Jump-Starting Economic Recovery

It is Thursday evening. As I sit down to write my weekly message to the Outrigger ‘ohana, the news is grim. The Dow Jones Industrial Average closed today at 7,552, the lowest in five years. The S&P 500 dropped to 752, the lowest since 1997. Leroy Laney, consulting economist to First Hawaiian Bank, predicts that visitor arrivals for Hawaii will be down 9 percent this year and will drop 5 percent more next year. Across the nation and all around the Hawaiian Islands, people are being laid off or having their hours cut back.

As I have mentioned before, in spite of the troubled times we face, I have great confidence in the future of our nation, our state, and our company. Our people have always found a way to get through and recover from recessions and even depressions. I have seen this personally many times over my nearly 75 years on earth.

Obviously, I was too young to understand what was going on during the Great Depression of the 1930s. However, those years did have a profound impact on how our founders, Roy and Estelle Kelley, lived and approached business. I am sure it influenced my life, and some of the lessons my parents learned are built into the DNA of our company, the Outrigger Enterprises Group, as it exists today.

It is interesting that one of America’s great industrialists, John D. Rockefeller, had the same confidence. According to historian Stanley K. Schultz, during the darkest days of the Great Depression, Rockefeller said, “These are days when many are discouraged. In the 93 years of my life, depressions have come and gone. Prosperity has always returned and will again.”

History proved Rockefeller right, and I trust it will soon justify my own confidence.

In the meantime, we cannot sit around and wring our hands saying “Woe is me.” More than ever, business, government, and labor must work together to address our problems and start on the road to recovery.

Jean-Claude Baumgarten, President and CEO of the World Travel & Tourism Council, endorses this approach. He recently addressed the World Travel Market’s Global Economic Forum and said, “Although severe, this crisis cannot be compared with past crises due to events such as 9/11, SARS, or even the Gulf War. Today, people still want to travel, and, once the recovery starts, there is likely to be a huge pent-up demand.

“This is no time for governments to see Travel & Tourism as a cash cow – an easy source of much-needed revenues for the treasury’s coffers. Rather, governments should provide a supportive policy framework to help stimulate demand and ensure that Travel & Tourism continues to generate employment and alleviate poverty…. It will be beneficial for everyone – destinations, host communities, the industry, and consumers.”

To make that concept work for Hawaii, here are a few suggestions:

1) Move as fast as possible on the selection of a new head of the Hawaii Tourism Administration. Former HTA head Rex Johnson resigned October 8. Unfortunately, finding his replacement is delayed by the need to first find an executive search firm through a government-mandated RFP (Request for Proposals). There has to be a way around this or at least to speed up the process. In the meantime, the HTA board needs to get things moving quickly. Tourism numbers continue to fall, and it is my impression that needed plans for next year’s advertising and marketing are not yet being implemented or revised to address the crisis we are facing.

2) Resist the temptation to cut state government tourism marketing funds. As the Legislature prepares for its next session in January, there will be many calls to “cut expenses.” While that will have regrettable consequences, it is unavoidable. However, our legislators need to keep in mind that advertising and marketing are not actually expenses. They are, rather, an investment in jobs and economic well being for everyone in these islands. Unlike anything else that government does, money spent for advertising and marketing Hawaii as a visitor destination actually generates jobs and taxes. Every dollar spent to attract visitors to Hawaii brings back many more dollars to businesses of every kind. It preserves existing jobs and creates new ones. It generates tax revenues several times greater than the marketing investment. And the last time I checked, the multiplier effect was several-fold, further boosting the return on these marketing dollars. It is sad to have to cut worthwhile government programs, but the only hope we have of restoring these programs to their normal funding levels is to get Travel & Tourism back on track. Travel & Tourism directly provides about 25 percent of Hawaii’s Gross State Product, 25 percent of its tax revenues, and about 33 percent of its jobs. Investing in Travel & Tourism is the fastest road to economic recovery.

3) Finally, as several have suggested, I feel we should take advantage of the current “Obamamania.” The first opportunity comes January 20 at the presidential inauguration. Representative Neil Abercrombie says, “Hawaii’s tourism industry needs to organize a massive show of aloha—especially while visitor arrivals are down and the local economy sputters. In the middle of the snow and cold of Washington, we need to work out something where Hawaii will be a very attractive
feature of the inauguration. I expect them to do this, or the Hawaii Tourism Authority is going to be in need of a wholesale revision. Why they haven’t got on it already is beyond me.” (Neil, see my first point for your answer.)

In addition to that, David Carey suggests that one of President Obama’s first priorities should be to make a promotional video inviting the world to come back to the United States for a visit. The impact would be enormous.

There are a number of good ways to do this, and I certainly hope it will happen. In fact, I had a dream about it the other night. Barack Obama is standing on the sands of Waikiki with Diamond Head, canoes, and surfers in the background. Dressed in an aloha shirt, he turns, looks into the camera, smiles, and in a deep, persuasive voice says, “There has been a huge change in America. You are more welcome than ever. Don’t worry about visas. We’ll make it easy for you to get here, and we’ll speed you through customs and immigration when you arrive. You’ll have a great time. We’ll make it happen. Yes we can!”

Then I woke up. But does this really have to be just a dream? Yes we CAN make it happen!