showing USD per 1 RUB]

Nonetheless, many are predicting that the number of overseas travelers from Russia will continue to rise, even if at a slower rate than in previous years. The answer may lie in the fact that many upper-class Russians do not keep their money in ruble-based accounts. They have U.S.-dollar bank accounts, charge cards, etc. so they have actually been profiting from the rise in the value of the dollar. These Russians are still traveling.
To ensure that Outrigger continues to get its share of the outbound Russian market, on January 1, we opened an office in Moscow through a representation agreement with Moscow-based Travel Media. The office will be responsible for sales, marketing, public relations and travel industry relations in Russia and a number of neighboring countries that were formerly part of the Soviet Union, specifically Armenia, Azerbaijan, Kazakhstan, Moldova, Tajikistan and Uzbekistan.

If our company founders, Roy and Estelle Kelley, who started with a 50-room, five-story walk-up hotel, the Islander on Seaside Avenue in Waikiki, were with us today, I am sure that they would agree with Yogi Berra and say to each other, “The future sure ain’t what it used to be!”

1 http://quoteinvestigator.com/2012/12/06/future-not-used
“The earliest evidence of this saying was published in 1937 in a journal called Epilogue within an article titled “From a Private Correspondence on Reality” by Laura Riding and Robert Graves.”

2 www.brainyquote.com/quotes/authors/y/yogi_berra.html