

Governance with Aloha:

A Case for Reinventing Hawai'i Tourism Oversight

*A Situational Analysis for the
Hawai'i Tourism Authority
Governance Study
May 2024*

Respectfully Submitted by



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GOVERNANCE WITH ALOHA

A CASE FOR REINVENTING HAWAII TOURISM OVERSIGHT

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Today, tourism stands as a pillar of Hawai'i's economy and by far its greatest export industry. Unlike any other economic input, tourism injects enormous amounts of cash into a relatively small state economy. At last count, in 2023, Hawai'i visitors emptied nearly \$21 billion from their pockets into Hawai'i's. While the U.S. Bureau of Economic Analysis finds that Hawai'i's overall contribution to U.S. GDP has been declining since at least 2018, annual tourism spending has rocketed, rising from \$17.6 billion that year to \$20.8 billion in 2023. The state's collection of Transient Accommodations Tax climbed over the same six years from \$591.8 million to \$846.3 million.

Yet, in many of Hawai'i's special places, the words tourist and tourism trigger feelings of anger, sorrow, frustration, and even betrayal. Many in Hawai'i harbor a mistrust of an economic force that holds so much potential for addressing the State's biggest concerns, including the growing loss of its population. And now this vital economy is softening, in part because local outrage over the tragic Lahaina fires last August is feeding a mistaken impression that all of Hawai'i is reluctant to welcome visitors right now. Major travel wholesalers and operators convened in a private roundtable at the Travel Weekly Leadership Forum last month say their frontline representatives are battling that perception daily.

Against this backdrop, the Hawai'i Tourism Authority (HTA) is seeking possibilities for reshaping the governance of this troubled, powerful industry that is so identified with Hawai'i's global standing. Our consulting team is privileged to be chosen to explore this landscape and to recommend positive paths forward. We believe this privilege carries a deep responsibility, a kuleana, to share findings and recommendations honestly and constructively for the benefit of Hawai'i and its people.

A rare opportunity lies ahead: To re-craft oversight of Hawai'i's tourism economy in ways that:

- Generates far more economic opportunity for Hawai'i's people.
- Builds the vitality of Hawai'i's communities and natural environment.
- Honors the islands' rich history and mosaic of cultures, and
- Supports development of extraordinary experiences for visitors and residents alike.

In this Situational Analysis, we offer a summary of our initial findings in a spirit of Aloha, with regard and affection for the hundreds of people who have shared honest wishes, hopes, and concerns for this study and on behalf of those they represent. The observations we share are intended not to criticize but to point the way to possibilities for reshaping relationships among people, institutions, and places for the collective benefit of Hawai'i and all who care about its future.

These findings also point the way to recommendations for reinventing the way Hawai'i tourism is governed. These recommendations will be outlined in a following report to be shared in a few weeks.

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Executive Summary

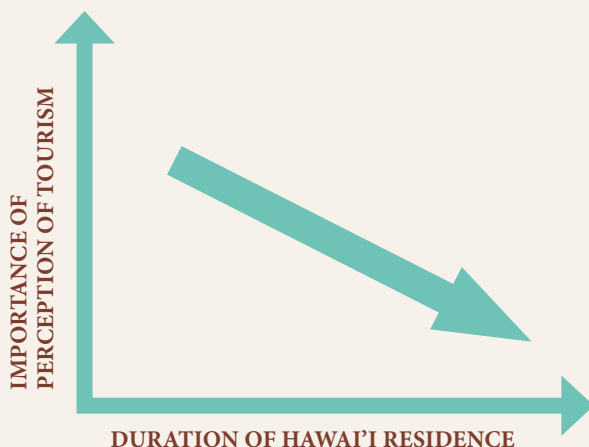
Following are the chief findings of independent research conducted for the Hawai‘i Tourism Authority (HTA) Governance Study through May 1, 2024. These insights are synthesized from desktop research of Hawai‘i tourism, our team’s global awareness of tourism trends and practices, 11 destination case studies, many dozens of in-depth interviews, 11 public engagement sessions, and a stakeholder survey drawing 619 responses and another 71 partially completed responses.

It is important to note that the HTA and the HTA Board have refrained from influencing these findings or the direction or outcomes of this study. While the entire HTA staff and most HTA Board members have participated in in-depth interviews, the input of these two critical stakeholder groups has been weighed into a comprehensive mix representing hundreds of viewpoints. The summary of interviews includes perspectives from state legislators, county officials, tourism industry operators, HTA vendors, Destination Management Action Plan participants, and others with an interest in Hawai‘i tourism. (A list of interview participants to date is provided as Appendix A.)

It also is important to note that steps are being taken to restructure HTA even as this study is unfolding. Legislators supported developing the HTA Governance Study in spring 2023 as an alternative to disbanding the HTA or converting it to a division of the Hawai‘i Department of Business, Economic Development and Tourism (DBEDT). HTA subsequently funded the study and structured it for delivery following the 2024 legislative session.

MAJOR FINDINGS

- Stakeholders across the board see tourism as vital for Hawai‘i. The stakeholder survey showed 65% of respondents indicating that tourism is very important, with another 18% rating it as important. While most respondents agreed that tourism is important both for the state and their families, they were somewhat less positive about its impact on their island. Those who have lived in Hawai‘i the longest are less convinced that tourism is important.



- About two-thirds of survey respondents (67%) believe it is important to have state oversight of tourism, while 45% “strongly agree.” The more lukewarm support for state oversight is linked to perceptions of HTA. Those who are favorable to HTA are more likely to believe that state oversight is needed.
- Respondents believe many important issues require state oversight. Their top priorities are creating local jobs for local people, perpetuating the uniqueness of Hawaiian culture, educating visitors to reduce impacts, promoting respectful tourism, and managing crisis response.
- Once regarded as a model for state tourism governance, the state agency charged with advancing one of the state’s biggest industries has been disempowered over the years, especially since 2021. Its budget is smaller than when it was founded, and it has lost statutory provisions that allowed it to respond swiftly and plan for the long term.
- Though HTA had the largest budget of any state tourism office for many years, its current \$60 million allocation now ranks fourth nationally behind Visit California, Visit Florida, and Discover Puerto Rico. All three are organized as 501(c)(6) nonprofit organizations. Visit California’s funding mechanism — the envy of state tourism offices

across the U.S. — is supported by a system of self-imposed industry fees that cannot be diverted by governmental entities. Florida and Puerto Rico's annual appropriations are both subject to legislative approval.

- At its inception, HTA was funded by 30% of the proceeds from the state's Transient Accommodations Tax (TAT), receiving a dedicated 1.5% of the 5% tax rate. This year's \$60 million budget — allocated by the Governor from a General Fund appropriation — represents roughly 7.0% of the state's TAT revenues in 2023. All TAT proceeds are deposited into the state General Fund, making it difficult to pinpoint ways that tourism is funding benefits for Hawai'i's people.
- In 2021, even as the HTA and its vendors were sharing a ground-breaking call for regenerative tourism, a "Mālama Hawai'i" campaign that was capturing worldwide acclaim, and the multi-island Destination Management Plans (DMAPs), the agency was alienating the people who held its purse strings. In 2021, the Hawai'i State Legislature imposed punishing sanctions. In last year's session, one legislative initiative aimed at abolishing the HTA while another attempted to convert it from a free-standing authority to a division of DBEDT.
- This punitive atmosphere — with HTA employees called out by name in legislative hearings and a barrage of negative media coverage — left staff distracted, disempowered, and dispirited, fearful of risk, and uncertain of employment. Priorities shifted often as staff attempted to meet the demands and expectations of individual legislators and board members.
- While many U.S. state tourism offices operate under the oversight of a Board of Directors, none appears to have a board that is more directly involved in day-to-day work than the HTA.
- Many credit HTA Board Director Mufi Hannemann for brokering a legislative strategy this spring that appears likely to equip the HTA with a recurring appropriation for the first time in three years and to build its headcount from 25 to 30.
- Many tourism industry operators express deep concern about a pervasive and mistaken belief that Hawai'i tourism can thrive without marketing. Despite rising threats to one of the state's top economic drivers, HTA's marketing budget remains much lower than before the pandemic. In FY25, HTA is on track for a \$15.2 million U.S. marketing budget, about \$2.4 million lower than FY24 when funding was enhanced with \$3.5 million for Maui recovery. And the new budget will have guardrails to prevent HTA from transferring funds from other budget lines to supplement marketing or other activities.
- Meanwhile, Hawai'i tourism is facing a growing crisis. First quarter numbers showed tourism spending was down, and the aftermath of the tragic wildfire in Lahaina is impacting not just Maui but the entire state. Meanwhile, the cost of a Hawai'i vacation has risen sharply, and the strong U.S. dollar is making Hawai'i even more expensive for international travelers. Competitor destinations like Japan are seeing sharp increases in visitation.
- Hawai'i's message for visitors is fragmented. When founded, HTA's funding structure was designed in part to provide a reliable stream of funding to the Hawai'i Visitor and Convention Bureau (HVCB), which has been marketing Hawai'i tourism for more than a century. What was once a highly integrated marketing campaign aimed at stimulating U.S., international, and group visitation has been fragmented over the years with multiple vendors conveying a variety of messages for Hawai'i travelers.
- Although HTA's brand research consistently shows Hawai'i ranks among the world's top dream destinations, travelers typically express low interest in planning a trip to Hawai'i due to the high cost and distance from their homes. Hawai'i's distance from its target markets may become even more challenging as next generation travelers seek ways of reducing carbon impacts from their trips. Already, meeting and event planners are seeing rising numbers of organizations prioritizing destinations that are prepared to reduce or offset environmental impacts.
- People expect many things from the HTA — well beyond what typically is expected of a state tourism office. Apart from advancing promotional initiatives to power the health of the state's tourism economy, HTA also fills roles often managed by other state or even local agencies elsewhere. Its many responsibilities include filling the state's convention center, safeguarding Hawaiian culture, monitoring air service, and providing crisis relief for both residents and visitors. Even more responsibilities are emerging from the current state legislative session, including tourism workforce development, sports tourism, and creating a digital reservation system for parks and natural areas across the state.
- Tourism structures that are commonplace in other states are absent in Hawai'i. State tourism offices typically partner with local and regional nonprofit destination organizations to share initiatives statewide. HVCB's Island Chapters formerly functioned as independent DMOs but opted to become part of the HVCB organization in the early 2000s.

- HTA's initiatives are divided among a complex network of contractors. Many see vendors rather than the HTA as the leaders of many efforts while HTA employees often are seen as contract compliance managers. From the outside, HTA's work appears fragmented, and its accomplishments are hard for many to comprehend.
- Local jurisdictions and communities want more say in how tourism is managed on their islands. This theme emerged from the stakeholder survey, interviews, and public engagement sessions. Many say this will require more empowerment and state resources because local authorities and organizations often lack funding, expertise, and power to effect the changes they are seeking. Many see the DMAP process as a positive example of how stakeholders on the four main islands were consulting on priorities and strategies for addressing them. With HTA now transitioning the contractual destination manager positions into state positions, the program is on hold for now.
- Hawai'i's government may be the most centralized of any U.S. state, with limited avenues for local control. The state's educational system and its judiciary system are both centralized in Honolulu, and the Hawai'i State Legislature maintains a tight hold on state government. All of this contributes to widespread resentment over the way that decisions made in Honolulu play out over the islands, including decisions relating to tourism.
- While many support the idea of destination management, the concept means different things to different people. Stakeholders on the neighbor islands tend to see it as a strategy for addressing "hot spots." Other key stakeholders, including many tourism operators, see it as work that HTA is allocating to the Council for Native Hawaiian Advancement. Others relate destination management to the DMAP process. Rarely, however, is destination marketing seen as an instrument of destination management. On the contrary, the shift towards destination management is often seen as a shift away from destination marketing — and even as a threat to promotional activities.
- One of the highest priorities for all is safeguarding and reflecting Hawaiian culture. Many concerns were expressed, however, about the amount of HTA funding that is dedicated to cultural initiatives and believe more accountability is required to measure outcomes. Others point to the importance of also representing Hawai'i's cultural diversity.
- To provide effective leadership of Hawai'i's vital tourism industry, a reinvention of HTA may be required. The stakeholder survey showed HTA's overall rating was more negative than positive, with a mean rating of 4.7 on a 10-point scale and 43% of respondents sharing a negative rating. Deeper analysis shows HTA is catching the blame for unhappiness about tourism in general. For many reasons, including issues beyond its control, it appears the HTA has lost the confidence of its stakeholders. Minor adjustments will not be enough to reverse damaging attitudes about the organization.

Further explanation of these findings is provided in the remainder of this report. Collectively, these findings will lay the foundation for recommendations to be shared in the upcoming final report.



Project Overview

During the final days of the 2023 legislative session, as efforts to abolish the HTA or convert it into a division of DBEDT were failing to win a majority, lawmakers expressed support for HTA to commission a study identifying how Hawai'i tourism should be governed. A formal procurement in fall 2023 resulted in the choice of Denver-based Better Destinations LLC to create the study along with a consortium of partners, including Place Generation, SMARInsights, and Maui-based Karey Kapoi LLC. Collectively, this first-time partnership brings U.S. and global tourism expertise and understanding of Hawai'i to the task of identifying a system of tourism governance that creates effective oversight, drives collaboration with key stakeholders, and inspires credibility and trust.

Since kickoff in late January, the project has been structured to unfold in four phases of work:

OUR APPROACH AND METHODOLOGY



PHASE 1 RESEARCH THE CURRENT STATE

The focus of the initial phase was to identify key stakeholders, conduct desktop research to build a strong understanding of challenges and possibilities, and begin exploring alternative governance structures. This included benchmark interviews with 11 destination leaders — five in the U.S. and six from international destinations — to develop case studies sharing insights into effective governance practices and emerging priorities (see Appendix B). This phase also included development of Hawai'iTourismGovernance.com to build understanding of the project, provide a link to the stakeholder survey, and ultimately to share findings.

PHASE 2 GENERATE INSIGHTS FOR POTENTIAL GOVERNANCE SCENARIOS

The second phase centered on developing a variety of ways to engage with key stakeholders. These included creation of a stakeholder survey to identify common ground for governing Hawai'i tourism. Also developed were a series of three potential governance scenarios for exploration in Co-Creation Labs on each of the four main islands — O'ahu, Maui, Kaua'i and Hawai'i — from March 5-11, 2024. This phase of work also included many dozens of in-person and virtual interviews with key stakeholders, including all HTA employees.

PHASE 3 SEE YOUR GOVERNANCE REALITY

During the third phase, attention has turned to analyzing findings. Assumptions were tested and further insights were gathered in additional interviews and in five Ideation Sessions from April 8-12, 2024, on the four main islands and with the HTA. An additional Ideation Session was held virtually on April 30, 2024, to secure additional viewpoints from those unable to attend the island sessions. Findings of the stakeholder survey were analyzed and have been incorporated into this Situational Analysis, which summarizes all major findings to date.

PHASE 4 RECOMMEND A GOVERNANCE MODEL FOR HAWAI'I TOURISM

This Situation Analysis sets the stage for the final phase of work. Recommendations for the HTA Governance Study will flow from all of the steps described above. Set for completion by mid-June, the study will identify an effective structure for governing Hawai'i tourism. It will recommend policies and, if needed, changes to Hawai'i statutes. It also will recommend key performance indicators as well as an organizational structure capable of supporting the recommended approach. This will include descriptions of any new departments, teams, and positions that are needed.

Desktop Research

HTA Overview: The evolution and current state of tourism governance in Hawai'i

The Hawai'i Tourism Authority (HTA) was established as a semi-independent state agency in 1998 with a dedicated revenue stream from the Transient Accommodations Tax (TAT) and a clear mandate: to restore and build the state's tourism economy by promoting Hawai'i as a dream destination for global travelers. Its funding mechanism — 1.5% of the 5% TAT, or 30% of the proceeds — was recognized as a global model. By the year 2000, Hawai'i's \$80 million budget was the largest of any U.S. state by far. Next closest was the Illinois Bureau of Tourism's \$60 million budget, and most other state office budgets trailed far behind.

Hawai'i legislators centralized tourism oversight and promotion in Honolulu. The HTA reported to a powerful Board of Directors, appointed by the governor to represent top tourism interests. The office was administratively linked to the Department of Business, Economic Development and Tourism (DBEDT), which had led the state's tourism industry for eight years before HTA was founded. In part, HTA was structured to steer a reliable stream of revenue to its marketing partner, the Hawai'i Visitor and Convention Bureau (HVCB), which had been marketing Hawai'i vacations since the early 1900s. Tourism was the undisputed powerhouse of the state's economy. The mothers and fathers of many on the islands today supported their families with jobs at the big hotels and resorts.

Over the years, as HTA's share of the TAT topped \$120 million, legislators capped the HTA's share and ultimately raised the state TAT to 10.25% and allowed counties to charge an additional 3% TAT. In 2023, this combined TAT generated more than \$1.1 billion, with \$846.3 million going into the state General Fund and another \$275.2 million going into county general funds. On top of this, lodgings generated another \$52.8 million from the state's combined 4.71% General Excise Tax, along with untold millions in county property taxes.

But despite this powerful contribution to the state and local finances, attitudes toward the state's signature industry began to sour. Longtime concerns about HTA's lack of transparency, spending outcomes, and inattention to Hawaiian communities began to ignite as visitor numbers hit new records year after year. For more than two decades, Hawai'i had welcomed about 6 million

to 7 million a year. But arrivals began spiking in 2012, hitting a record 7.8 million and rising to 10.24 million by 2019. The sudden arrival of the sharing economy and cheaper airfares had made the dream far more affordable, and a whole new class of visitors began to arrive.

HTA and its promotional campaigns took the brunt of the criticism but tourism operators, especially hoteliers, say the real culprit was an explosion of vacation rentals, which literally tripled Hawai'i's lodging inventory with hardly any new construction. A data scraping service called All the Rooms shows Hawai'i has nearly 90,000 vacation rentals today compared with its 46,000 hotel rooms, and as many as 50,000 of those vacation rentals may be operating illegally. This uncontrolled growth of vacation rentals disrupted peaceful neighborhoods and drove up housing prices as investors snapped up homes and turned them into businesses. And instead of encountering tourists on Waikiki Beach and Ala Moana Park, residents suddenly were seeing them in their own neighborhoods. Efforts to regulate vacation rentals, however, often meet with resistance because locals own them too and see this as their way to profit from tourism. New legislation pushed by the hotel industry this spring would give counties more power to regulate this controversial form of lodging.

The qualities identified as most important for state oversight of tourism:

- Trustworthy
- Independent of politics
- Protective of Hawaiian resources and culture
- Focused on the long-term
- Effective and efficient

Source: SMARInsights Stakeholder Survey, April 2024

A move toward destination management

Against this backdrop and under a growing hail of criticism, the HTA began to reinvent its approach to managing tourism. In 2019, the office was reaching out to communities across the islands to secure input into what needed to change. In early 2020, as pandemic was beginning to spread around the world, the HTA introduced a ground-breaking strategic plan, spelling out a new mission for Hawai'i tourism through 2025:



“To strategically manage Hawai'i tourism in a sustainable manner consistent with economic goals, cultural values, preservation of natural resources, community desires and visitor industry needs.”

The six-year plan reorganized the state tourism agency around four interacting pillars: Natural Resources, Hawaiian Culture, Community, and Brand Marketing. Each pillar had a goal making it clear that HTA was on a path to operating differently. It would build Hawai'i's globally competitive brand in harmony with the state's natural surroundings and communities and through authentic experiences for visitors and residents. The plan identified just four Key Performance Indicators, three of which were centered on economic measures. The KPI at the top of the list: Resident Satisfaction.

With adoption of its 2020-2025 Strategic Plan, HTA stated that it was “re-balancing our attention from mainly marketing to greater emphasis on destination management.”

Today, the compelling vision of the 2020-2025 Strategic Plan remains only partly realized. Almost immediately after the plan was unveiled, the HTA was forced into crisis mode as the state's self-quarantine requirements brought visitor spending and arrivals to a near standstill. Much of the state's workforce was unemployed, and revenues shriveled for big resorts and small businesses alike. When CEO John De Fries took the helm of the HTA in September 2020, visitor arrivals were down by 97.4% from a year earlier.

Amid widespread dissatisfaction with Hawai'i tourism, the HTA began to embrace the role of destination manager and regenerative tourism. The agency funded three-year Destination Management Action Plans (DMAPs) giving each of the four main islands an opportunity to identify their own priorities and a plan

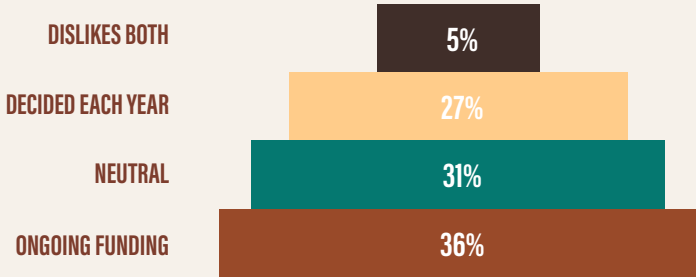
for implementing them. In June 2021, the HTA rolled out a new campaign, “Mālama Hawai'i,” targeting mindful travelers and inviting them to join in caring for the state's unique culture and natural resources. Though the approach won global acclaim and third-party research demonstrated its effectiveness, the campaign continues to draw detractors at home. Many tourism operators say the message was too soft and the target too narrow to generate the surge of visitation needed to support Hawai'i's tourism economy, especially at a time when the strength of the dollar and other factors have been making Hawai'i pricey. At the same time, some residents object to the idea of inviting visitors to care for the islands, saying that responsibility, or kuleana, rightfully belongs to the people of Hawai'i.

Then last August, Hawai'i tourism was rocked by the Maui fires, which led to a devastating loss of loved ones, homes, cultural and historical sites, and essential businesses in Lahaina. HTA provided emergency response, working among fellow government agencies and visitor industry partners to address the community's needs. However, the loss of Lahaina, Maui's greatest tourism asset, and traveler uncertainty led to a sharp drop in visitor arrivals. Local protests against the restoration of tourism have built a perception that not just Maui, but all of Hawai'i, is not ready to welcome visitors. Industry wholesalers say their frontline representatives battle this perception daily.

The current state of Hawai'i tourism

And now Hawai'i's tourism economy is slowing. An April 30, 2024, DBEDT news release reports that visitor arrivals fell by 2.2% during the first quarter of 2024, compared with a year earlier, while visitor spending dropped by 2.7%. Operators blame widespread coverage of the Maui fires and protestors as well as the strong U.S. dollar and the rising cost of a Hawai'i vacation. Many note that Hawai'i has one of the highest lodgings taxes in the world, and many accommodations also require resort fees. Only a handful of destinations — including Atlanta and Memphis — tax lodgings at a higher rate than Hawai'i's combined rate of 17.962%, which incorporates the state TAT of 10.25%, the county TAT of 3%, and the state's 4.712% General Excise Tax. Meanwhile, other destinations — Europe, Japan, and Mexico — are seeing visitor numbers surge.

Against this backdrop, the HTA has begun to regain ground lost since 2021 when angry lawmakers stripped HTA of its funding stream and authorized county governments to collect a new 3% TAT on lodgings. Legislators also negated the HTA's exemption from state procurement requirements and shifted its research department to DBEDT's oversight. For the next three years, the legislature adjourned without appropriating funds for HTA. The HTA took heavy fire again in 2023, but remained intact despite two separate attempts to dismantle it. One bill would have abolished the HTA, while another aimed to make it a division of DBEDT. When neither effort secured majority support, legislators signaled a willingness to hold off until HTA secured a study providing recommendations for how state oversight of Hawai'i tourism should be restructured.



Stakeholder survey respondents shared a preference for a state tourism oversight organization to have ongoing funding rather than budgets decided each year. Source: SMARInsights Stakeholder Survey.

In the following months, leadership of the HTA and the HTA Board changed profoundly, with the departure of a charismatic CEO and longtime board chair. Many say the uncertainty of HTA's future, and a torrent of media coverage, has made it difficult for HTA to fill vacancies. As of January, HTA's FY24 budget was funding 19 employees, six short of the agency's authorized headcount. Interim President & CEO Daniel Nāho'opi'i fills three roles, including the jobs of Chief Administrative Officer and Chief Brand Officer, while top executive Kalani Ka'anā'ana's role is shifting to Destination Stewardship Officer. Apart from the CEO, the office's work is divided primarily between eight employees who manage the brand, six who manage the budget and contracts, two who oversee planning, a public affairs officer, and an executive assistant.

But HTA's fortunes appear to be shifting to more positive directions. Many credit HTA Board Chair Mufi Hannemann for brokering a legislative strategy this spring that appears on track to restore the HTA's recurring appropriation and build its headcount from 25 to 30. The proposed \$63 million appropriation for FY2025 includes significant salary increases for the CEO and Chief Marketing Officer positions, both technically vacant. A total of \$3 million is earmarked for HTA to create an app managing a statewide reservation system and collection of fees for entry to parks, natural areas and beaches. And among highly detailed language that even specifies salaries and job titles, the appropriation bill creates five new destination manager positions, shifting oversight of the DMAPs from HVCB to HTA.

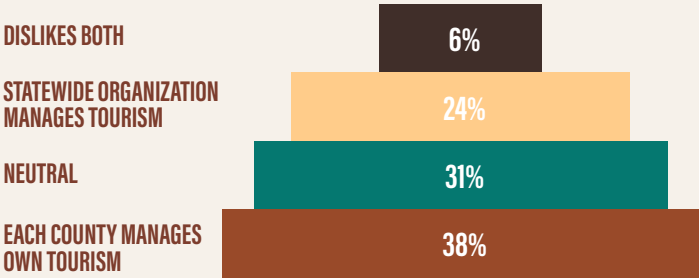
The role of HTA

Most agree that HTA's primary mission is to drive economic impact by generating traveler spending. Hawai'i's economy, state and county finances, and the viability of businesses across the islands depend upon this. In recent years, however, HTA's funding for marketing has dropped. With visitor numbers zooming, HTA's FY19 budget fell from \$88.4 million the prior year to \$84.2 million. Its funding for "Marketing the Destination" dropped by \$10 million to \$49.8 million, or 59.1% of the budget, while funding for "Managing the Destination" rose by \$4 million to \$23.8 million, with increases for community, care of natural resources, sports, and festivals and events.

Its current budget includes even less for promoting Hawai'i. About \$39.4 million — or 58% — goes for branding. Of that amount, about 54%, or \$21.3 million, goes for U.S. marketing, while nearly 40%, or \$15.5 million, goes for international promotion. HTA dedicates more than half of that amount (\$8.37 million) to stimulate visitation from Japan, more than twice the amount spent for Canada, Korea, and Oceania combined. The HTA also spends about \$500,000 to attract Europeans. Another \$2.4 million of the branding budget supports staffing and administration of the Island Chapters on O'ahu, Maui, Kaua'i and the Island of Hawai'i. As of November, the Island Chapters have been operating under a separate contract, although their employees remain employed by HVCB.

Meanwhile, the HTA is attracting growing support for destination management initiatives that address visitor hot spots, encourage respectful travel, connect small businesses with the tourism economy, and safeguard Hawaiian culture. Many point to HTA's 3-year-old DMAP initiative as an important step in the right direction, especially for providing islands with more of a say in how tourism is managed. State legislators now are moving to revise HRS 201B, HTA's governing statute, to require DMAPs for each county and specifically include destination management in HTA's powers and duties. It renames HTA's marketing plan as the strategic tourism management plan and requires it to include statewide destination management and regenerative tourism initiatives.

But even as HTA gains a firmer footing in the legislature, questions continue to be raised about the role it should play relative to its contractors for brand management and destination management.



Multiple questions in the stakeholder survey explored preferences for a statewide focus on solutions vs. a local focus. In every case the preference skewed toward collaboration and a county/island focus. Source: SMARInsights Stakeholder Survey, April 2024

GLOBAL SHIFTS IN TOURISM AND THE IMPACT ON TOURISM GOVERNANCE

Over the past decade, shifts in consumer preferences, technological advancements, and a growing awareness of sustainability issues has driven significant changes in global tourism. As many destinations began spotting cracks in a model that had driven so much success, COVID-19 struck. Attention shifted suddenly from considering how to improve the volume-based tourism model toward recovery. This has placed heavy strains on many tourism organizations to reassess practices while adapting to remain prepared for future challenges.

From sustained growth to sustainability

Despite initial setbacks from the 2008 financial crisis, global tourism experienced substantial growth through 2015, primarily by expanding marketing to gain competitive advantage. Destination Marketing Organizations (DMOs) made concerted efforts to drive economic recovery by expanding tourism, especially through increased investment in digital marketing, crisis response capabilities, and exploration of new markets. Many sought public-private partnerships to enhance the impact of marketing campaigns and typically measured success by increased visitation, occupancy, and spending.

Beginning in 2015, there came a growing recognition that unchecked tourism growth can lead to negative impacts on local ecosystems, cultures, and communities. The U.N. World Tourism Organization adopted the Sustainable Development Goals (SDGs) that year, highlighting the imperative of sustainable tourism practices and pointing the way to addressing them. In the following years, the word “overtourism” was coined, and concerns about the environmental impacts of travel gained traction, sparking debates on the sustainability of tourism, especially in the world’s most popular destinations.

In 2019, The Travel Foundation commissioned Cornell University’s Center for Sustainable Global Enterprise and EplerWood International to develop “Destinations at Risk: The Invisible Burden of Tourism.” The ground-breaking study showed how tourism could create an “invisible burden” of impacts on host destinations,

highlighting the need for tourism operators and destination organizations to mitigate negative impacts and generate more positive outcomes. More destinations began embracing sustainable practices and responsible tourism principles to minimize environmental harm and promote long-term stewardship of natural and cultural resources. Many turned to data analytics, visitor tracking, and personalized marketing as tools for managing visitors.

A new concept of destination marketing began to emerge. This new direction engaged destinations in a far more holistic approach to shaping their tourism economies, going beyond marketing to encompass planning, development, and coordination of tourism activities. Destination organizations began to play a central role in destination management by bringing together various stakeholders, including government agencies, businesses, residents, and community groups, to collaborate on sustainable tourism initiatives. The 2017 Colorado Tourism Roadmap laid out a vision for creating partnerships across the state to build a stronger brand, improve the tourism workforce, advance rural economies, and educate visitors to enjoy the state responsibly.

In 2019, as many destination organizations were seeking to address the new Triple Bottom Line challenge of balancing planet, profit and people, global travel was hitting a record high of more than 2.4 billion international arrivals.

And then came Covid-19

The pandemic provided many with time for reflection, and leaders in tourism started to ask deep questions: Are we going to maintain the current growth model? Are we going to redefine what success looks like? Are we going to use recovery budgets to maintain old patterns? Or are we going to use this time to renew and reform our approach to tourism? Entrepreneurs and policymakers at international and local levels pondered similar questions: Why is the old recipe for tourism not the recipe for the future of tourism? What should we change? And how can we create a tourism economy that allows for sustainable growth?

Some DMOs moved to reimagine tourism. Portugal shared a “Reinvent Tourism” initiative, and Tourism Vancouver Island transitioned its organization into a social enterprise. Visit Flanders implemented its “Travel to Tomorrow” strategy, and New Zealand unfolded its Aotearoa Government Tourism Strategy. New attitudes toward travel, which had been gathering steam before the pandemic, began to solidify into behaviors generally classified as sustainable travel. These include:

- **Purposeful travel:** Consumers seeking new meaning and life goals are looking for more meaningful travel experiences that go beyond the trip itself. This is reflected in slow and transformative journeys where individuals take time for experiences that bring meaning to their lives and improve their well-being. McKinsey & Co.’s 2020 “Future of Wellness” study found that well-being was important to 79% of U.S. consumers, with 42% seeing it as a top priority. An update in 2022 showed 50% prioritizing their well-being.

As more people seek fulfillment in their lives, they also seek fulfillment from their travels, rather than just a good time. Many want to do something good, which is much more than just feeling good themselves and can extend to taking care of the place or the people that they encounter on their travels.

- **Slow travel:** Embracing the moment, avoiding crowds and lines, and allowing yourself ample time for exploration characterize the essence of slow travel. This concept goes beyond merely extending the duration of a trip. It involves venturing beyond peak seasons, steering clear of crowds, discovering hidden gems, and sidestepping overly popular destinations. Slow travel emphasizes immersion and aligning with various impacts, including considerations for climate. This trend presents significant opportunities for destination management organizations (DMOs) seeking to attract travelers in off-peak periods or for overlooked locales, as well as for innovating new travel experiences. This approach is less relevant for destinations seeking to concentrate visitors in one area.
- **Leaving a positive impact on local communities:** The pandemic underscored the importance of tourism for the vitality of local communities. Pre-pandemic, many sustainability conversations centered on reducing the negative footprint of tourism. Post-Covid there’s much more discussion about regenerative tourism that yields positive contributions for the local economy, the environment, and communities.

This consciousness now accompanies travelers who value authentic experiences more than ever. Merely observing is no longer sufficient. Travelers must actively participate and ensure they leave

a positive impact. According to the AMEX 2023 Global Travel Trend Report, 78% of global travelers sought vacations in 2023 that supported local communities to some degree. Booking.com indicates that 25% are willing to pay extra for activities that benefit local communities, yet 34% struggle to find such opportunities.

Expedia’s 2022 Sustainable Travel Study showed that travelers seek sustainable options during the planning phase, including support for locally owned businesses (45%), and information on volunteering or aiding local organizations (34%). A Booking.com sustainability report also highlights that 59% of travelers aim to leave destinations in better condition than they found them, and 45% consider protecting and learning about local cultures as integral to sustainable travel.

Many destination management organizations are paying far closer attention to local communities, recognizing the importance of building or maintaining community support for tourism. Some destinations keep a pulse on local attitudes through resident surveys or sentiment studies, while others are including residents in decision-making processes.

Sustainability in Meetings, Events, and Conferences

Sustainability has become a top priority in the meetings industry. No longer just a preference, it is evolving into a mandatory expectation, and many destinations are racing to compete with initiatives ranging from green certifications to climate calculators for events.

A 2022 study by the Global Business Travel Association identified climate change as the foremost concern (88%) for the global business tourism sector. Specifically, reducing CO2 emissions ranks as a top priority for both buyers and suppliers. Respondents also shared concern about many other environmental impacts, with 83% reporting plans to reduce waste and single-use plastic within the next few years. And pressure for reducing emissions and environmental footprints is expected to grow in coming years. Deloitte’s 2023 travel industry outlook found that 62% of corporate travel managers anticipate their companies’ green initiatives will reduce travel by more than 25% by 2025. Deloitte itself plans to cut business travel emissions per full-time employee by 50% by 2030.

For most destination management organizations (DMOs), the message is clear: Convention Centers, event venues, and hotels must prioritize sustainability practices to maintain competitiveness in the meetings and events market. These trends also are likely to put venues and meetings requiring long-haul, high-emission travel at a competitive disadvantage.



New instruments for destination management

In response to these challenges and opportunities, many DMOs are embracing new strategies for managing impacts. These tools may include productive investments, subsidies, certifications, regulations, licenses, taxation, and other options, spending on the issue at hand.

- **Taxation:** In many destinations, rising visitor numbers are driving an uptick in existing taxes or the creation of new ones, whether to fund tourism development or social, cultural, or community initiatives. Increasingly, tourism taxes and fees are being used as a tool to manage tourism flows, such as Venice's brand-new tax on day trippers. Taxes also may be imposed to discourage visitation by season or in certain areas.

Among the newest taxing concepts are green fees or ecotaxes, typically created as a one-time entry fee to fund sustainable initiatives. The proceeds of Greece's new climate tax, for instance, will address impacts of fires and floods from climate change. Most green fees today add between \$25 to \$50 a person to the cost of a vacation. For now, island destinations find these fees easier to collect than continental locations. Some may argue that imposing additional costs on travelers could harm tourism. However, examples from places like Palau, the Galapagos, and New Zealand show that visitor green fees can be integral to promoting environmentally friendly and community-focused tourism models, especially when visitors are informed about what their fees support.

- **Regulation:** ESG (Environmental, Social, and Governance) considerations have become central in the tourism industry, impacting how destinations are ranked and how companies operate. The latest Travel & Tourism Development Index 2021 emphasizes sustainability as a key factor in determining the appeal of tourist spots. Environmental challenges such as water shortages and air pollution are particularly highlighted in the MENA region, while Europe and Eurasia lead in environmental sustainability.
- **Environmental trends:** Consumers are increasingly conscious of the environmental impact of travel, prompting companies

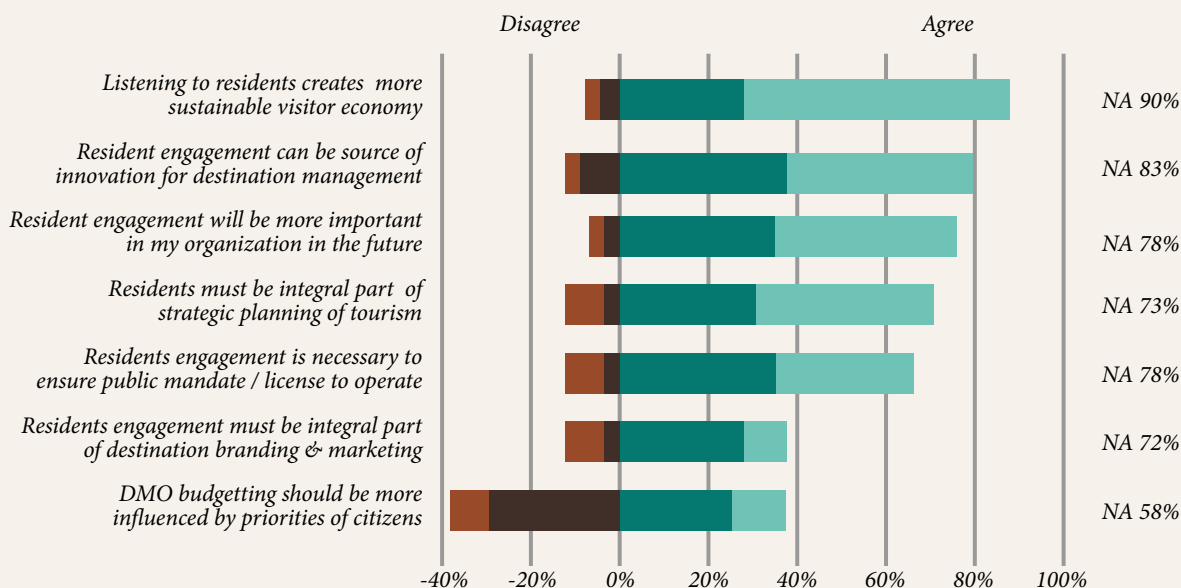
to adopt sustainable practices, including reduction in the use of plastics. Transport firms face pressure to use alternative fuels, while hotels are implementing energy efficiency, waste reduction, and recycling programs.

- **Social trends:** Many destinations are investing in local communities by promoting local food and beverage production and connecting local suppliers with tourism operators. Social responsibility is also evident in workforce development initiatives, including supports for childcare and equity, and other community-building efforts, especially crisis relief.
- **Governance trends:** The tourism industry is seeing improved sustainability reporting and transparency, with major players seeking adherence to international standards and guidelines.

Destination stewardship and the voice of the local community

By many definitions, the difference between destination management and destination stewardship revolves around the role of resident voices. With destination stewardship, DMOs not only listen to resident voices but include residents in decision making. In describing a 2022 Skift Megatrend, travel journalist Lebowitz Lily Girma noted, "Communities are not going to be spectators to their own future That's because locals will become increasingly engaged in the future of their home, just as travelers will continue to seek sustainable, inclusive options."

An excellent destination to reside in is also an excellent destination to explore. Adopting a community-centered approach not only promotes favorable cultural exchanges between locals and visitors but also cultivates a sense of hometown pride. The January 2023 study "Time for DMOcracy" — developed by Group NAO with a collection of knowledge partners, including The Travel Foundation — describes a growing belief among tourism organizations that more resident engagement and involvement is necessary. North American DMOs are even more likely to support that point of view than their European counterparts.



Source: Time for DMOcracy, Group NAO, January 2023

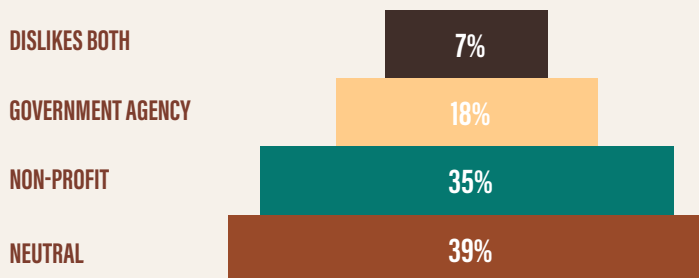
OVERVIEW OF BENCHMARK CASE STUDIES

To gain insight into how tourism destinations are governed around the globe, interviews were conducted with leaders of 11 major destinations, including five in the U.S. and six from three major regions of the world — Europe, North America, and Oceania. Case studies were developed for each of these destinations to shed light on funding practices, marketing imperatives, governance structures, and collaborative practices. Each case study produced specific learnings and recommendations for Hawai'i, and many of these were tested in workshops conducted for this study.

Full versions of the 11 case studies are provided as Appendix B. Each provides a list of learnings for Hawai'i. A summary of findings is shared below.

U.S. CASE STUDIES

Visit California, Discover Puerto Rico, Visit Florida, Visit Utah, Travel Michigan



Stakeholder survey respondents expressed a preference for tourism oversight by a nonprofit over a government agency. Source: SMARInsights Stakeholder Study, April 2024

Funding models for nonprofit DMOs

Although HTA had the largest budget of any U.S. state tourism office for many years, its current \$60 million allocation now ranks fourth nationally. Today, the three best-funded DMOs in the U.S. are **Visit California** (\$160 million), **Visit Florida** (\$80 million), and **Discover Puerto Rico** (\$73 million). All three are organized as 501(c)(6) nonprofits. Visit California's funding mechanism — the envy of state tourism offices across the U.S. — is supported by a system of self-imposed industry fees that cannot be diverted by state or local governmental entities. This funding structure, which must be reauthorized by an industry vote every six years, has never failed to win less than 90% approval. In contrast, Florida and Puerto Rico's appropriations are subject to annual legislative approval, and, for now, Puerto Rico's funding also is subject to federal oversight.

Three of the U.S. DMOs examined for this study were founded in the aftermath of a crisis. Similar to the way the Maui fires have impacted perceptions of Hawai'i, massive news coverage of a 1989 Bay area earthquake led to the cancellation of vacations, meetings,

and conferences across California. Discover Puerto Rico was founded to restore the economy after a series of crises, including a federal bailout from bankruptcy, Hurricane Maria, and an earthquake. In Utah, a study showed the **Utah Office of Tourism's** lack of funding was a key factor in why the world almost instantly forgot that Utah had hosted the 2002 Winter Games. In each of these cases, tourism industry leaders met the crisis by rallying support for a stronger and better-funded tourism agency.

Travel Michigan was born of opportunity, growing from a public/private sector resolve to invest Michigan's share of the 1998 multi-state tobacco settlement in building Michigan's economy. **Visit Florida** spent years rebuilding trust and its state funding, achieving a record appropriation in 2023, after a series of missteps in 2016 triggered a public outcry and the firing of several Visit Florida executives.

Each of the nonprofit leaders is guided by different imperatives. Visit California President & CEO Caroline Beteta says her first consideration for every major decision is its impact on the "investors," whose fees fund the organization. Visit California began launching destination stewardship initiatives based on evidence that rising concerns about tourism impacts were beginning to pose a threat to investors. Visit Florida CEO Dana Young, a past legislator, says her first thought is always of taxpayers and whether a decision would make Florida taxpayers proud. Discover Puerto Rico CEO Brad Dean says his organization's strategy is guided by opportunities to celebrate Puerto Rico's unique culture and spread the economic benefits of tourism to more of the island's communities.

Winning support through performance and collaboration

Michigan and Utah's tourism offices — both of which are embedded in their state's economic development agency — offer different lessons for Hawai'i. The Utah Office of Tourism (UOT) built its annual budget from \$2.5 million in 2003 to approximately \$22 million by 2018 through a performance-based mechanism. While Utah legislators were reluctant to raise lodging taxes or give the state office an ongoing share of existing taxes, they warmly embraced the idea of giving the UOT a share of the annual growth in tourism revenues. Every year, by meeting certain performance measures, UOT could claim half the growth in the state's tourism revenues, up to \$3 million a year. The UOT also won strong support by designating 20% of the proceeds for a statewide cooperative marketing program and another 7.5% for the Utah Sports Commission. Like many UOT offerings, the cooperative marketing program was shaped to let local DMOs address their own priorities, rather than state priorities.

Michigan also offers a cautionary tale. Travel Michigan was formed in 1999 as a division of the Michigan Economic Development Corp. (MEDC), funded in perpetuity by the state's 1998 tobacco settlement. But the office was reorganized earlier this year, and the brand is now under the control of a newly formed MEDC brand office. Travel Michigan's budget is falling from a high of \$40 million to \$15 million in the coming fiscal year.

GLOBAL CASE STUDIES:

Ireland, Catalunya, Iceland, Vancouver Island, Bay of Plenty NZ, The Netherlands

Mandates for tourism vary greatly around the world, and in some places, multiple government organizations share jurisdiction. Sometimes the roles and responsibilities of these organizations are well-defined and sometimes not. Regardless of structure, collaboration is a necessity, especially for those pursuing a destination management strategy.

Global models for destination management

In becoming a destination management organization, The Netherlands Board of Tourism (NBTC) needed to empower stakeholders to tackle complex challenges head-on, from licensing to legislation. Yet, perhaps the most powerful tool in NBTC's arsenal was its decision to turn its staff into "connectors." NBTC became the bridge between diverse stakeholders, not just the typical tourism partners, but local and regional public partners as well, fostering dialogue and understanding at every turn and about every aspect of tourism.

Ireland's nonprofit DMO, Fáilte Ireland, empowers and provides financial support and technical assistance for 26 counties. For instance: Fáilte Ireland experts collaborate with local experts on tourism development projects that align with the national strategy. The counties share tourism information with visitors and residents, while Fáilte Ireland provides counties with a framework to measure resident's attitudes towards tourism. This community-centric approach helps foster inclusive and sustainable growth.

New Zealand's Treaty of Waitangi lies at the heart of a coexistence model between the Crown and rangatira, granting a set of rights and obligations to each Treaty partner. While this arrangement falls short of creating an ideal or fair situation for the island's indigenous minority, it has fostered a spirit of bi-governance in all their endeavors, including tourism. Indigenous communities have access to numerous governing bodies and councils where plans, decisions, and strategies can be discussed. This can generate support for change projects while ensuring that tourism growth doesn't come at the expense of a third party, be it the natural environment, the local community, or culturally rooted values.

Starting in 2016, pressures of tourism on Catalunya's biggest city — Barcelona — started to fuel resident pushback. The regional tourism authority stepped in to help, collaborating with the city on attracting visitors and dispersing them throughout the region. One

symbolic moment of this collaboration was creation of the 2018 "Barcelona Declaration: Better Places to Live, Better Places to Visit," which has been guiding the pathways for both the city and regional organizations.

And on an island off the coast of British Columbia, a regional DMO connected nearby communities by literally investing in them. Formerly known as Tourism Vancouver Island, the DMO transformed itself into a social enterprise called 4VI in 2022. Rather than wait for the Canadian or provincial government to provide pandemic relief funds, 4VI began generating its own income, primarily by selling their expertise to other businesses and destinations. The proceeds were for reinvestment in the island's communities, businesses, culture, and environment.

Alternative models for marketing and management

The Netherlands' switch to becoming a destination management organization forced new thinking about the role of marketing within the organization. NBTC now sees marketing as an instrument for managing the destination, along with legislation, taxation, and other activities. For NBTC, marketing is among the divisions within a destination management organization.

In Iceland, two sister organizations now divide responsibilities for destination management and marketing. The Icelandic Tourist Board manages tourism as an independent authority regulated by the Tourism Administration Act and overseen by the Minister of Tourism, Industries, and Innovation. Meanwhile, Iceland is marketed through a public-private partnership known as Promote Iceland, which is tasked with advancing Iceland's commercial interests abroad and boosting export revenues. There is no formal governance framework for managing the relationship between these two entities, which is less than ideal.

Ireland also has two separate organizations managing tourism, and they define their roles with clarity and purpose. Tourism Ireland's main responsibility is to promote Ireland overseas and generate international B2B contacts for Fáilte Ireland. The latter organization is responsible for developing and managing the destination. In Ireland, development incorporates brand creation, like "The Wild Atlantic" and the whole tourism experience around it, including signage, research, registration/licensing, training and education, and grant programs. Tourism Ireland's 2022 budget for international marketing was about half of Fáilte Ireland's budget that year for tourism development. The two organizations foster a symbiotic relationship, with each entity complementing the other in achieving shared objectives. Their success is a testament to the maturity of Ireland's tourism strategy — an "adult relationship" forged through dialogue, collaboration, and mutual respect.

FINDINGS OF IN-DEPTH INTERVIEWS

Please note: A list of all interviewed for this study is included as Appendix A.

INTERVIEWS WITH HTA STAFF

All 19 employees of HTA were interviewed from March 1-29, 2024. These interviews were semi-structured and formed an integral part of the qualitative research as outlined in the original and validated process.

Nine interviews were conducted at the HTA office in Honolulu, while ten were conducted virtually. Interviews were set for one hour, although this limit was occasionally exceeded. Each interviewee was assured that the interviews would remain anonymous, and no direct quotes with attributions would be used. Not all interviewees were asked the same questions, as certain patterns became evident as we progressed in the process, allowing for exploration of different topics.

A thematic overview of the major findings is shared below. Other insights shared in these interviews will be weighed into the analysis of all qualitative and quantitative research for this study's ultimate recommendations.

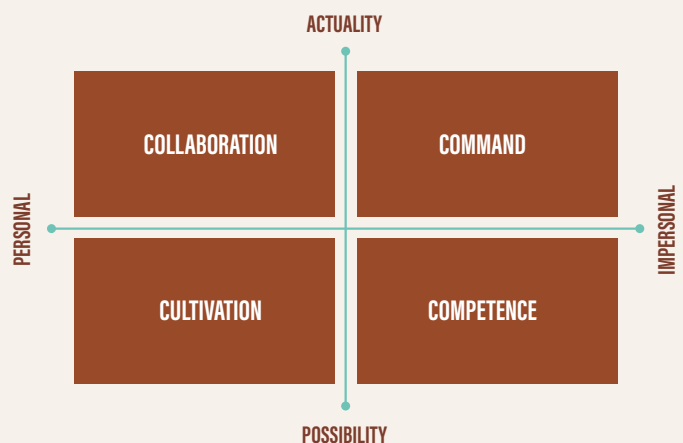
FINDINGS

HTA's current organizational culture presents a barrier to HTA's desired transformation into a destination management organization.

Interview findings indicate that HTA adopts an impersonal, organization-centric approach, with a focus on command, as depicted in the top right-hand quadrant of the diagram. This observation includes a tendency towards one-way communication, a siloed organizational structure, limited transparency among management, a perception of top-heaviness within HTA, and discussions framed around "us versus them" dynamics. Schneider categorizes such organizations as those aspiring to success through control, emphasizing knowledge and expertise. They exhibit objectivity, theoretical rigor, a prescriptive nature, hierarchical structures, formality, and emotional detachment. Processes, delegation, and policies are emphasized.

The organization lacks strategic coherence because the culture fails to foster alignment across departments or facilitate the execution of new strategies. Most employees express unhappiness with micromanagement and a lack of empowerment, while others seek improved management practices with clearly defined objectives and two-way feedback. The prevailing culture discourages open

The Schneider Culture Model



expression of opinions, with some staff members citing feelings of fear and a lack of psychological safety.

One staff member remarked that "the organization is constantly occupied." On one side, employees express a lack of empowerment and doubt that their ideas will be taken seriously. On the other side, new ideas are necessary to keep generating value. Nurturing ideas necessitates agility. Structuring the organization around projects rather than processes could allow for more time, space, or resources for new ideas to flourish. It is remarkable that despite the difficult circumstances, many employees feel that there is sufficient solidarity, with people helping each other and no one pointing fingers.

There is a pronounced emphasis on procurement, compliance, and administrative protocols, yet significant confusion persists among team members regarding ownership of these processes.

Duplication of processes is prevalent across various departments, a consequence of outsourcing actions typically managed in-house by other Destination Management Organizations (DMOs). Individual departments within HTA frequently lack visibility into the broader impact of their projects on other areas of the organization.

The separation between subject matter experts and individuals tasked with briefing and supervising contractors often poses challenges. Concerns may arise regarding HTA's capacity to comprehensively brief, lead, and evaluate contractors, considering the organization's disproportionately high volume of contracts relative to its staffing resources. Questions emerge as to whether the current personnel at HTA possess the requisite profiles for

their roles. Individuals are typically recruited for their subject matter expertise but are evaluated based on administrative proficiency in contract management.

Consequently, external stakeholders encounter frustration in accomplishing tasks and sometimes circumvent established processes by directly contacting board members or vice presidents. Such practices pose a long-term threat to the organization and undermine its ability to fulfill its mission.

HTA initiatives lack adequate feedback mechanisms, both internally and externally.

Many HTA initiatives lack adequate feedback mechanisms, with no systematic debriefing or post-program follow-up processes. The quality and extent of feedback depends on the contractor and contract manager involved, leading to inconsistencies. Furthermore, employees describe internal information-sharing processes as ad hoc, highlighting the need for increased accountability and mutual feedback within the organization. In certain departments, employees may need to proactively seek feedback from their managers. Additionally, administrative and supporting roles often feel their contributions are not adequately recognized.

HTA is understaffed to lead its statutory responsibilities.

HTA's staffing levels raise a fundamental question of whether HTA should be equipped to fulfill its statutory powers and duties or to manage the contracts of vendors who lead the work. The latter approach carries risks of leaving strategy, resident participation, and statewide branding to other interests. In the words of one HTA employee, there are too many cooks in the kitchen.

A commonly heard argument defending the current understaffing is that it demonstrates good governance to keep labor costs in check. Deeper investigation, beyond the scope of these HTA staff interviews, will need to determine if this is indeed the case.

Research should be closely integrated with strategic planning, ensuring daily collaboration to measure progress and identify execution gaps effectively.

Since the transfer of HTA's research department to DBEDT in 2021, the organization has lacked in-house research expertise. Access to research is essential to meet legislators' expectations for establishing performance measures. Research should be closely integrated with strategic planning to measure progress and identify execution gaps effectively. One argument suggests potential spill-over effects and synergies when researchers from different agencies collaborate. However, aiming to become a destination management organization and strategically lead tourism for Hawai'i without a robust research infrastructure is seen as a recipe for failure.

A lack of internal communication leads to a lack of alignment.

Many individuals expressed a desire for increased transparency from the executive level, particularly concerning budgeting and strategic

planning. There's a noted deficiency in communication flowing from top to bottom, highlighting the necessity for greater efforts to keep the entire team informed. The exigencies of COVID-19 necessitated improved communication due to the rapid and coordinated responses demanded. Enhancing communication is imperative to ensure alignment of all initiatives with the overarching strategic plan and its objectives. While the introduction of new communication tools may offer assistance, ultimately, attitudes, roles, and structural elements are foundational. Centralizing communication and closely integrating it with organization-wide services such as strategy and research is advisable.

HTA's current organizational structure and lack of collaboration internally and externally hinder its ability to fully realize its potential as a destination manager.

Effective destination management organizations (DMOs) worldwide achieve success through collaborative efforts and by cultivating individuals who align with their vision. Consequently, a DMO operates as a people-centric, organic, dynamic, and participatory entity, fostering an open-minded and informal work environment. HTA has funded destination management activities such as the Destination Management Action Plans, efforts to recognize and advance Hawaiian culture, and a new initiative to build the capacity of local small businesses to tap into the tourism economy. However, its organizational structure and lack of collaboration internally and externally hinder its ability to fully realize its potential as a destination manager.

Many people working for HTA perceive their organization as a leading actor rather than a supportive team. Despite well-intentioned efforts, its historical positioning atop the tourism hierarchy hampers effective destination management. According to other employees, it would be more beneficial for HTA to step back and empower others to leverage their strengths.

Effective destination management organizations prioritize destination development and experience management at their core. However, HTA's budget, resources, outcomes, and reputation do not reflect this emphasis. Nevertheless, the majority of the team recognizes destination management as the crucial challenge for the future.

The title of brand manager has been overused. Within a holistic destination management strategy, 'brand' and 'stewardship' should work hand in hand.

There is apprehension within HTA regarding marketing and branding due to a new strategic direction toward destination management. It's important however to differentiate between changing methods and reducing operations. Notably, prominent DMOs worldwide excel in branding and communication, leveraging their marketing expertise beyond visitor attraction. Many interviewees suggest that HTA could support Hawaiian communities in various other capacities than promotion.

Understanding the scope of the title "brand manager," as used

within HTA, is complex. Employees are frustrated because their titles create significant ambiguity for the outside world and foster misunderstandings. A brand manager is tasked with managing contracts, monitoring foreign markets, attracting events, initiating stewardship projects, or coordinating projects aimed at unlocking Hawaiian heritage. In short, the responsibilities span a wide range, from sports events to social projects. However, this diversity of responsibilities only serves to confuse outsiders. Employees say the title was created to let HTA “recruit as broadly as possible.”

The recent split of the brand department into two departments, stewardship and brand, is also a decision made at a different policy level, with unclear motivation. Moreover, it may send the wrong signal. If there is one problem that destination management organizations worldwide struggle with, it is satisfying both visitors and residents in a holistic manner, and internal silos must be avoided at all costs. The risk, therefore, is creating an organization that diverges in two different directions. A brand is the sum of all the stories told about your destination, including those by residents. There is a significant risk that the principles of stewardship and destination management will conflict with those of a traditional marketing approach.

From a management perspective, separation is a highly justifiable decision, but if it is taken top-down without thorough justification and input from the staff, it risks turning into something that, despite its good intentions, could further dysfunction the organization. A strong Chief Brand Officer would be welcomed, but a CBO who is not aligned with the strategic narrative of destination management could also be disastrous.

The current uncertainty is experienced as unfair.

From the interviews, it is evident that there are various opinions and ideas within HTA regarding the direction to be taken and the attitude to be adopted. However, if there is one thing that everyone agrees on, it is that uncertainty about HTA's funding imposes a heavy mental burden on the people working for HTA.

Ironically, this is particularly felt among those holding lower-level positions. Senior-level individuals with years of managerial experience can more easily find opportunities elsewhere. It is among the more administrative roles, often held by individuals who have been with the organization for a long time, that the stress is greatest. Words like cruel and inhumane were common during the interviews, and emotions sometimes ran high. It is important to note that there is often a sense of wounded pride, indicating that people have a strong attachment to their work.

Often, it was noted that regardless of the outcome of this governance study, an organization with dedicated funding and clear growth prospects is the only right choice. That is a point on which everyone in the current organization agrees.

The agency is neither staffed nor organized to deliver upon some of the responsibilities listed in its governing statute.

Many HTA employees struggle with the role and purpose of the organization. HRS 201-B, the statute governing the Hawai'i Tourism Authority, provides no definition of tourism. Rather it provides lists of powers, activities and responsibilities that the agency may or shall deliver upon. An argument can be made that the agency is not organized or funded to deliver upon some of the responsibilities listed in the statute. Questions also could be raised about whether some statutory obligations should be fulfilled. There is a certain institutionalized ambiguity about the HTA that contributes to its lack of focus.

A desire for stronger leadership is not without risk. The necessary changes are structural, and the required interventions are drastic.

Leadership is a theme that emerged frequently during interviews. Generally speaking, those who develop substantive programs, create initiatives, and regularly engage with stakeholders (residents, markets, businesses) are more inclined towards situational leadership that is supported by strong project managers. On the other hand, those employed in technical and administrative roles tend to expect more from a top-down structure with clear objectives and evaluation criteria.

Many expressed a wish for strong leadership or a charismatic new leader, whether for a new CEO, a new Chief Brand Officer, or for crucial positions on the HTA Board. The question is: Who would want to take on these roles? In the current situation, even the strongest and most seasoned crisis manager has a high chance of failure. The necessary changes are structural, and the required interventions are drastic. Leading HTA to success will require significant changes in systems, culture, and governance.

INTERVIEWS WITH TOURISM LEADERS AND STAKEHOLDERS

More than 40 tourism stakeholders have been interviewed to date, including legislators, county officials and administrators, HTA Board Members, HTA vendors, tourism operators, and other Hawai'i tourism experts and community leaders. Nearly all of the interviews were conducted virtually. While typically scheduled for an hour, many ran long. Similar questions were asked of all interviewees but each conversation took its own course.

FINDINGS

Many stakeholders believe it is essential for the State to empower a strong system of governance to guide and support one of Hawai'i's most important industries.

No single industry generates more revenue for Hawai'i government coffers, and no single industry injects more cash into the statewide economy than Hawai'i's tourism industry. With Hawai'i's tourism growth lagging U.S. averages, continuing impacts of the Maui wildfire, and brewing unhappiness with tourism impacts, stakeholders believe it is essential for Hawai'i to have a tourism governance system that is empowered to support a healthy tourism economy. To accomplish this, many believe the State tourism agency must be provided with a stable funding system, granted more autonomy, and equipped to deliver more positive outcomes from tourism.

Stakeholders with long histories in Hawai'i tourism point to the original HTA as a model. Founded in 1998 to lead the state's economic recovery, the HTA had a clear purpose and a strong mandate to rebuild Hawai'i's ailing economy by attracting more tourism. Its board was filled with top Hawai'i tourism leaders, and its structure and funding mechanism was intended in part to free it from politics.

But today's HTA has been weakened, mainly by years of conflict with the Hawai'i State Legislature. Its budget is smaller than when it was founded. It has lost statutory provisions that allowed it to respond swiftly to opportunities and challenges and plan for the long term. Its travel and spending is subject to strict oversight by DBEDT, the agency to which it has been historically attached. For three years, employees have had no job security. Frustrated by HTA's inattention to their concerns and ideas, legislators have passed laws requiring HTA to implement them, often spelling out their intentions in specific terms.

The pending restoration of the HTA's recurring appropriation is seen as a significant step toward rebuilding HTA's viability. With access to ongoing annual funding, HTA can recruit good candidates to fill vacancies and focus more attention on generating and implementing long-term strategies. Many believe HTA could draw more strength — and win back more independence — by demonstrating leadership and effectiveness on issues important to Hawai'i people, and ultimately to the Legislature. HTA also can restore its mandate by doing more to demonstrate the value of tourism. And it can build trust through demonstrating integrity and by cultivating strong collaborative relationships with other organizations, including tourism industry partners, other state agencies whose missions impact tourism, county and community-based organizations, and especially the Legislature.

For the good of Hawai'i tourism stakeholders and the health of the State's economy, it is imperative for HTA to build a stronger, more collaborative relationship with legislators.

While many tourism advocates believe the critical nature of HTA's mission should place the agency above politics, a variety of stakeholders say this is not realistic for a state agency that is accountable to legislators who expect to be heard.

Numerous observers say that HTA stumbled in recent years by failing to build relationships with key lawmakers and finding ways to address their priorities. HTA is widely seen as having neglected opportunities to enlist legislators in helping it to accomplish important goals, especially relating to destination management. Even as the HTA and its vendors were sharing a ground-breaking call for regenerative tourism, a Mālama Hawai'i campaign that was capturing worldwide acclaim, and the multi-island Destination Management Plans (DMAPs), the agency was alienating the people who held its purse strings. In 2021, the Legislature imposed punishing sanctions, including the loss of HTA's exemption from the state procurement code and its recurring appropriation.

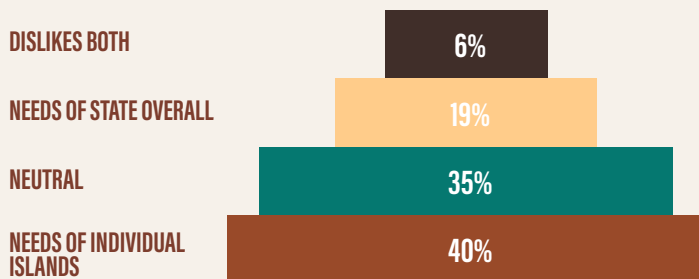
Several noted that HTA fared far better in the Legislature under CEO Chris Tatum (2018 to 2020), who understood the value of consulting regularly with key legislators. Top legislators say recent outreach

by three HTA leaders — HTA Board Chair Mufi Hannemann, HTA Interim CEO Daniel Nāhoʻopiʻi, and HTA Vice President of Finance Isaac Choy — made all the difference in winning support for restoring HTA’s recurring appropriation in Fiscal Year 2025. But many of them say HTA must continue working hard to regain trust for further funding and more independence, especially by demonstrating performance against meaningful measures of success.

HTA can rebuild its mandate and credibility by creating a comprehensive approach to destination management and leading it.

HTA has made the case for embracing destination management as part of its core mission. Nearly all stakeholders interviewed for this report expressed strong support for this direction, and many pointed to ways that HTA could expand its destination management work to support state and local initiatives even more effectively. The importance of this work was underscored by numerous legislators, who cited the HTA’s commitment to destination management as one of the main reasons they were supporting restoration of HTA’s recurring appropriation.

This widespread support for destination management signals a big opportunity for HTA to build trust and a stronger mandate,



*Survey respondents expressed a strong interest for state oversight that considered the needs of individual islands, rather than the state as a whole.
Source: SMARInsights Stakeholder Study, April 2024*

while demonstrating the value of tourism for Hawaiʻi. To achieve this potential, it is essential for HTA to show results and, most of all, demonstrate leadership. Insights from multiple conversations, however, point to issues that must be addressed for this to occur.

While many support the idea of destination management, the concept means different things to different people. Stakeholders on the neighbor islands tend to see it as a strategy for addressing “hot spots,” clearly an important aspect of destination management for Hawaiʻi. This belief makes some, especially tourism operators, wonder why HTA rather than the Hawaiʻi Department of Land and Natural Resources is leading destination management. Other key stakeholders, including many tourism operators, see it as work that HTA is allocating to the Kilohana Collective, a division of the Council for Native Hawaiian Advancement (CNHA). But there seems

to be little awareness of what Kilohana is actually doing.

Others relate destination management to the DMAP process, which engaged steering committees on the four main islands in identifying top issues and developing strategies to address them. This process unfolded in 2021 under a contract with the Hawaiʻi Visitors and Convention Bureau (HVCB), with HTA planning director Caroline Anderson providing direction for the four destination managers, who were all HVCB employees. Progress appears stalled for now, as the program transitions from HVCB to HTA. HTA advocated adding the four destination manager positions to its FY2025 headcount, along with a fifth position designated for Molokaʻi. But HTA has not yet shared its intentions for the DMAP program publicly, creating some uncertainty about its future.

Unless HTA converts this collection of initiatives into a comprehensive destination management strategy that is clearly defined, communicated, and led by HTA, the agency risks losing one of the biggest and most obvious opportunities it has to restore its relevance and build trust with stakeholders across the islands.

HTA has strong support for attracting high-yield, respectful visitors but declining visitation, cuts to its marketing budget, and a fragmented message pose threats to the Hawaiʻi economy.

Especially with the state’s travel indicators falling in recent months, most stakeholders, including legislators, believe it is vital to stimulate the tourism economy by attracting visitors. Tourism operators in particular applaud the work that HVCB has done to market the state.

There is a clear preference for HTA to attract the “right visitor” at the right times and in the right places. Stakeholders across the islands also seem united in a desire to target high-spending visitors rather than high numbers of visitors.

Stakeholders also see value in using promotion to fulfill specific goals. The ground-breaking “Mālama Hawaiʻi” campaign, introduced in 2021, focused on attracting a prospect called the Mindful Hawaiʻi Traveler who would visit more respectfully. The campaign won global attention and was amplified by industry partners and nonprofits across the state. HTA’s research showed it highly effective in attracting the right travelers and delivered a strong return on investment. But many tourism operators are convinced that Hawaiʻi now needs a stronger message to reverse the decline in visitation and counteract widespread perceptions that Hawaiʻi is anti-tourist. Some even dismiss the “Mālama” campaign’s regenerative message as “insulting” to good travelers.

This has led HTA to launch three separate campaigns in just three months. To stimulate travel from HTA’s most important overseas market, its Japan representative introduced the “Beautiful Hawaiʻi”



campaign, describing the spiritual and wellness benefits of a Hawai‘i vacation. HTA’s recent in-market “Mākaūkau Maui” campaign alerts travelers that Maui is open for business and guides them to appropriate places and ways to visit. While many support the intent of the campaign, one Maui-based operator notes the line, “We are ready to serve you,” rubbing many the wrong way. In recent weeks, HTA launched a new campaign — “The People. The Place. The Hawaiian Islands.” — presenting Hawai‘i as ready to welcome visitors and continuing to target respectful ones. Though developed for the U.S., the campaign assets also are available for global markets.

Perhaps because HTA is pulled in so many different directions by competing interests, its campaign message has become fragmented. The agency’s approach to visitor education is fragmented, too, with one contractor managing pre-arrival messaging, another managing post-arrival messaging, and the DMAPs generating other messaging for each island. A consistent, integrated message is vital to rebuilding the health of HTA’s brand and countering the very real challenges that are threatening Hawai‘i’s tourism economy on so many fronts.

Many, especially tourism operators, also point to the ongoing cutbacks in HTA’s marketing budget as short-sighted and a threat to the State’s economy. Hawai‘i tourism is battling not only perceptions but the realities of rising costs plus a strong U.S. dollar that is making a Hawai‘i vacation expensive relative to other places, especially for international travelers. As Hawai‘i visitation declines, tourism is booming elsewhere, especially in Japan, Europe, and the Caribbean.

Another harsh reality is Hawai‘i’s distance from major population centers. While state research consistently shows travelers ranking Hawai‘i as a top dream destination, interest in fulfilling that dream falls short. Hawai‘i’s distance from key markets may become an even greater challenge as more travelers, events, and organizations prioritize carbon reduction. Wooing visitors to make the trip — to increase intent to travel — is a chief function for Hawai‘i marketing. Many questions are raised over HTA’s commitment to executing on this aspect of its role.

In many ways, contractors, rather than HTA, are seen as leading the state’s tourism strategy.

Many stakeholders see Kilohana, rather than HTA, as leading the charge on destination management. In the same way, many see HVCB and HTA’s contracted international market representatives as the leaders of HTA’s marketing efforts. Meanwhile, HTA is seen as the entity that funds their work and verifies that deliverables are met. This belief is prevalent among key legislators, DBEDT leaders, and tourism operators.

This arrangement empowers key contractors to fulfill important tourism initiatives, but in the eyes of many, it has made HTA less relevant. It feeds a perception that HTA’s main purpose is to manage contracts, and that HTA employees are compliance managers. This was the mindset driving a legislative initiative last year to convert HTA into a division of DBEDT and retain only a handful of well-paid staff to monitor contracts, as do employees of 16 other agencies housed within DBEDT.

HTA’s founders say the original intent was two-fold: for HTA to provide state leadership for tourism and to provide 80-year-old nonprofit HVCB with reliable funding to execute an integrated strategy for domestic, international, and MCI promotion. Those distinctions have been blurred over the years as HTA took over international promotion and oversight of the Hawai‘i Convention Center. Last year, HTA began moving to unhitch the four Island Chapters from the HVCB contract, and soon it will convert the jobs of HVCB-employed destination managers into state jobs. Despite these moves, there is a widespread perception that HTA and HVCB duplicate each other’s efforts, and that HTA has not built the necessary expertise to manage these major domestic and international marketing contracts.

Now, with HTA’s engagement of CNHA to lead a collection of destination management initiatives, a similar dynamic appears to be unfolding. Many, including legislators and tourism operators, see CNHA as leading the state’s destination management work and applaud it. They see HTA as the funder.

It is commonplace for U.S. state tourism offices to allocate substantial portions of their budgets toward acquiring skilled services to carry out important initiatives, especially marketing. Typically, the state office sets the agenda, usually through a strategic plan, and hires experts to develop various strategies and execute on them, often guided by an annual plan. There is usually a healthy collaboration and constant communication about shared goals and outcomes. The state leader articulates the agenda, advocates for it, and rallies support

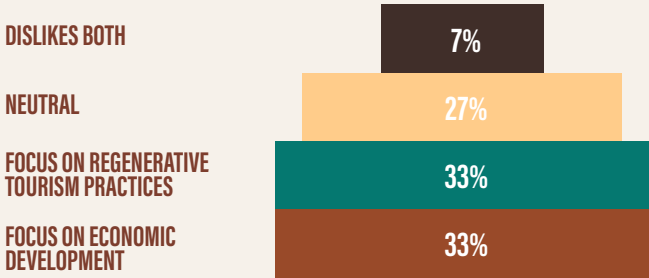
among partners and stakeholders. And the state agency, rather than its contractors, is seen as the leader, while contractors are seen and heard as valued experts who deliver results.

In contrast, many see HTA as being at odds with its respected marketing contractor and doing little to integrate HVCB's work with Kilohana's. Out of fairness, many also note that HTA has been greatly distracted by years of legislative conflict and more recently by ongoing impacts of the Maui fires. HTA is seen as being in a holding pattern until a permanent CEO is named, and Board Chair Mufi Hannemann and Interim CEO Daniel Nāho'opi'i are seen as taking important steps in the meantime to restore HTA's standing. Many are pinning hopes on this study to identify pathways to restoring HTA's leadership position.

HTA can build support by leading initiatives to stimulate tourism-related economic development.

Rising frustration with impacts of tourism, especially the cost and lack of housing, is feeding growing desires to create better-paying tourism careers and diversify the economy. Many stakeholders see this as a remedy for Hawai'i's ongoing population loss, which has been exacerbated by the Lahaina wildfire. Ironically, many who leave are finding opportunities in another tourism economy. Las Vegas is becoming known as the "ninth island" for its growing population of Hawaiian people.

Legislators believe HTA is the logical agency to spur tourism-related workforce initiatives, including scholarships and internship programs, creating pathways for Hawai'i people to pursue meaningful tourism careers with good pay. Legislators support tourism-related economic development activities, such as the Kilohana initiatives to support entrepreneurship, branding of Hawai'i products, and connecting small businesses with opportunities to supply the tourism industry.



Survey respondents indicated a state tourism oversight agency should give equal attention to both economic development and regenerative tourism practices.
Source: SMARInsights Stakeholder Study, April 2024.

Long-time observers, however, say the state has been trying to diversify its economy away from tourism for more than 40 years — with little success. “If you can show me something other than tourism that can generate the returns that tourism does, I’ll support it,” says

one leading official. Instead of trying to diversify the economy, says one long-time tourism operator, “Why aren’t we talking about diversifying the tourism economy?” Like many legislators, he sees opportunities in advancing sports tourism, agritourism, and medical or wellness tourism. The stakeholder study shows respondents believe both economic development and regenerative tourism practices are equally important. A separate question showed that respondents believe stewardship of Hawai'i is a responsibility that should be shouldered not only by HTA but by other agencies.

Sharing Hawaiian culture is essential but other cultures should not be overlooked.

No one disputes the importance of preserving and celebrating authentic Hawaiian culture, but several note that Hawai'i could benefit from recognizing other aspects of the state's cultural mosaic. Hawaiian culture — portrayed accurately and with sensitivity — is essential to Hawai'i. Some, legislators included, question whether the millions of dollars HTA is spending to support cultural festivals and other events are yielding measurable returns for the state's economy.

Others note that while attention to Hawaiian culture must be foremost, HTA may be overlooking opportunities to share the many cultures — including Chinese, Japanese, Filipino and Portuguese — that shape the state's unique mix of cultures and surnames.

To operate effectively, HTA must be granted more independence and empowered to lead.

The RFP for the HTA Governance Study raised an existential question: Should the HTA exist? That question has been raised frequently among a variety of stakeholders and must be addressed in the final report and recommendations. The consensus is that HTA is a far weaker agency today than it was even three years ago. In particular, the HTA's loss of its exemption from the state procurement code has hobbled its ability to act swiftly and made it more dependent on contractors, who have far more freedom to operate and respond to opportunities and challenges than HTA.

Though HTA's \$60 million budget ranks among the largest of any U.S. state tourism office, HTA lacks authority to make commonplace decisions about how to staff its organization and structure its work. In other U.S. states, the governor or an appointed board names the top tourism leader, and that leader has flexibility to organize and hire staff to fulfill strategic objectives. In Hawai'i, however, the HTA Board hires not only the CEO but approves other hires as well. Many other U.S. state tourism offices manage travel from approved budgets. In Hawai'i, HTA travel requests, even for inter-island travel, are strictly scrutinized by DBEDT and often denied, impacting HTA's ability to lead and form effective partnerships.

HTA's independence appears likely to be even more sharply curtailed in the coming fiscal year. The state Senate Ways and Means Committee revised the HTA appropriation to specify positions, salaries for each position, and highly specific objectives for many of those positions. It also cuts funding for U.S. marketing, and structures budget lines to prevent transfers. This will leave HTA with little flexibility next year to initiate new strategies or respond to crises.

Some question why HTA even needs a Board or a CEO if the Legislature is not allowing them to be decision-makers. Others wonder how many qualified people would be willing to serve as CEO or accept a Board seat under these conditions. State lawmakers and others, however, believe high salaries for top-level positions — \$300,000 for a permanent CEO and \$225,000 for a permanent Chief Brand Officer in FY25 — will attract the right talent. In recent years, the HTA's CEO job has been a revolving door. Many regard this as a symptom of a deeply troubled organization. For HTA, any system of governance, or any leader to operate effectively, it is vitally important to establish clear responsibilities, empower action, operate transparently, set measures of performance, and create productive ways for stakeholders to be heard and their priorities to be met. For HTA to lead the state's tourism initiative, it will require more independence.



FIVE ISLAND-BASED WORKSHOPS LEARNINGS FROM THE CO-CREATION LABS

THREE GOVERNANCE SCENARIOS

Given the importance of tourism for so many people in Hawai'i, five Co-Creation Labs were convened on the four main islands to give a broad range of stakeholders a voice in describing how Hawai'i tourism should be governed in the future. To generate thinking on this complex topic, participants were invited to consider three potential scenarios of tourism governance.

Scenario thinking offers a powerful advantage in navigating complex environments — such as the intricacies of governance — by enabling people to consider different possibilities and reveal hidden assumptions. This method also can identify weaknesses and strengths as well as resistance to change or flexibilities within groups. Furthermore, the process stimulates imagination, so that the future is not necessarily a linear extension of the present. By engaging in scenario planning, people are prompted to transcend their comfort zones and consider broader systemic contexts beyond their current understanding. This is especially important within mixed groups of people who don't all work within tourism or with HTA on a daily basis, but still would like their voice to be heard.

Each of the three scenarios was built on drivers of change that many in Hawai'i have experienced firsthand. Other important elements of tourism governance, such as funding mechanisms and board structures, are being researched in interviews and ideation sessions, as these topics require more familiarity with governmental structures.

Each scenario was centered around generating responses to the following questions:

1. What should be the main focus and/or responsibility of a state tourism agency?
2. Who are the main stakeholders of this tourism agency?
3. How is success defined for the performance of this tourism agency?
4. How are decisions made by this tourism agency?

This exercise also involved the development of story lines with a visual and narrative for each of three scenarios: The Tourist-Focused Scenario, The Destination-Focused Scenario, and The Community-Focused Scenario. Content for all three scenarios is shared as Appendix C.

Nearly 100 points of view

Attendance varied, ranging from turnouts of 30-40 people in Honolulu and Maui, about 10 in Kaua'i and Hilo, and a handful of attendees in Kona. Participation was sufficient to gather insights from a wide range of participants, including tourism operators, HTA vendors, and a wide range of county officials, including economic development leaders, planners and electeds. Several participants had served on their county's DMAP steering committee. Also represented were agricultural experts, firefighters, police officers, housing officials, activists, land managers, and many others.

Their discussions were aimed at assessing gaps, opportunities, and potential outcomes of different actions. Additionally, the goal was to create inclusivity and partnership in collectively determining the optimal structure for Hawai'i tourism. Our approach combined inspiration, education, and active participation to drive dynamic thinking.

KEY FINDINGS

Community Well-being: First and foremost, “community well-being” along with concerns relating to environmental degradation, unchecked visitor growth, and strained infrastructure were voiced in all locations. These concerns were shared especially by those advocating for safeguarding communities and their well-being. Many emphasized the importance of consulting and considering communities in decision-making. Maintaining tourism's social license to operate was frequently identified as a particular concern.

Preservation: The significance of conserving and protecting public lands and beaches and safeguarding environments from degradation, was a major concern. Most participants strongly advocated for sustainable growth, while a smaller number were vehemently opposed to growth. These attitudes reinforced concerns reflected in other aspects of this study relating to environmental degradation and the commoditization of culture and heritage. The unaffordability of housing for local residents is well-documented.

HTA/ HVCB/DBEDT/ Legislature: From the very first session, it was apparent that participants were concerned about the management of tourism, but participants often lumped all players and entities together. There often was little differentiation between the roles of HVCB and HTA, or between HTA and other government entities. The legislature also came under fire, particularly regarding measures that jeopardize tourism management, such as HTA funding, which remained uncertain in early March.

Sustainable/ Regenerative/ Stewardship/ Management: Some participants held entirely negative views towards tourism — particularly Molokaʻi residents attending the Maui session — but generally, most shared nuanced perspectives. One thing that stood out was the lack of awareness, and even confusion, around the definitions of such concepts as destination management, stewardship, and regenerative tourism. From a global perspective, each of these implies different meanings and impacts for operations, approaches, and perspectives. Distaste was often expressed for “marketing,” less for “brand.” Strictly speaking, marketing does not solely entail promotional activities but also includes product development and management of visitor ebbs and flows or visitor education. These latter activities are typically associated with destination management.

The ‘Right Visitor’: An important recurring theme was the concept of “the right visitor.” Although there were variations in how this term was interpreted, there was consensus that the ideal visitor to Hawaiʻi should, at the very least, respect local customs, language, and traditions. They should also demonstrate respect for flora and fauna, stay longer, and contribute financially to the local community.

‘Value Over Volume’: Participants by no means disputed the economic value of tourism, but questioned whether the reporting of visitor numbers in news releases and media is meaningful. On one hand, a primary purpose of tourism is to bring additional value to a place, which in part can be measured by visitor arrivals. On the other hand, the costs to the environment, heritage, and the disadvantages to the local population also must also be accounted for. One participant succinctly summarized it as follows: “Profit is sanity, volume is vanity.”

Unclear Where Tourism Tax Is Going: A commonly shared point of concern and criticism was the lack of transparency regarding how the state utilizes tourism revenues. The state’s General Fund was likened to a “black box” where everything goes in but nothing can be seen. Many advocated for a portion of the revenues to be clearly allocated towards mitigating the impacts of tourism, reinvesting in infrastructure, education, and capacity building, as well as implementing accompanying programs for conservation and heritage preservation.

Pessimism v. Optimism: During the initial discussion segment, the most divisive question was whether people were pessimistic or optimistic about tourism in Hawaiʻi. As the discussion progressed, it often became apparent that both pessimists and optimists were essentially expressing the same concerns. There is significant apprehension about such issues such as overcrowding, pressures on the local population and culture, declining biodiversity, climate change, economic leakage, and the reputational damage to Hawaiʻi. At the same time, there is also hope stemming from numerous initiatives, including DMAPs, regenerative tourism concepts like Mālama, various local initiatives, and even the undertaking of this study itself. All of these factors were frequently mentioned.

The Role Of Promotion: There is a notable lack of understanding for the term “promotion,” often leading to lively discussions. Many residents equate promotion with aggressive advertising and generic campaigns aimed at attracting as many visitors as possible. Replacing the word with “communication” often defused the debate. Especially in discussions of the community-based scenario, there often was an assumption that marketing would no longer be necessary, but this couldn’t be further from the truth. Examples were shared of destinations that are very deliberately engaged in destination management and excel in educational and formative campaigns, thus being excellent marketers.

REFLECTIONS BY SCENARIO

The main activity for each Co-Creation Lab was a collective brainstorming session on each of the three scenarios. The benefits, drawbacks, and consequences of each typically were discussed in small groups, and then shared with other participants. There were three rounds of discussion, one for each scenario.

Questions to be addressed included:

- What are the pros and cons of this scenario?
- The \$100 question: If my budget were \$100, how much would I allocate to development, promotion, or other activities?
- What are the implications of this scenario for a state organization’s funding mechanisms, role, and staff?
- What is currently missing from the state structure to accomplish this scenario?

SCENARIO 1 : THE TOURIST FOCUSED TOURISM SCENARIO



The first scenario represents the most well-known scenario in the tourism world. It is the scenario that maintains a laser focus on the future visitor, an approach that has proven its worth in many places. Participants' comments are summarized as follows:

Pros:

- Very clear target, very focused model
- Would generate higher TAT, more business earnings, higher profits
- More accountability, better governance
- More job creation, more opportunity for high-quality tourism jobs
- Attractive for investors, better opportunities for public-private collaboration
- Better marketing means better storytelling
- More return for local businesses and private sector
- Increases tourism demand by giving tourists what they want
- Opportunities for good collaboration with airlines

Cons:

- This will drive volume but not necessarily profit; potential for too many people and congestion
- Does not reinforce "sense of place"; leads to extractive tourism
- Creates need to import labor and for reinvestment in air traffic and facilities
- Requires a board that lacks community engagement
- Creates constraints on infrastructure; there is no space for growth
- Impacts quality of life; stresses community sentiment
- Harms reputation; risk of over promoting and under delivering
- Budget appropriation will encourage tax revenue and neglect "hidden costs"
- "5 boats chasing 2 whales"
- Not respecting cultural values
- Not beneficial for residents; high prices for real estate
- Quantity over quality
- Loss of local workforce
- Big-box stores push out local businesses
- Tourism infiltrates everything and controls government

SCENARIO 2: THE DESTINATION FOCUSED TOURISM SCENARIO



The second scenario emphasizes management of the destination as a whole to mitigate impacts and attract the right visitors. Participants' comments are summarized as follows:

Pros:

- More focus on the long-term, more realistic for the short-term
- Transparency and inclusivity
- Funding can be more diversified
- Takes the environment into consideration
- More authentic experiences, happier results, "all-inclusive" tourism
- Harmony between visitors and residents
- Attracts more responsible and respectful visitors
- Symbiotic and mutually beneficial
- Education of community generates informed, guided decisions

Cons:

- Fewer visitors mean less revenue and TAT
- Harder to implement; harder to build consensus
- Less profitable for the private sector
- Lack of capacity building, more difficult to attract investments
- More siloed way of working with individual islands
- Risk of losing local identity of our islands

SCENARIO 3: THE COMMUNITY FOCUSED TOURISM SCENARIO



The third scenario positions the community as the starting point for decisions relating to tourism. Participants' comments are summarized as follows:

Pros:

- Residents become shareholders, not stakeholders; residents have a voice
- Prioritizes people over place; less extractive
- Meaningful experiences
- Allows more diversified economy
- Local decision making is more beneficial for residents
- Best model for long-term solutions
- Represents a Makaha - many fibers woven together to create a beautiful tapestry
- More money from fewer tourists

Cons:

- Too many cooks in the kitchen
- Challenging to organize
- Less revenue means fewer front-line jobs
- Do we need a state organization for this?
- Lack of education and training
- Risk of losing attention and interest from the state

CONCLUSIONS A PREFERRED SCENARIO?

All scenarios had proponents and detractors and were generally discussed with nuance. Overall, preferences landed somewhere between Scenarios 2 and 3, and closer to Scenario 2. Though Scenario 3 was often favored as the preferred model, more often than not, Scenario 2 was chosen because participants deemed the leap to Scenario 3 was too daunting for now.

SCENARIO 1: 'We'll destroy the hand that feeds us.'

The first scenario is primarily seen as a scenario that has been successful when focused on profit maximization. It is a very clear model with clear objectives and has created prosperity, but it seems to have reached a turning point in Hawai'i because its further success threatens the future of tourism. The allure of the Hawai'i brand will be greatly diminished if negative effects on fauna, flora, beaches, land, heritage, and especially the local population are not addressed. Participants saw the consequence of this direction as destroying the product and the experience for which people come.

SCENARIO 2: 'The risk of working in a siloed way'

Many preferred the second scenario, seeing it as a model that tackles negative impacts of tourism while preserving profit and other positive benefits. While this scenario advances a growth model, growth is generated not from more volume, but from attracting desirable visitors at the right times and to the right places, encouraging spending on local goods, developing entrepreneurial capacity and career opportunities, and safeguarding the environment and culture. However, participants noted that this model is not without drawbacks. It requires centralized oversight to coordinate various interests, and there is a significant risk of fragmentation. And by confining responsibilities to those traditionally assigned to tourism, this scenario cannot truly manage the overall experience for residents and communities.

SCENARIO 3: 'Internal competition'

The third scenario garnered both significant support and considerable apprehension and was the least understood. Some participants interpreted this scenario politically as granting more autonomy to the islands. For them, this model suggested allocating state resources to the islands and allowing each to pursue its own agenda. Others recognized the possibility for this model to provide tourism and operators a "license to operate" by involving the community in decision-making. While this model found much support, many expressed concerns that it would fail if implemented too hastily. This model likely requires even more coordination in its initial stages, particularly in terms of education, training, and overall coordination, or else it risks devolving into a collection of mini-HTAs, competing with each other.

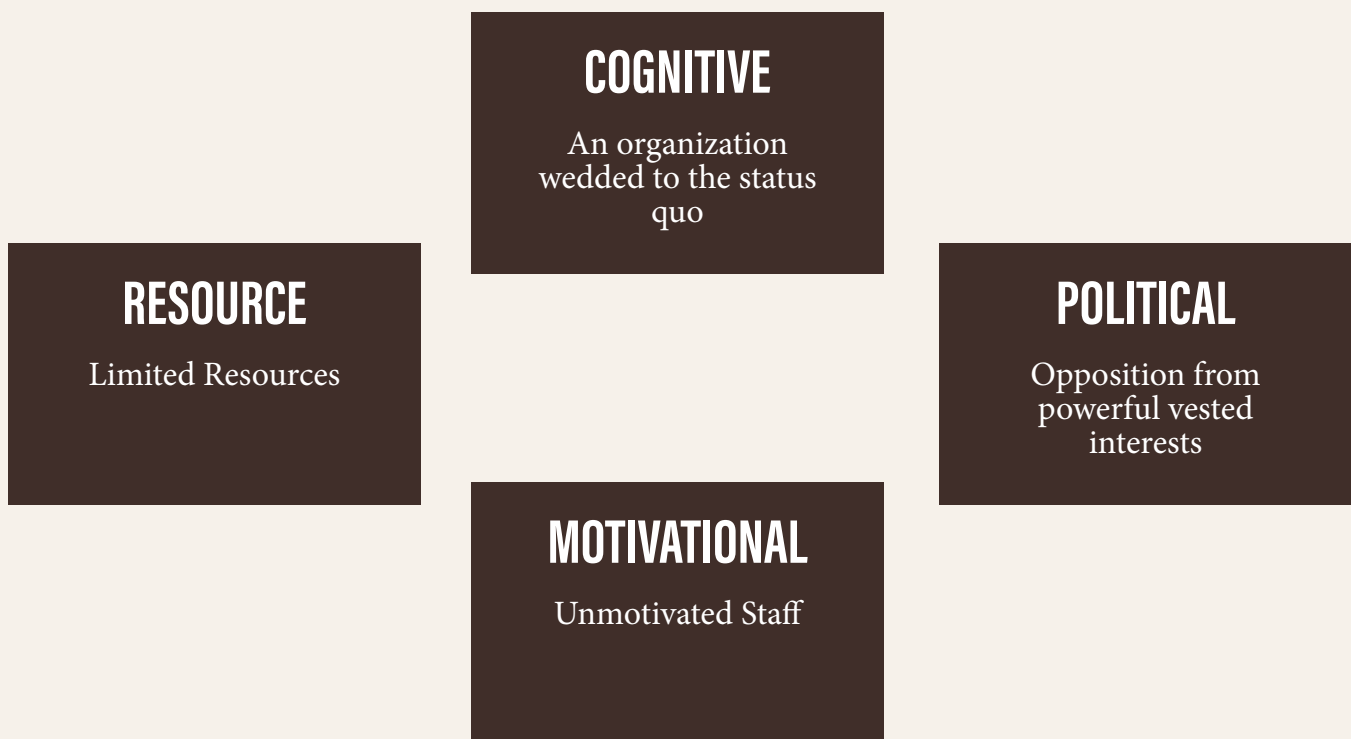
DIFFERENCES AMONG ISLANDS

Discussions from the various Co-Creation labs did not point to significant differences of opinion among the islands. A bigger influencer was the composition of the group. The session in Kaua'i involved many members of the local community, county officials, and individuals familiar with DMAP. This was the workshop where the greatest preference was for Scenario 3, as was the case in Maui. The other groups showed a more pronounced preference for Scenario 2. Interestingly, and worth noting, was a group in Hilo that linked Scenarios 3 and 1 and saw a circular principle at play. Their argument was that if Scenario 3 is implemented to its most extreme consequence without central management, you risk ending up with a Scenario 1 for each island. They also saw a need for more investment in marketing from Scenario 3 because it was likely to generate less tourism.

OBSTACLES

The Blue Ocean Strategy's Four-Hurdle Model was tested both implicitly and explicitly in the Co-Creation Labs. Generally, it can be stated that according to residents the two major hurdles for the desired change in tourism are the political aspect and resources. It mainly concerns a lack of understanding of what tourism entails. Many participants referred to tourism using terms such as "cash cow." Others expressed beliefs that tourism represents a system of "economic leakage" that is being organized on a large scale, where the money generated by tourism is meagerly reinvested in necessary restoration of nature, protection of cultural values and heritage, and important priorities such as education, health care, career development, and infrastructure.

THE FOUR HURDLE MODEL



Source: Blue Ocean Strategy

STAKEHOLDER SURVEY INSIGHTS

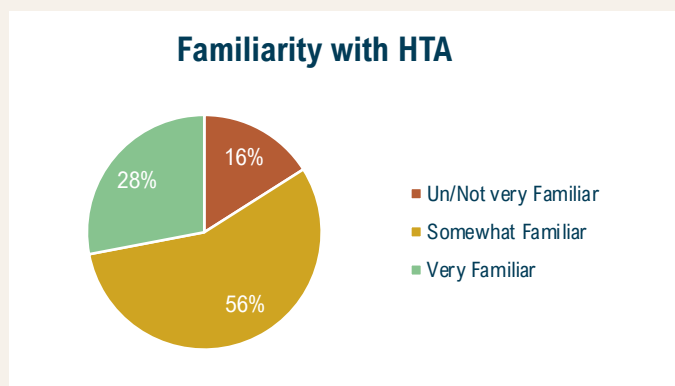
Among this study's major components was a stakeholder survey fielded by SMARInsights from early March through April. The survey was designed to assess perceptions of the HTA, the desired focus for tourism governance, desired characteristics for a governance organization, and the importance of various governance responsibilities and structures. March through April. The survey was designed to assess perceptions of the HTA, the desired focus for tourism governance, desired characteristics for a governance organization, and the importance of various governance responsibilities and structures.

The 15-minute survey was shared online with lists of tourism stakeholders, securing 619 completed responses as well as 71 partial responses. The lists included legislators, county officials, participants in Destination Management Action Plan Steering Committees, participants in Co-Creation Labs, and lists managed by the HTA. About 39% of respondents said either they or a family member work in the tourism industry.

Full survey results are provided as Appendix C.

FINDINGS Perspectives on HTA

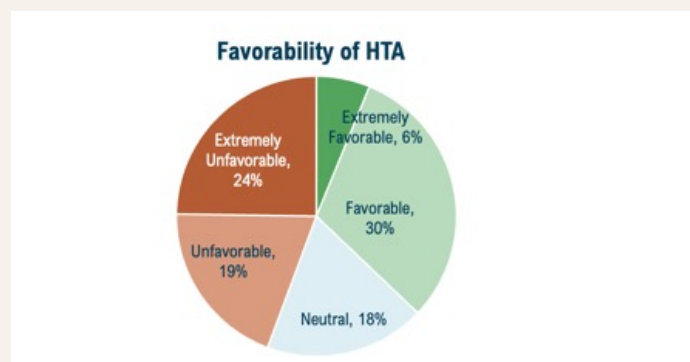
The survey shows that HTA has not established a strong and solid presence among stakeholders. Of the 619 who responded, less than a third (28%) indicate being "very familiar" with HTA. The majority (54%) had no interaction with HTA in the past year.



This finding may also mean that HTA is being judged by people who don't have a great deal of knowledge about the organization. This insight adds perspective to respondents' overall rating for HTA, which leans more negative than positive, averaging 4.7 on a 10-point scale, with 43% of respondents expressing unfavorable views. However, among those who interact frequently with HTA,

the rating improves to 5.5, slightly positive. Stakeholders who don't live in Hawai'i, most likely business owners, also have a more positive image of HTA.

When stakeholders were asked to explain their rating of HTA, both positive and negative themes emerged. It is important to note that negative perceptions of HTA are closely tied to concerns about Hawai'i tourism and its impacts on quality of place. The "negative" findings reinforce the idea that many of the concerns with HTA relate to concerns about tourism overall. To a lesser degree, respondents identified ways that HTA is not adequately addressing these concerns.



The most common negative concerns, along with the percentage they represent:

1. Over-tourism and strain on infrastructure and local resources (~15%)
2. Impact on residents' quality of life (~15%)
3. Concerns about over-reliance on tourism (~12%)
4. Inefficiency and mismanagement (~12%)
5. Insufficient attention to small businesses and local needs (~10%)

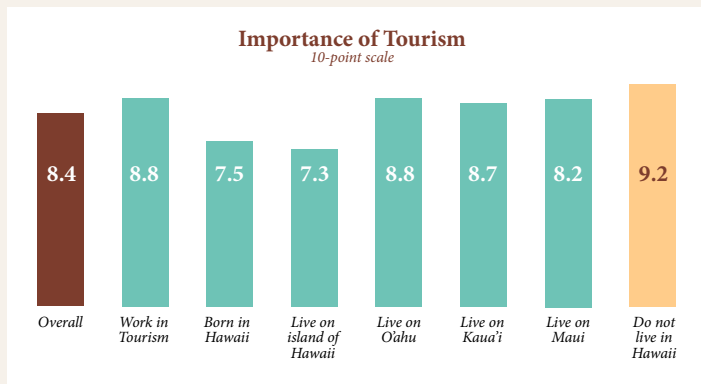
Positive perceptions showed an awareness of HTA's role in supporting the economic vitality of the state's tourism industry and recognized the steps the agency is taking to mitigate impacts.

The most common positive perceptions, along with the percentage they represent:

1. Economic growth and tourism promotion (~15%)
2. Responsiveness to industry and community needs (~15%)
3. Preservation of natural resources and environment (~10%)
4. Cultural education and protection (~10%)
5. Efforts toward regenerative and sustainable tourism (~10%)

The importance of tourism and the role of state oversight.

Stakeholders rate the importance of tourism to Hawai'i highly. Of all who responded, 65% say tourism is very important, while another 14% acknowledge it's important. Just 8% say it's not. Those who have lived in Hawai'i longer are less convinced of tourism's importance. Most agree that tourism brings positive impacts for the state, their islands, and the respondents' own families. Differences emerge, however, based on where respondents live.



The survey also shows clear support for state oversight of tourism. A large majority of stakeholders (67%) agree that it is important to have a state governance structure, with 45% strongly agreeing. They are unsure of the right structure for this organization, but there is more support for a non-profit structure than for a state agency. Regardless of the structure, stakeholders want a state tourism organization that is collaborative and that has secure funding.

Stakeholders' top priorities for state tourism oversight include, in this order:

- Creating jobs for locals.
- Perpetuating the uniqueness of Hawaiian culture
- Educating visitors to reduce impacts while promoting respectful tourism.
- Managing crisis response

Promotional activities to attract visitors, while still deemed important, are a lower priority. This finding also was reflected in comments about HTA, with some respondents expressing a belief that visitors would come to Hawai'i without marketing. Although marketing was not among respondents' top priorities, it was clear that many saw this function as part of a state tourism office's responsibilities.

Expectations for tourism governance

When asked to rate the importance of various qualities that a state oversight agency might have, stakeholders gave high ratings to a number of factors. All of the following qualities were deemed extremely important:

- Trustworthy
- Independent of politics

- Protective of Hawaiian resources and culture
- Focused on the long-term
- Effective and efficient

Stakeholders also strongly endorsed the need for a state tourism organization to be effective and efficient, professional, community-oriented, and focused on the long-term. Of lesser importance, though still rated positively, were being collaborative with county government, internationally focused, and aligned with legislative priorities.

A strong theme emerged throughout the survey underscoring the importance for a state tourism governance organization to work collaboratively, whether with local governments, other organizations, or communities. In question after question, respondents expressed a desire for more empowerment and participation at the county or island level, whether for management of tourism, strategic planning, brand management, or crisis response.

Each of these responses underscores stakeholders' strong interest in providing counties and communities with more of a say in how tourism is managed and promoted on their islands. The strongest expression of this interest was a preference for a state organization that addresses the needs of individual islands and communities (40%) versus the state overall (19%).

In considering tourism oversight, stakeholders also would like to see:

- An organization that prioritizes resident satisfaction (47%) rather than visitor satisfaction (29%).
- A balanced focus between economic development (33%) and regenerative tourism (33%).
- A state tourism organization that shares responsibility for stewardship with other state agencies.
- A state tourism organization that collaborates on priorities (39%) than leads priorities (16%).

CONCLUSIONS

Stakeholders both commend and criticize the HTA for the successes and failures of tourism in Hawai'i. The less acquainted stakeholders are with the HTA, the less favorable their perceptions tend to be. Clearly, the HTA must address a pressing challenge to cultivate, restore, and rejuvenate stakeholders' trust. Trustworthiness was identified as the most important quality for a state tourism governance agency, and HTA's image closely aligns with how the value of tourism is perceived.

Important opportunities can be found among these findings. A state tourism governance system that can be trusted and seen as effectively and efficiently addressing top priorities in a collaborative way can earn broad support. And the work of a trusted agency can enhance the perceived value of an industry that most residents believe is highly important to Hawai'i, their islands, and their families.

NEXT STEPS



This Situation Analysis sets the stage for the final phase of work: “Governance with Aloha: Recommendations for Hawai‘i Tourism Governance.” The findings and conclusions described in this situational analysis will flow into the final report and support the recommendations.

Through extensive desktop research and stakeholder interviews, our consulting team has gained a comprehensive understanding of the current state of Hawai‘i tourism and the people who lead it. We’ve also secured deep insight into HTA’s current structure and funding and how its operations align with its objectives. Additionally, we explored global tourism trends and the landscape of tourism governance in the U.S. and in global destinations to identify possibilities and cautions for Hawai‘i.

We also met with nearly 100 stakeholders in workshops on the four main islands to generate insights from three alternative tourism governance scenarios based on past, current, and future models for success. In constructing these, we drew inspiration from global shifts in travel and tourism boards, our own experiences as DMO leaders, and case studies of other governance structures. In addition to exploring potential structures, we raised questions about possibilities for funding and board composition. The results of this research — along with the findings of seven Ideation Sessions — will become crucial building blocks of the final report.

From the start of this project, our explorations have focused on enhancing Hawai‘i’s tourism support system rather than simply evaluating HTA as an organization. Thus, the final report will begin with a contextual overview of the current challenges and opportunities for tourism in Hawai‘i today, recognizing their impact on the success of any organizational structure.

Furthermore, the final report will outline the essential elements of an effective tourism governance system, determining the need for alternatives, identifying areas for reform, and proposing policy ideas. It will also identify an appropriate organizational structure to support the strategic direction, including descriptions of necessary new departments, teams, and positions.

Set for completion in June 2024, this final report will be made available on HawaiiTourismGovernance.com.

APPENDICES

Appendix A: List of Interview Participants (Page 33)

Appendix B: Benchmark Case Studies (<https://hawaiiitourismgovernance.com/documents/hawaii-analysis-case-study.pdf>)

Appendix C: Three Governance Scenarios (<https://hawaiiitourismgovernance.com/documents/hawaii-governance-scenarios.pdf>)

Appendix D: SMARInsights Stakeholder Survey Findings (<https://hawaiiitourismgovernance.com/documents/survey-findings-20240204.pdf>)

Appendix E: Literature Review (Page 35)



APPENDIX A: INTERVIEWEES TO DATE

In-depth Interviews

Caroline Anderson, HTA Director of Planning
David Arakawa, HTA Board Member
Sharon Banaag, Executive Assistant, Maui Mayor
Ross Birch, Mauna Lani Auberger Resort
Richard T. Bissen, Jr., Maui Mayor
Nalani Brun, Director of Economic Development, Kaua'i
Margo Bunnell, Roberts Hawai'i
Maile Carvalho, HTA Account Specialist, Finance
Maka Casson-Fisher, Brand Manager
Frecia Cevallos, Director of Economic Development, Island of Hawai'i
Dylan Ching, HTA Board Member
Isaac Choy, HTA VP of Finance
Kristen Colburn, HTA Procurement Specialist
Curt Cottrell, Administrator, DLNR Division of State Parks
Toni Marie Davis, Executive Director, Activities & Attractions Association of Hawai'i
Sean P. Dee, EVP & Chief Commercial Officer, Outrigger
Sen. Lynn DeCoite, Chair, Committee on Economic Development, Tourism, and Technology
Meagan DeGaia, Destination Manager, Maui
Sen. Donovan Dela Cruz, Chair, Ways and Means Committee
Mahina Paishon Duarte, HTA Board Vice Chair and Co-Chair, HTA Governance PIG
Sherry Duong, Executive Director, Island Chapter, Maui
Rick Egged, Waikiki Improvement Association
Tracey Fermahin, HTA Procurement Manager
Jerry Gibson, Hawai'i Hotel Alliance
Ilihia Gionson, HTA Public Affairs Officer
Tyler Gomes, Chief Administrator, Kilohana Collective
Jadie Goo, Senior Brand Manager
Carole Hagihara-Loo, HTA Executive Assistant
Mufi Hannemann, HTA Board Chair
Robert Harrison, President & CEO of First Hawaiian Bank; Tourism Chair, Hawai'i Business Roundtable
Jacqui Hover, Hawai'i Leeward Planning Conference
Dede Howa, HTA Brand Manager
Rep. Natalia Hussey-Burdick, Vice Chair, Labor & Tourism Committee
Stephanie Iona, Co-Chair, HTA Governance PIG
Kalani Ka'anā'anā, HTA Chief Stewardship Officer
Iwalani Kahoohanohano, HTA Senior Brand Manager
Rachel L. Kaiama, Destination Manager, Island of Hawai'i
Sue Kanoho, Executive Director, Island Chapter, Kaua'i
Nathan Kam, Senior Partner, Anthology
Kahealanikapono Kashinoki, HTA Administrative Assistant, Brand
Derek Kawakami, Kaua'i County Mayor
Talon Kishi, HTA Budget & Fiscal Officer
Cynthia Lallo, Senior Executive to Maui Mayor
Sunnie Lasconia, HTA Contracts and Administrative Manager
Alice Lee, Maui County Chair
Luana Mahi, Director of Economic Development, Maui
Guillaume Maman, Regenerative Tourism Program Manager, O'ahu Office of Economic Recovery
Avi Mannis, Executive Vice President & Chief Marketing Officer, Hawaiian Airlines
James McCully, HTA Board Member
Trishia Mendoza, HTA Administrative Assistant, Brand
Daniel Nāho'opi'i, HTA Interim CEO/Chief Administrative Officer
Rep. Nadine Nakamura, House Majority Leader
Catherine Orlans, Destination Manager, O'ahu
Patti Ornellas, Destination Manager, Kaua'i
Scott Pauli, Executive Director, Island Chapter, Island of Hawai'i
Lisa Paulson, Executive Director, Maui Lodging & Hotel Association
Kai Pelayo, Community Affairs Manager, Bayer U.S. - Crop Science
Tom Mullen, Interim President & CEO/COO, HVCB
Noelani Schilling-Wheeler, Executive Director, Island Chapter, O'ahu
Michele Shiowaki, HTA Administrative Assistant, Planning
Jay Talwar, SVP & Chief Marketing Officer
James Tokioka, Director, DBEDT
Keith Vieira, Principal, KV & Associates
Sen. Glenn Wakai, Vice Chair, Committee on Economic Development, Tourism, and Technology
Tommy Waters, Honolulu Council Chair
Mike White, HTA Board Member
Dane Wicker, Deputy Director, DBEDT
Ross Willcom, HTA Brand Manager
Sig Zane, HTA Board Member

APPENDIX A: INTERVIEWEES TO DATE

Benchmark Interviews for Case Studies

U.S. Interviews

Caroline Beteta, President & CEO, Visit California

Brad Dean, President & CEO, Discover Puerto Rico

Dave Lorenz, Vice President, Tourism, Michigan Economic Development Corp. (recently retired)

Vicki Varela, Managing Director, Utah Office of Tourism (recently retired)

Dana Young, President & CEO, Visit Florida

Global Interviews

Ólöf Ýrr Atladóttir, former CEO, The Icelandic Tourist Board

Gary Been, Head of Stakeholder Engagement, Fáilte Ireland

Anthony Forrest, CEO, 4VI

Stacie Linton, former Head of Strategy, Bay of Plenty NZ

Patrick Torrent, CEO, Turismo Catalunya

Conrad Vantiggen, Head of Strategy, Netherlands Board of Tourism and Conventions

Roundtable Participants

Travel Weekly Hawai'i Leadership Forum

April 10, 2024

Jeff Anderson, Co-CEO, Avoya Travel

Sean Dee, EVP and CCO, Outrigger Hospitality Group

Danny Genung, CEO, Harr Travel

Melissa Krueger, CEO, Classic Vacations

Avi Mannis, EVP and CMO, Hawaiian Airlines

Daniel Nāho'opi'i, Interim CEO, HTA

Shelly Ransom, Senior Director of Member Relations, Virtuoso

Jack Richards, CEO, Pleasant Holidays

Ray Sniskey, Group President, ALG Vacations

Mark Stubbart, VP of Member Relations, Ensemble

Jay Talwar, SVP and CMO, HVCB

Kama Winters, President, Delta Vacations

Facilitator: Arnie Weissmann, Editor-in-Chief, Travel Weekly

APPENDIX E: LITERATURE REVIEW

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