Keep Our Marketing Muscle Strong

This Wednesday, the Hawaii State Legislature will begin its 2005 session. Our employee-run political action committee, OHH PAC, got a jump on the lawmaking season by hosting a reception for our elected officials at the Outrigger Waikiki last Wednesday evening. It was a well-attended event with lots of music, a couple of sushi bars, and a great buffet. I am sorry I was unable to be there, because it would have given me an opportunity to discuss some of the current legislative issues that are of vital importance to the visitor industry.

In the coming session, I believe our senators and representatives should:

• Support visitor industry marketing by restoring state government funding of the Hawaii Tourism Authority to its original level
• Implement much-needed improvements in public education
• Support Hawaii’s military bases and the men and women of the armed forces stationed here
• Develop a set of comprehensive solutions to the shortage and high cost of housing
• Develop solutions to the state's transportation needs by land, sea, and air
• Make Hawaii a more business-friendly state
• Do nothing that will increase taxes and fees in the process

I could write an article with details about each of these items and may do that in the future, but this week, let’s focus just on the first item — tourism marketing.

State Funding of Tourism Marketing:

Tourism marketing is the oil that lubricates the economic machine that provides the taxes that make possible almost everything else the state government does.

According to State Economist Dr. Pearl Imada Iboshi, as reported by the Honolulu Star-Bulletin, state revenues are expected to show 8.8 percent growth in the current fiscal year. It’s no coincidence that this follows a near-record year in tourism.

The dollars generated by tourism ripple throughout the economy, turning into paychecks, filling cash registers, and generating taxes every step of the way.

This does not happen in a vacuum, however. Maintaining healthy levels of tourism require a sustained, consistent investment in marketing by both the public and private sectors.

With a banner year in tourism just ending, it is hard to recall where we stood just a few years ago. In October 1997, we were in the seventh year of a “downturn.” Jobs were scarce, wages and salaries were declining, business failures were increasing, and long-time residents were leaving the state. Government was having great difficulty finding the money to fund basic social and educational needs.

I was part of Governor Ben Cayetano’s Economic Revitalization Task Force, which brought together leaders from government, labor, and business to solve Hawaii’s economic woes. We agreed that the state needed to significantly increase tourism marketing, so we recommended a system where funds for marketing could be counted on from year to year without regard to politics. We proposed that the Transient Accommodations Tax (TAT, the “hotel room tax”) be increased by one percentage point and that a designated portion of TAT collections, 37.9 percent, be placed in the Tourism Special Fund for the purpose of
tourism marketing. Because the funding would be based on a percentage of TAT collections, the money available for marketing would grow over time to compensate for inflation.

The details were put on a big sheet of poster paper taped to the wall. The Governor, the President of the Senate, the Speaker of the House, and representatives of labor and business all signed the document to indicate our partnership, agreement, and commitment.

With the marketing funds administered by the Hawaii Tourism Authority, the program has been highly successful, and I am certain that Hawaii’s stronger marketing muscle played a big role in the state’s economic recovery after the September 11, 2001, attacks on New York and Washington.

Unfortunately, in subsequent sessions, the Legislature cut the share of the TAT dedicated to the Tourism Special Fund from 37.9 percent to 32.6 percent and capped it at $63,292 million annually. That represents a 14 percent drop, not to mention the loss of protection against inflation. Further, the Legislature sliced a portion of this reduced amount away from marketing and diverted it to the Department of Land & Natural Resources for use at state parks and trails. Any extra revenue the TAT generates above the $63,292 million cap is siphoned off to the General Fund. This year, that loss to tourism marketing is expected to total about $7 million.

If Hawaii is to remain competitive in global tourism, the 2005 Legislature needs to restore the funding of marketing at the originally agreed percentage, remove the cap, and use the funds only for marketing.

We cannot become complacent. There are many competing tourist destinations around the world that are just itching for Hawaii to slack off in its marketing efforts.

In addition, in recent years, SARS, terrorism, hurricanes, and, last month, a devastating tsunami in Asia have unbelievably affected tourism spots around the globe. Recovery has been or will be long and difficult. We hope that nothing like this will ever happen in Hawaii, but if it does, a consistent, strong marketing program and adequate reserve dollars will ensure a speedier recovery.

Let’s restore our Tourism Special Fund to its original level, continue to market strongly to the world, and do what it takes to ensure that if we ever have to draw on reserves, the funds will be readily available.