



Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
kelepona tel 808 973 2255
kelepa'i fax 808 973 2253
kahua pa'a web hawaii-tourismauthority.org

Neil Abercrombie
Governor

Mike McCartney
President and Chief Executive Officer

Statement of Mike McCartney, President and CEO
Hawai'i Tourism Authority
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Committee on Commerce, Science, and Transportation
Subcommittee on Tourism, Competitiveness, and Innovation
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On behalf of the Hawai'i Tourism Authority (HTA), the State of Hawai'i's tourism agency, thank you for the opportunity to present to the Subcommittee on Tourism, Competitiveness, and Innovation of the United States Senate Committee on Commerce, Science and Transportation, on the benefits of international travel to our state and its impact on the overall U.S. economy.

Hawai'i's strategic location connects the Asia Pacific region with the United States. Despite our size and geographic location, Hawai'i receives 920 flights from 53 cities around the world, making it the fourth largest international port of entry in the U.S. Hawai'i also has the fifth highest occupancy in the U.S. with a 76 percent average statewide, and the second highest hotel average daily rate of \$227.

As a result, tourism is one of the lead economic drivers in the state of Hawai'i which generates approximately \$14.5 billion in visitor expenditures every year, approximately 20 percent of our state's total GDP. The tourism industry is also one of the biggest employers in state and supports more than 173,000 jobs for residents. This means for every 1,000 visitors, 20 local jobs are supported.

In 2013, Hawai'i reached record numbers with year-over-year growth in visitor spending (+2% to \$14.5 billion) and arrivals (+2.6% to 8.2 million), despite slower growth during the second half of the year. Through the cyclical pattern of the tourism economy, we are anticipating a downturn starting this year, with continual declines in spending and arrivals, especially from our core markets.

Our largest international market, Japan, showed four percent growth in arrivals in 2013, with 1.5-million visitors. On an average daily basis, Japanese visitors spend more (\$280) than U.S. West (\$155) and U.S. East (\$200) visitors to Hawai'i.

Although Japan's economy remains relatively unstable due to a recent hike in consumption tax (the first tax increase in 17 years with another increase in 2015), there are still opportunities to promote travel to Hawai'i and the U.S. in Japan. Nearly 60 percent of Japanese visitors to Hawai'i are repeat travelers, mainly from the major metropolitan areas. We continue to work with our marketing contractor in Japan to target regional areas of the country as well as promote first-time travel to all of the Hawaiian Islands.

In order to balance the softening of our mature U.S. and Japan markets, the HTA is focusing on growing and expanding developing international markets, especially in "Other Asia," which includes Korea, China and Taiwan. While these markets make up a relatively smaller market share in comparison to Japan, they continue to show significant growth and potential.

Ease of access through the U.S. visa waiver program in Korea and Taiwan, and improvements to the visa process in China have led to a rise in outbound travel from these regions. With new direct service and nonstop flights connecting these markets to Hawai'i, arrivals from Other Asia markets continue to increase year-over-year. In 2013, arrivals grew 18.4 percent to 343,327 visitors and we anticipate reaching 438,800 arrivals, a 27.8 percent increase in 2014.

Recent travel trends from Korea to Hawai'i demonstrate how the U.S. visa waiver program has helped to stimulate travel. Since being implemented in Korea in 2008, arrivals to Hawai'i jumped 350 percent from 38,110 to 171,506 visitors. Total expenditures also increased substantially from \$79.4 million in 2008 to \$314.6 million in 2013. And we anticipate continual growth in 2014, targeting 190,000 visitors from Korea (+10.8%) and \$350 million (+11.3%) in expenditures.

Implementing the U.S. visa waiver program in Taiwan created opportunities for airlift to Hawai'i. In June 2013, China Airlines launched its first nonstop flight between Taipei and Honolulu. Within one year of implementing the visa waiver program in November 2012, visitor arrivals have increased 208 percent.

These results show the impact of the U.S. visa waiver program in supporting travel and validate a need to extend it to other major markets.

We also appreciate the improvements made to the visa process in China, where travel demand continues to grow. In 2013, 132,634 Chinese visitors (+13.5%) came to Hawai'i and spent \$329 million in total expenditures. As our highest daily spenders (average \$397 per day), we anticipate total expenditures to increase 37.6 percent in 2014, with a 21.5 percent increase in visitors, to 180,000.

Oceania, which include Australia and New Zealand, continues to be one of the fastest growing markets for Hawai'i. In 2013, visitor arrivals grew 29 percent to 353,965 arrivals, while spending grew 31 percent to \$840 million in annual expenditures. With additional access and supplemental marketing efforts by the HTA and its partners, we anticipate nearly 11 percent year-over-year growth in arrivals from this region in 2014.

Increasing international arrivals throughout our state is a high priority for Hawai'i. The following are initiatives that will help us to accomplish this goal and where we would like to request federal support in:

1. Enhancing access to Hawai'i through:
 - Reestablishing Kona Airport (KOA) on Hawai'i Island as a second international port of entry;
 - Expanding border pre-clearance authorization for major international market areas like Japan;
 - Allocating federal funding for airport improvements for Hawai'i's airports;
2. Expanding the Visa Waiver Program;
3. Reauthorizing the Brand USA initiative;
4. Creating federal tax credits for destination development and upgrades;
5. Maintaining investments in our National Parks and other cultural and natural attractions and resources;
6. Supporting legislation that will enable tourism workforce and career development;
7. Advocating Hawai'i as a meetings, convention and incentive (MCI) destination;
8. Sustaining funding and support for the National Oceanic and Atmospheric Administration (NOAA) and its programs in Hawai'i; and

9. Developing a public awareness campaign to educate Americans about the importance and benefits of tourism to our country.

Our Honolulu International Airport (HNL) on the island of O'ahu is currently the fourth busiest international airport in the nation. In 2013, there were more than 3.6 million international visitors that came to Hawai'i through HNL. The ability to open a second international port of entry would help to alleviate the high traffic at U.S. Customs at HNL during peak arrivals from international flights and cut down on additional costs and time for interisland transfers.

Kona Airport, which was previously certified to receive nonstop flights from Japan, welcomed 138,539 Japanese visitors via HNL in 2013, making it the second most popular destination for this market.

Granting a five-year exemption to reestablish KOA as a second international port of entry will allow us to re-open and develop to full potential, a federal international inspection facility. This requires additional staffing of federal and border control officials. The State of Hawai'i Department of Transportation (DOT) is also looking at new technology, like Auto Passport Control (APC) kiosks to support customs and alleviate the strain on staffing. The APC technology that the DOT is considering can help to process up to 162 passengers per hour versus 41 passengers by a customs official.

With federal government, the HTA will also work with Hawai'i state DOT to facilitate collaborative support with the State, Hawai'i County and our industry partners. Reestablishing Kona as a second international port of entry and granting border pre-clearance authorization in Japan will greatly alleviate strain and resources at HNL as well as grow international demand not only for Hawai'i but for the U.S., overall.

We are also working with the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) in Japan to discuss the option of establishing pre-clearance authorization for international flights from Japan to the U.S. The HTA has been in discussions with the MLIT to start trial efforts in Narita International Airport in Tokyo, Japan's largest international airport, which services 63 flights to Hawai'i per week. In order to accomplish this, the U.S. government would need to sign a treaty with the Japanese government.

While the HTA continues to work with the State of Hawai'i Department of Transportation (DOT) to renovate and improve our airports statewide, additional federal funding would help to upgrade our facilities in order to accommodate newer aircrafts, like the Airbus 380. These newer aircraft models offer larger passenger capacity and can fly longer distances nonstop, which will help to improve international access and promotions.

Air access is Hawai'i's lifeline and supporting these airlift initiatives is essential to sustaining and growing one of the state's largest industries. Therefore, we hope that you take into consideration, ways to support reestablishing Kona as a second port of entry, granting pre-clearance authorization and funding airport upgrades in Hawai'i.

As mentioned above, the Visa Waiver Program is a significant factor in stimulating interest in travel abroad and has resulted in exponential growth in visitor arrivals and expenditures for Hawai'i from developing markets like Korea and Taiwan. By expanding the program, we will not only continue to strengthen the nation's tourism economy, but also enhance our global relations.

We also hope to continue collaborating with the Brand USA team. Through working with them and our global marketing contractors, we have developed co-op campaigns and been able to better leverage funding and resources to increase outreach in our international markets. We recently partnered with Brand USA on their "Discover America Road Trip" campaign, in which they brought a Chinese influencer to help promote the unique experiences on O'ahu and Maui. We worked together to enroll our partners for co-op support, resulting in extensive exposure for our state in China.

We would also like to propose creating federal tax credits for new hotels and renovations. Mexico and the Caribbean are among our biggest competitors, who continue to redevelop and upgrade their accommodations and offerings. They are currently developing 260 new projects, which translates to 26,000 rooms to accommodate an influx of travelers. In order to remain competitive, Hawai'i needs to invest in increasing the number of accommodations available to our guests as well as focus on upgrading and improving the existing hotel inventory. A tax credit would support destination development, and also create jobs not only in construction but also support long-term job stability within the tourism industry once the finished products are complete.

Our National Parks and other cultural and natural attractions and provide visitors with unique travel experiences. The World War II Valor of the Pacific, also known as Pearl Harbor and other attractions like the National Memorial Cemetery of the Pacific at Punchbowl and the Iolani Palace offer visitors a deeper look at the history and culture of our state.

Growing our meetings, convention and incentive (MCI) market is also a priority for the HTA. During the 2011 Asia Pacific Economic Cooperation (APEC) Summit, Hawai'i proved to be a world-class MCI destination. Our strategic location, connecting Asia Pacific with the U.S. makes us an ideal destination for global meetings and we continue to work on positioning Hawai'i as the location of choice for international meetings and conventions.

We also encourage you to continue to support the National Oceanic and Atmospheric Administration (NOAA), which is a major partner for the HTA. As an island state, the sustainability of marine life is a key element in our destination appeal. The Hawaiian Islands Humpback Whale National Marine Sanctuary is a joint effort between NOAA and the State of Hawai'i, which helps to protect one of the world's most important humpback whale habitats. Thousands of visitors from around the world come to Hawai'i each winter to experience this natural wonder, which sets us apart from anywhere else in the world. We need to work together to continue to preserve this effort.

NOAA also supports the Polynesian Voyaging Society and their efforts to perpetuate the ancient tradition of Hawaiian voyaging. The upcoming world tour of the Hokule'a has not only allowed us to revive this tradition but share the Hawaiian culture with the world. Their 2009 voyage to Japan further fortified our relations through port greetings throughout the country. It is important to support the preservation of our natural resources as well as our cultural traditions that make Hawai'i so unique.

Thank you and mahalo for allowing us this opportunity to present an update on Hawai'i's tourism economy and our efforts in expanding our international travel markets. Travel is more than just a business. It is a valuable export that allows us to enhance our global relations and share our unique people, place and culture that we have not only in Hawai'i but in the U.S. Like one of Hawai'i's community leaders, Aunty Pilahi Paki once said, "The world will turn to Hawai'i as they search for world peace because Hawai'i has the key...and that key is aloha."

We must continue to work together with our industry partners, marketing contractors, government agencies and the Brand USA Team to promote travel to the U.S. with aloha. We are all in the same canoe and must sail together in the right direction to grow our nation's tourism economy.