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GOVERNMENT PARTICIPATION

in the VISITOR INDUSTRY IN HAWAII

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INTRODUCTION

A great deal of critical attention has been given to the visitor industry in Hawaii since the end of the second world war. In a sense, this attention is unusual because the visitor industry of the State has been expanding at a rate that many would consider enviable. At the same time, however, public and private concern about the visitor industry reflects the fact that the future economic health of Hawaii depends in large measure upon the State maintaining the visitor industry at a high level of growth. If this is to be done, it will be necessary to anticipate and correct deficiencies that are bound to occur in a dynamic and growing industry before they become major problems.

Much of the research concerning the visitor industry in recent years has been directed at analyzing trends in visitor flow and estimating the kind and quantity of resort and visitor facilities which will be needed to meet the needs of this growing industry. While some of these studies have considered the role of government in this development, relatively few have concentrated upon the organizational problems which face government if it is to meet its responsibilities successfully.

One exception is the Report of the Governor's Advisory Commission on the Tourist Industry, February, 1957, entitled "The Role of the Government in the Development of Hawaii's Visitor Industry". Among other things, this report dealt with questions concerning the adequacy of tourist facilities and of government organization for the proper development of tourist facilities. Its principal conclusion regarding tourist facilities was that while private developments were increasing at a sufficiently rapid pace to meet the needs of visitors, the development of public facilities was lagging, and unified action on a Territory-wide program for the development of public facilities was an imperative need. It stated that in order to meet this "imperative need", the government would have to: "(a) formulate an industry-wide program for the development of public facilities on an all-island basis; (b) obtain agreement for joint action among the responsible government agencies in line with the program; and (c) cooperate with business on common goals". In addition, it suggested that government's role actually extended beyond this to "(a) civic planning, (b) the maintenance of standards in dealing with visitors, and (c) the encouragement of cultural activities of interest to visitors".

The report recommended several approaches which could be taken to meet these needs. These include "the creation of a Tourist Industry Coordination Authority; the creation of a Tourist Development Board within a Department of Trade and Industry; or the creation of a Central Board representing Territorial, County and Federal agencies concerned with tourism, supported by a staff to assemble and analyze information and to make recommendations to the central board on a unified program for the development of public facilities".

In February of 1959, two years after the above mentioned Governor's Report, a Citizens Advisory Committee on the Tourist Industry reported to the House Committee on Tourism that "the question of the organizational requirements of the government in the tourist area is one that has plagued those sincerely interested in tourism, both in government and in private industry, for many years. A number of studies have been made and some action taken but the problem still is unresolved". It concluded that "It is necessary that the government establish an effective authority to coordinate the various activities of tourist development and that it be done in such a way so that the activities and functions of the Hawaii Visitors Bureau will not be adversely affected". In spelling out what kind of agency or authority might perform this function the report commended to the House the 1957 Report by the Governor's Committee mentioned above.

Some steps have been taken in recent years to meet the problems mentioned in these reports. However, many of the problems still exist and their solution remains an imperative need in the State of Hawaii.

It is hoped that this report will serve a useful function in this debate by placing the problems relating to government participation in the development and operation of the tourist industry in their current setting. The report, in order to accomplish this objective, will (1) trace the history of legislative developments relating to government participation in tourism in Hawaii; (2) examine the components of visitor promotion and development; (3) describe some of the current problems facing the industry; and (4) outline the alternative approaches the State government might take to meet these problems.

CHAPTER I

LEGISLATIVE HISTORY OF GOVERNMENT PARTICIPATION
IN THE VISITOR INDUSTRY

The visitor industry in Hawaii in 1962, according to the preliminary estimates indicated in Table 1, will out-distance both sugar and pineapple in the amount of income it will generate for the economy of the State. Throughout the postwar period, tourism has been one of the leading factors in the growth of the Hawaiian economy, expanding at an annual average rate of about twenty per cent. These facts suggest that tourism will be one of the mainstays of the Hawaiian economy in the future, and that a high level of economic activity in the Islands will depend heavily upon a prosperous tourist industry.

Table 1

ESTIMATES OF INCOME OF MAJOR INDUSTRIES
STATE OF HAWAII
1962

Sugar	\$145,000,000
Pineapple	115,000,000
Tourism	156,000,000
Federal Military and Nonmilitary Spending	535,000,000

Source: Bank of Hawaii, 1962 Annual
Economic Report.

Considering the great importance of the visitor industry to the economy, it is no wonder that the government of Hawaii has long been concerned with the visitor industry. The first efforts of government specifically directed at the visitor industry came in May 1903, when the Territorial Legislature passed a bill

appropriating \$6,000 to the Hawaii Visitors Bureau for advertising.¹ Throughout the years thereafter, the government of Hawaii has been one of the principal supporters of the Bureau. From 1903 until the second world war, the HVB received approximately one dollar in government support for every two dollars it received in subscriptions from the business community.

Government Support and Participation: 1947-1959

The two private dollar for every public dollar ratio of support of the HVB began to change following the second world war. Governor Steinback recommended a dollar for dollar ratio in his message to the Legislature in 1947 and the Legislature responded by appropriating \$75,000 to the HVB for 1947. But attracting tourists was not a problem for Hawaii in the years immediately following the war. In fact, the principal effort of the HVB during 1947-48 was to discourage tourism until the more pressing problem of the shortage of tourist facilities had been solved.² Particularly pressing in these years was the need for hotels. In March of 1948, the site and location committee of the HVB recommended that hotel developments be concentrated in Waikiki and that accommodations on the Neighbor Islands would be sufficient for a few years.³

By 1949 the Legislature had increased its biennium appropriation for the HVB to \$500,000, or \$250,000 for each year, and required that the HVB secure the same amount in private contributions in order to obtain the full legislative appropriation.

¹The Hawaii Visitors Bureau was organized as the Hawaii Promotion Committee in 1901 by the Honolulu Chamber of Commerce; became the Hawaii Tourist Bureau following the first world war; changed its name to the Hawaii Visitors Bureau after the second world war; and separated from the Honolulu Chamber of Commerce in 1959 when it was incorporated as a non-profit organization.

²Honolulu Advertiser, January 29, 1947; February 19, 1947.

³Honolulu Advertiser, March 7, 1947; Honolulu Star-Bulletin, March 27, 1948.

The appropriation also stipulated that \$150,000 had to be used by the HVB for the promotion of the Neighbor Islands. The HVB found itself in 1950 in the happy predicament of having its private subscriptions for 1950 exceed its goal of \$250,000, and it consequently was able in that year to utilize the full \$250,000 legislative appropriation.

The Recommendations of the 1949 Legislative Holdover Committee. Although the HVB was finding its financial road amooth in 1949-50, criticism of the HVB was beginning to build up in the Legislature. Early in 1950, the Legislative Holdover Committee recommended that the Territorial government make the function of advertising and promotion a government responsibility and appropriate \$1,000,000 a year for a government tourist program. The proposal was initiated by small businessmen and representatives of the Neighbor Islands. The sponsor of the proposal, Senator William Nobriga of Hawaii, charged that small businesses were not getting their fair share of the benefits of tourism and that the city of Honolulu was dominating the industry.⁴ The proposal was shelved by the Legislature in February of 1951 since substantial opposition existed both within and without the Legislature to making tourism promotion a government function in Hawaii. In the opinion of the business community and the major newspapers of Honolulu, if tourist promotion were made a government function, its effectiveness would be reduced and tourist promotion, it was argued, would become subject to "political favoritism" and the alleged ills of "bureaucratic red-tape".⁵ The newspapers also argued that, in their opinion, the HVB was an effective organization because it did not become involved in political questions concerning the location and development of tourist facilities, but restricted itself to the function of promotion and advertising. The HVB itself agreed that it could be most effective if it concentrated its activities in the area of promotion and advertising and it rejected a request advanced by some members of the Legislature in 1951 that the HVB help in promoting the development of hotel facilities. The HVB argued that it would alienate its major contributors if it became involved in the question and it maintained steadfastly that it should

⁴Honolulu Star-Bulletin, February 14, 1951, p. 10.

⁵Honolulu Advertiser, February 13, 1951, p. 9.

restrict itself to promotion and advertising.⁶

The Proposed Recreation Development Commission. Some members of the Legislature were not satisfied with these arguments concerning the effectiveness of the HVB. Their dissatisfaction was given concrete form in a bill introduced into the Territorial Senate in 1953 to "set up a comprehensive plan and instrumentality for the development of the recreational and tourist facilities of the Territory".⁷ This bill proposed the establishment of a nine-man bipartisan Hawaii Recreation Development Commission, representative of all the counties and major groups interested in recreation and tourist facilities development. The members of the Commission were to be appointed by the Governor. The functions of the proposed commission were to include promotion and advertising as well as the development of both short-range and long-range visitor services and facilities.⁸ The bill recommended that the proposed commission have control of territorial parks and the development of the territory's recreational facilities. The Committee of the Whole Senate recommended favorable consideration of the measure but it was referred to the Ways and Means Committee where it was filed on May 19, 1953. At the same time an attempt was made to solve the problem of financing the HVB when Senator Joseph Itagaki introduced a bill which would have provided a one-half per cent increase in aviation gasoline tax to be earmarked for HVB use.⁹ The bill did not pass the Senate.

Modification of the HVB Board of Directors. Rather than create a new agency of government, or impose a tax on tourists, the Legislature decided that government participation in the tourist industry could best be facilitated by having the Governor appoint some members to the Board of Directors of the Hawaii Visitors Bureau. Although this had been discussed in previous years, it wasn't until the 1955 session that the Legislature

⁶Honolulu Star-Bulletin, March 7, 1953.

⁷Hawaii, Senate Journal, 1953, p. 332.

⁸See below, pp. 18-19, for a description of what is included in short-range and long-range visitor services and facilities.

⁹Honolulu Star-Bulletin, March 9, 1953, p. 10.

stipulated in its appropriation of \$750,000 to the HVB that the executive board of the HVB must include five members appointed by the Governor--one to represent the Territory as a whole, and the others to represent each of the four counties.

Appointees of the Governor to the executive board of the HVB complained shortly thereafter that their influence on the 120 member board was negligible, and some members of the Legislature were still sufficiently dissatisfied with conditions in the tourist industry to introduce again in 1955 proposals for establishing a department of tourism within the government.¹⁰ Senate Bill 11, introduced on the first day of the 1955 regular session, proposed the creation of the Hawaii Recreational Development Commission. Its duties were to include the management of travel promotion for the Territory, of the park system, and also of a hotel loan-construction fund. The bill passed the Senate but was amended in the House to remove from the proposed commission the function of advertising and promotion, leaving this to the HVB. The House also decided to give the proposed commission responsibility for undertaking research in tourism and for administering special events.

The amended bill was sent back to the Senate. A few days later the Senate Committee on the Judiciary reported to the Senate its agreement with the amended bill. The report stated that the HVB had been doing a "good promotion job within its area of operation", and it recommended that the HVB not be abolished, especially since its area of operation was restricted in the proposed bill to advertising and promotion and safeguards for the spending of public money by the HVB had been written into the bill. The amended bill provided for the establishment of a Hawaii Tourist Development Commission to coordinate and develop all aspects of the tourist industry. The Commission was to have a director assisted by a staff; an information office to supply information to the public concerning Hawaii's recreational facilities; a Tourist Facilities Development Board, consisting of three members of the Commission, to encourage and coordinate the development of tourist facilities; a tourist development fund to assist financially in the development of tourist facilities; and, finally, advisory groups made up of persons interested in the tourist industry. The HVB was to remain as the promotional agency of the Territory under the proposed bill. The bill passed both houses of the Legislature in this amended form, but was

¹⁰Honolulu Advertiser, March 10, 1955.

vetoed by the Governor a few days later.

In 1957 the Legislature created the Territorial Planning Office which was charged, among other tasks, with the responsibility to plan for the integrated and coordinated development of the tourist industry, and also to perform operational functions designed to bring about such development.¹¹ It was the hope of those who sponsored this bill that this new office would draw together all of the loose strings in the tourist industry and plan for the over-all development of the industry. Some members of the Legislature were not in agreement with this conception of the functions of the new Territorial Planning Office and they introduced bills into both houses proposing the establishment of a Tourist Development Commission similar to the one provided for in the 1955 bill that was vetoed by the Governor. Upon completion of extensive public hearings concerning the bills, the Senate Judiciary Committee reported that the opinion expressed during the hearings was "virtually unanimous on the proposition that our tourist industry lacks coordination in many vital respects, and that such coordination must be established if the industry is to grow in the most effective manner".¹² The Committee concluded that the HVB had been doing a "satisfactory job" in the area of advertising, but that its work should be augmented and that the development of tourist facilities was an imperative need. The Committee also saw a need for coordination between advertising and the construction and development of tourist facilities. The Report of the Governor's Advisory Commission on the Tourist Industry was also released in 1957, stressing the same points made by the Senate Committee.

The Territorial House, however, amended the proposed bill so as to provide for an eleven-man rather than a seven-man commission, and, more importantly, so as to give the proposed board authority to investigate monopoly practices and develop standardization of hotel rooms. These changes were not acceptable to the Senate Judiciary Committee, which recommended to the Senate that these provisions not be written into the law, and that instead money be appropriated to promote convention tours to Hawaii in order to fill in the valleys of the tourist season. With these modifications, the bill was recommended to the Senate and it

¹¹Hawaii, Session Laws (1957), Act 150.

¹²Hawaii, Senate Journal, 1957, pp. 518-519.

passed the Senate during the forty-eighth day of the session. However, the changed bill was not acceptable to the House and the proposal died there.

The 1959 Reorganization of the HVB. In 1959, in response to criticism concerning its operation, the HVB separated from the Honolulu Chamber of Commerce and incorporated itself as a non-profit organization. Prior to this separation the HVB was a committee of the Honolulu Chamber of Commerce, and its Board of Directors consisted of about 120 individuals representing all segments of industry and government. Attached to the board were numerous advisory committees, each of which functioned in a different area of tourist promotion. Committee members served on a voluntary basis. Because of this loose organizational structure strong criticisms were leveled at the HVB, including the charges that it was rift with internal dissension, lacked adequate plans, neglected promotion of the Neighbor Islands, and reflected primarily the interests of its largest contributors.

In order to meet these criticisms, the HVB, after breaking away from the Honolulu Chamber of Commerce, underwent internal reorganization which cut down the number of members on the Board of Directors from about 120 to 20, of whom two were to be elected by subscribers of the HVB from each of the Islands of Hawaii, Maui and Kauai, and nine from Oahu. Five of the board members were to be appointed by the state government. In addition to concentrating the policy-making function of the HVB in a smaller Board of Directors, the influence of its advisory committees was decreased, and the new Board promised to concentrate more of its promotional efforts on the Neighbor Islands and become more actively engaged in the area of visitor satisfaction.¹³

The Commission's Proposal Renewed Again. Several members of the Legislature were still dissatisfied with the HVB even in its reorganized form. The assistant director of the Territorial Planning Office charged that governmental representatives on the Board of Directors of the HVB had "served no useful purpose".¹⁴ Even if governmental representatives could be given an effective voice on the HVB board, many members of the Legislature were opposed to the HVB arguing that increased government appropri-

¹³Honolulu Star-Bulletin, January 22, 1959; March 6, 1959.

¹⁴Ibid., April 6, 1959, 10:1.

ations for the HVB should be accompanied by greater government control of the HVB and that this control had to be more substantial than government representation on the Board of Directors.¹⁵ Part of the opposition to continuing the HVB as a private organization reflected dissatisfaction with the job the HVB was doing, and part of it was due to the fact that the problems facing the tourist industry in 1959 extended much beyond the question of the effectiveness of the operation of the HVB. These problems included the need to develop and maintain attractive and clean parks and beaches, the hotel shortage, and the crowded conditions that were developing in Waikiki. Proposals were introduced into both houses of the Legislature in 1959 for the establishment of a Tourist Development Commission with authority to meet these problems, but they were consistently opposed by the HVB, leading business firms in Honolulu, and the major Honolulu newspapers. The principal objection of these groups were the same charges they had voiced in the past; they argued that if tourist promotion and development became a government function it would suffer from political favoritism and inefficiency, and that the HVB would lose the volunteer support and work effort of individuals in private business.¹⁶ Several members of the Legislature charged that it was the duty of the HVB to do something about the hotel shortage; HVB members answered that their job was advertising and that the HVB could not become involved in the complicated question of encouraging resort development. The opponents of government involvement in the tourist industry won and the bills failed to pass either house during 1959. Also defeated earlier during the session was a bill introduced into the House proposing a direct tax on tourists.¹⁷

The Period Since Statehood

While the Territory was preparing for a transition to statehood, the Legislative Interim Committee in 1959 focused its attention on the tourist industry. Following recommendations of two consultants, the committee proposed that the HVB be put under

¹⁵Honolulu Advertiser, April 17, 1959, A9:1.

¹⁶Ibid., September 16, 1959.

¹⁷Honolulu Star-Bulletin, January 22, 1959, 8:1.

contract with the government. The committee argued that a contract would give the state greater control over the money it appropriated to the HVB since, theoretically at least, the state could take the contract away from the HVB if it was not satisfied with the job of the HVB.¹⁸ Act 16 of the 1959 Legislature embodied this proposal by allowing the state agency charged with tourism development to enter into a contract with the Hawaii Visitors Bureau. The Legislature also passed a bill creating a State Tourism Advisory Committee to act as advisor to the Department of Economic Development. The members of the commission were to be appointed by the County Boards of Supervisors. The Attorney General questioned the constitutionality of the measure and the bill was amended to give the Governor the authority to appoint the committee members.¹⁹

During the 1960 legislative session public money for tourist promotion went to the Department of Economic Development, which in turn, gave the money directly to the HVB. Bills proposing the establishment of a Tourism Development Commission were also introduced into both houses in 1960 but were not passed by either house.

Again in 1961 an attempt was made to broaden the scope of governmental responsibility in the tourist industry in a proposal introduced into the House which would have established a Division of Tourism within the Department of Economic Development. No action was taken on this proposal by the Legislature. The Legislature required the Department of Economic Development to work out a contract with the HVB, giving the HVB two dollars in State funds for every dollar it received from private contributors.

In July of 1962, the HVB underwent reorganization following an internal audit by a committee appointed by its Board of Directors. The changes in the structure of the HVB that occurred as a result of this reorganization are as follows: less reliance has been placed on the volunteer committees in the policy decisions of the HVB, more emphasis has been placed on the paid professional staff and greater control has been centered in the hands of the general manager (these changes were made to correct internal cleavages in HVB policies); more detailed accounting and

¹⁸Honolulu Advertiser, September 24, 1959.

¹⁹Ibid., September 9, 1959, A6:6.

expenditure procedures have been introduced (this change was made to meet the criticisms that public money was being spent without adequate safeguards and reporting); the Neighbor Island Promotion Committee has been abolished (again, to meet the criticism of political pulling and hauling); and the functions of the mainland offices have been defined in more specific terms to provide greater concentration on direct selling and less on servicing and general public relations activities.²⁰

HVB policy plans for 1962-63 call for increased expenditure for advertising and less expenditure for special events and activities associated with visitor satisfaction. At the same time, however, the HVB expects to provide leadership and act as a central informational, advisory and coordinating body for the over-all aspects of the visitor industry.²¹ It hopes to provide staff assistance for special events and other attractions for visitors while decreasing the amount of financial assistance for these functions. For example, in the area of special events, the HVB plans to act as a "seeding agency", helping such events to get started, and then leave them for the appropriate group to manage once they have been established.

Summary. The brief legislative history of government involvement in the tourist industry outlined above suggests certain broad conclusions. The major way in which the government of Hawaii has tried to promote tourism has been through financial support of the HVB. In an attempt to give financial support to the HVB without discouraging private contributions, the government has followed the principle of matching funds. As Table 2 shows, however, private financial support of the HVB has been decreasing significantly in recent years proportionate to governmental financial support. Since 1959, in particular, the ratio of financial support of the HVB has been close to three-for-one; and for the entire ten-year period, 1952-1962, the ratio has been close to two-for-one. These figures suggest that the trend in financial support of the HVB has been toward the state government assuming a greater and greater proportion of the financial burden of advertising and promotion, although the problem of government determination of how the money should be spent has not yet been worked out.

²⁰Report to HVB of Internal Audit Committee, June 25, 1962.

²¹Ibid.

Table 2

GOVERNMENT AND PRIVATE FINANCIAL SUPPORT
OF THE HAWAII VISITORS BUREAU
1952-1962

Year	<u>Government Appropriations^a</u>		<u>Private Subscriptions</u>		<u>Total Support Amount</u>
	Amount	Per Cent ^b	Amount	Per Cent	
1952-53	\$ 250,000	48	\$ 266,334	52	\$ 516,334
1953-54	262,500	49	278,629	51	541,129
1954-55	262,500	47	295,765	53	558,265
1955-56	375,000	55	299,051	45	674,051
1956-57	375,000	51	351,415	49	726,415
1957-58	500,000	75	166,554 ^c	25	666,554
1958-59	500,000	56	389,570	44	889,570
1959-60	750,000	74	425,520	26	1,175,520
1960-61	1,104,928	71	455,570	29	1,560,498
1961-62	1,212,985	72	472,263	28	1,685,248
1962-63	<u>1,230,000</u>	<u>81</u>	<u>290,881</u>	<u>19</u>	<u>1,520,881</u>
Total	\$6,822,913	65	\$3,691,552	35	\$10,514,465

Table 2 (continued)

Source: Hawaii Visitors Bureau and Legislative Appropriations.

Note: Government appropriations are for fiscal years, private subscriptions are for calendar years for 1952 through 1957 and for fiscal years thereafter.

^aGovernment appropriations for the years 1952-1959 were made on a biennium basis and yearly figures have been arrived at by dividing the biennium appropriation by two.

^bPercentages have been rounded out to the nearest one per cent.

^cThe low figure for private subscriptions for 1957 is due to the fact that the HVB switched in its accounting from a calendar-year basis to a fiscal-year basis in 1957 and hence this figure is for January 1-June 30, 1957 only.

Legislative developments during the past dozen years can be summarized as follows: There have been many attempts by legislators to extend government involvement in the tourist industry in Hawaii, both in regard to advertising and promotion and in regard to the provision of tourist facilities. All of these attempts have failed of enactment and the government has confined itself to providing general public facilities such as parks and beaches, and supporting advertising, promotion and some visitor satisfaction in recent years indirectly through its appropriations to the HVB.

THE COMPONENTS OF VISITOR PROMOTION AND DEVELOPMENT

The many attempts of the Legislature over the past dozen years to cope with the problems of the visitor industry are evidence of the complicated political and economic nature of the visitor industry. Essentially, the difficulty and complexity resides in the fact that the visitor industry consists of a bewildering array of literally hundreds of individual activities, services, attractions and facilities, encompassing almost the entire economic, social and political structure of the State; and hundreds of business firms, private organizations, government agencies, and community groups engage in one or another of these diverse activities. A better understanding of the problems facing the visitor industry therefore will be facilitated if these many activities and organizations are grouped under general categories according to function. The plan of this section is to describe the two major functions of visitor promotion and development, and then to describe the various organizations involved in each of the two functions.

The Two Major Functions of Visitor Promotion and Development

The two major functions of visitor promotion and development are:

1. Advertising and Promotion. The first function is primarily a marketing function concerned with getting people to visit Hawaii. This will be termed the "advertising and promotion" function.
2. Visitor Satisfaction. The second function is concerned primarily with making the visitor happy and satisfied once he has visited Hawaii. This will be termed the "visitor satisfaction" function.

There are many subsidiary parts to these two major functions. In its broadest aspects, the function of promotion and advertising has at least four facets: there is the job of advertising on the mainland and elsewhere, principally in public media such as newspapers and magazines; secondly, there is the job of promotion, mainly through carriers, hotels and travel agents; thirdly, there is direct promotion and contact through the operation of mainland offices; and, finally, there is the job of marketing research

into trends in visitor travel, the impact of advertising programs, and characteristics of visitors to Hawaii.

The visitor satisfaction function is an extremely broad one. It will be useful to break it down under two subheadings: "Short-range visitor services and facilities"; and "Long-range visitor services and facilities".

Short-range visitor services and facilities refer mostly to hospitality functions which do not need extensive planning and financing. These include both public and private services and facilities such as greeting visitors upon arrival, guides and tours, entertainment, special events, and the like.

Long-range visitor services and facilities refer mostly to the total physical surrounding in which the visitor finds himself during his stay in Hawaii, and which require extensive planning and financing for their development. These include such things as hotels, restaurants, shopping facilities, beaches, parks, harbors, civic development, sites of historical and cultural interest, and the "aloha" spirit.

Relevant to both short-range and long-range visitor services and facilities is a program of research designed to discover the needs of, and maintain these facilities in a condition of optimum satisfaction for those who visit Hawaii.

Table 3 summarizes these aspects of the two functions of visitor promotion and development.

Table 3
THE TWO MAJOR FUNCTIONS OF VISITOR
PROMOTION AND DEVELOPMENT

- | | |
|--|---|
| 1. <u>Advertising and Promotion</u> | 2. <u>Visitor Satisfaction</u> |
| a. Advertising in public media. | a. Short-range visitor services and facilities. |
| b. Promotion with carriers and travel agent. | b. Long-range visitor services and facilities. |
| c. Operation of mainland offices. | c. Visitor satisfaction research. |
| d. Market research. | |

Public and Private Agencies Engaging in Advertising and Promotion and Visitor Satisfaction

There are a great number of different organizations, government agencies, business firms, and community groups that have some responsibility for, or which engage in the two functions listed in Table 3 above. Chart 1 lists the principal agencies involved in the two functions and their major area of involvement.

Principal Agencies Having Responsibilities in Advertising and Promotion. The Hawaii Visitors Bureau has been the principal agency with responsibility for advertising the State as a whole as a tourist destination area. According to the manual of organization of the Bureau, its primary objectives are: "To conduct an advertising, publicity and promotion program designed to maintain and increase the flow of visitors to and among the Hawaiian Islands. To encourage organizations to hold their conventions in Hawaii and to attract groups of visitors to the islands. To conduct programs designed to increase visitor satisfaction with the islands, including the staging of special events".²²

The HVB has operating offices on the four major islands of Hawaii, and in Los Angeles, Chicago, and New York. It is governed by a 20-man board of directors, who are elected by subscribers of the HVB. The board of directors elects the President, who is the chief executive officer of the Bureau, and also two vice presidents, a secretary and treasurer. The Bureau has numerous standing committees, the members of which serve on a voluntary basis, and each committee is responsible for initiating and overseeing programs and projects within its respective field. For example, the Advertising and Publicity Committee is comprised of executives in the advertising and public relations field and has the responsibility to initiate, review and approve or recommend advertising, publicity and promotional programs designed to increase the flow of visitors to Hawaii. The general manager of the Bureau serves as the chief administrative officer, directing all the staff activities of the Bureau.

The HVB operates as a non-profit corporation, receiving financial support both from private subscriptions and from the state government. Between one-half and three-fourths of its private contributions come from the large businesses in Honolulu and the major carriers. In the recent year subscriptions of the

²²Hawaii Visitors Bureau, Manual of Organization, Revised July, 1960, p. 1.

CHART 1

Public and Private Agencies Involved in Visitor Promotion and Development in Hawaii

Function 1
Advertising and Promotion
(Bringing People to Hawaii)

Agencies Concerned
with this Function:

Hawaii Visitors' Bureau
Carriers
Hotels
Travel Agents and Travel
Associations¹
State Government

THE
TOURIST

Function 2
Visitor Satisfaction
(Making the Visitor's Stay Pleasant)

Agencies Concerned
with this Function:

FEDERAL GOVERNMENT AGENCIES
National Park Service
U.S. Travel Service

PRIVATE ORGANIZATIONS
Hotel and Hotel Associations
Restaurants, Stores, etc.
Carriers
Special Events and Cultural Organizations
Chambers of Commerce

STATE GOVERNMENT AGENCIES
Department of Economic Development
Department of Land and Natural Resources
Department of Transportation
Department of Planning and Research
Land Use Commission
Governor's Hospitality Commission

COUNTY GOVERNMENT AGENCIES
County Parks Boards
County Planning Commission
County Economic Development Agencies
County Public Works Departments

¹The State government is only indirectly involved in advertising and promotion through its support of the Hawaii Visitors' Bureau

carriers have diminished significantly, while those from the hotels and other businesses have not increased. During the past year, the advertising budget of the HVB was about \$600,000.

In terms of total amount spent for advertising, however, the carriers and hotels spend a great deal more than the HVB. For example, Matson Navigation Company estimates its expenditures for advertising Hawaii as a visitor destination area at about \$2,000,000 a year, Pan American Airways estimates its yearly expenditures at about \$2,500,000, and United Airlines estimates it spends about \$1,100,000 a year advertising Hawaii. Other carriers and hotels also have large expenditures in advertising the State or particular parts of the State. It is evident that the total expenditures of these firms dwarf the amount spent by the HVB for advertising.

Also in the function of advertising and promotion, the American Society of Travel Agents, the National Association of Travel Organizations, the Pacific Area Travel Association, and the International Air Transport Association, all are engaged in one way or another in promoting Hawaii as a tourist destination area. Their principal effort is to induce their travel agent members to sell tickets and encourage people to travel to Hawaii.

Principal Agencies Having Responsibilities in Visitor Satisfaction. As in the case of advertising and promotion, both government and private industry are heavily engaged in the many activities of visitor satisfaction.

Federal Government Agencies. At the federal government level, the National Park Service is by far the most important agency in Hawaii affecting tourism. It maintains national parks on Hawaii and Maui and is in a position to cooperate actively with State and County governments in the development of specific attractions for tourists.

The U. S. Travel Service of the Department of Commerce develops information on international tourism and cooperates with both public and private organizations in stimulating travel to the Pacific and Far East area.

State Government Agencies. At the state government level, there are very few agencies that do not have responsibilities in the area of visitor satisfaction. In fact, the entire operation of the state government is at least indirectly related to tourism inasmuch as the development of the economic, social, and cultural aspects of the State all affect the visitor industry.

However, certain of the state agencies have more direct responsibilities in the area of visitor satisfaction than others; these include the Department of Economic Development, the Department of Land and Natural Resources, the Department of Transportation, the Department of Planning and Research, and the Land Use Commission.

The direct responsibilities of the Department of Economic Development include its administrative control of the State's tourism promotion funds through the development and administration of the State's contract with the Hawaii Visitors Bureau; its responsibility to stimulate resort facilities development; its planning and encouragement of special facilities and events, such as the development of Ulu Mau Village; and its responsibilities in the planning of fairs. In July of 1961, the Department employed a visitor facilities representative whose duties include keeping track of all capital improvements affecting tourism and promoting private investment in visitor facilities. The Department of Economic Development encourages development of privately-owned resort facilities on state-owned land by providing information to prospective developers, and bringing the developer and the Department of Land and Natural Resources as well as private land owners together for the consummation of a project. Finally, the Department serves as liaison with the Federal Government in the Area Redevelopment Program for the Island of Hawaii.

While the Department of Economic Development acts as the sales agent for the State in promoting private investment in tourist facilities, the Department of Land and Natural Resources sets the terms of such an agreement if it is to be consummated and state lands used. The Department of Land and Natural Resources consequently has important responsibilities in the development of long-range visitor services and facilities. In addition to setting the terms for the use of state lands by private developers, the Department also has important responsibilities in the management of the public lands, and the water, fish, game and forest resources of the State. Its management of state parks, forest reserves, and historical sites is an important aspect of visitor satisfaction.

The jurisdiction of the Department of Transportation in the area of visitor satisfaction relates to planning, construction, operation and maintenance of the transportation facilities of the State, including highways, airports, and harbors. In 1962 the Department received an appropriation of \$175,000 from the Legislature to initiate a program of greeting and information

for visitors.²³ Under this program, which was initiated in September 1962, the Department hopes to meet as many visitors as possible at airports and harbors on all the Islands of Hawaii. It plans to offer information and greetings to visitors and work with the major industries and special events groups to encourage these groups to offer their products and services to the visitor as he arrives in Hawaii.

The Department of Planning and Research is involved in the area of visitor satisfaction through its planning and research services concerning the use of human and natural resources of the State. The Department is charged with coordinating research activities of the State government and analyzing long-range economic trends affecting developments for tourism. The General Plan of the State of Hawaii drawn up by the Department in 1961 states that the general tasks of government indicated by the General Plan are:

- (1) prepare to meet the demand for public services and improvements which will result from growth; and through an action program (2) stimulate capital formation and private investment by creating the proper 'investment climate' and (3) balance the distribution of population and economic activity among the several islands.²⁴

The Land Use Commission is responsible for zoning the land within the State into its major classes of use and such plans affect the location and development of visitor services and facilities throughout the State.

County Government Agencies. At the county level, several agencies have jurisdiction relating to the visitor industry. To take the City and County of Honolulu as an example, the City Planning Commission is directly concerned with tourism through its planning for urban development of the City and County of Honolulu. All plans drawn up by the Commission have as a vital element the consideration of the visitor industry. The plans specify which lands will be used for resorts, hotels, and parks. In addition, the Commission attempts to see that adequate facilities such as parks, recreation areas, and golf courses, are developed.

²³Hawaii, Session Laws (1962), Act 31.

²⁴General Plan of the State of Hawaii, Department of Planning and Research, 1961.

The Honolulu Department of Parks and Recreation has the responsibility of managing municipal parks and cooperating with the State Department of Land and Natural Resources in the operation of state parks situated within the county of Honolulu. In addition, it gives aid to groups planning special events. The Police Department has jurisdiction affecting visitor satisfaction through its maintenance of safety and through the direct contact of police officers with visitors. The Department of Public Works and its various divisions are concerned with one or another aspect of visitor satisfaction, from maintenance of beaches to road maintenance. Similar kinds of agencies exist in the other three counties of Hawaii.

Private Firms and Organizations. In terms of quantity of involvement in the area of visitor satisfaction, private business firms and organizations have by far the greatest amount of responsibility. Millions of dollars are invested by private businesses for hotels, restaurants, shopping facilities, banks, resorts, entertainment, transportation, and touring agencies. Cultural activities are also primarily a responsibility of private organizations, such as the Bishop Museum, the Honolulu Academy of Arts, and the Honolulu Symphony.²⁵ Local associations of carriers, hotels and tour agencies establish standards for their own members. Various groups sponsor and run special events. And the tourist industry committees of the various chambers of commerce are active in attracting capital to hotel and facilities development.

While these are the major agencies having direct responsibility in the visitor industry in Hawaii, they are not by any means the only agencies. Many small businesses and other groups undoubtedly have an important affect on the visitor industry. However, the above listing is indicative of the great number of business firms and organizations that have responsibilities in Hawaii's visitor industry.

²⁵However, financial assistance is given to some of these agencies by the State as, for example, in the case of the Honolulu Symphony, the State helps support the Honolulu Symphony by making up deficits.

SOME CURRENT PROBLEMS AND THE ROLE OF THE STATE GOVERNMENT IN THE VISITOR INDUSTRY

The preceding description of legislative developments in Hawaii and of the components of visitor promotion and development point to some of the complicated problems of governmental organization for tourism in Hawaii. These problems are not simply organizational but are intimately and necessarily interrelated with policy questions. It is necessary, therefore, to consider briefly the broad relationship between policy decisions and organizational arrangements before turning to the specific needs of the visitor industry in Hawaii.

As the description in the appendix below indicates, other areas of the world have visitor industry problems comparable to those in Hawaii and each one is attempting to meet these problems in its own way. The solutions chosen by these areas do not necessarily apply to Hawaii, but they indicate that government organization for tourist promotion and development can proceed in a number of ways. It is clear that there is no single solution to the problems facing the visitor industry in Hawaii and certainly no panacea to cure in one grand sweep all the ills which may exist. Administrative reorganization, or the creation of a new agency of government will not automatically put an end to the problems facing the visitor industry. At the same time, however, it should be emphasized that the problems besetting the visitor industry will not simply "work themselves out" if left alone. While organizational and administrative plans cannot be panaceas or substitutes for able public officials, they can set a framework in which it might be more possible to take some steps in the right direction.

The task of designing organizational plans is complicated by the fact that the organizational and administrative questions are intimately intertwined with policy questions. It is not possible to deal with the organizational problems without giving these policy questions some attention. The policy questions currently facing the visitor industry relate to the extent and kind of responsibility the state government should assume in the visitor industry, and the organizational and administrative questions relate to what structure most effectively might implement these responsibilities. These questions cannot be considered separately. What has been overlooked in past studies of the visitor industry in Hawaii is the fact that the goals of the state government in the visitor industry have to be established before a mechanism to secure these goals can be set up. The state govern-

ment has to decide whether or not it will assume direct responsibility for advertising by assigning the function to a department of state government, and whether or not it will assume broad police powers in the many activities concerning visitor satisfaction, before the question of organizational alternatives can be addressed. The policy questions relating to advertising and visitor satisfaction are precedent to the organizational problems facing the visitor industry, for the question has to be answered, "Organization of what activities?" Hence, a discussion of organizational alternatives for state government is possible only after the broad policy questions have been considered.

The plan of this section of the report is to consider the policy questions in the two functions outlined in the last section of the report and then consider the organizational alternatives available to the state government, assuming various policy choices of state government.

Advertising and Promotion: A State Function?

The policy problem concerning advertising and promotion has two facets to it: the first is the question of whether or not the state government should assume direct responsibility for advertising; the second facet is the problem of defining clearly just what the responsibilities of the HVB should be.

Direct State Responsibility for Advertising. There are no objective criteria that can be used to arrive at an answer to the question of whether or not the state government should assign the function of advertising and promotion to a department of state government. It is more a matter of conjecture whether efficiency would be lost or gained if the state government were to become involved in this function. This being the case, it is advisable to briefly review the arguments concerning this question.

There are those who argue that the Hawaii Visitors Bureau is doing a very good job of advertising and promotion, and there are those who argue that it is doing a less than adequate job. Some of those who argue that the HVB is doing a good job, point, among other things, to the increased number of tourist arrivals to Hawaii as evidence of this assertion. However, many of the factors affecting the number of tourist arrivals in Hawaii are wholly independent of the advertising and promotional efforts of the HVB, or, for that matter, of any agency that might undertake this function. These factors include such things as the level of disposable income of Americans, the westward migration of people in the United States in recent years, advances in air transporta-

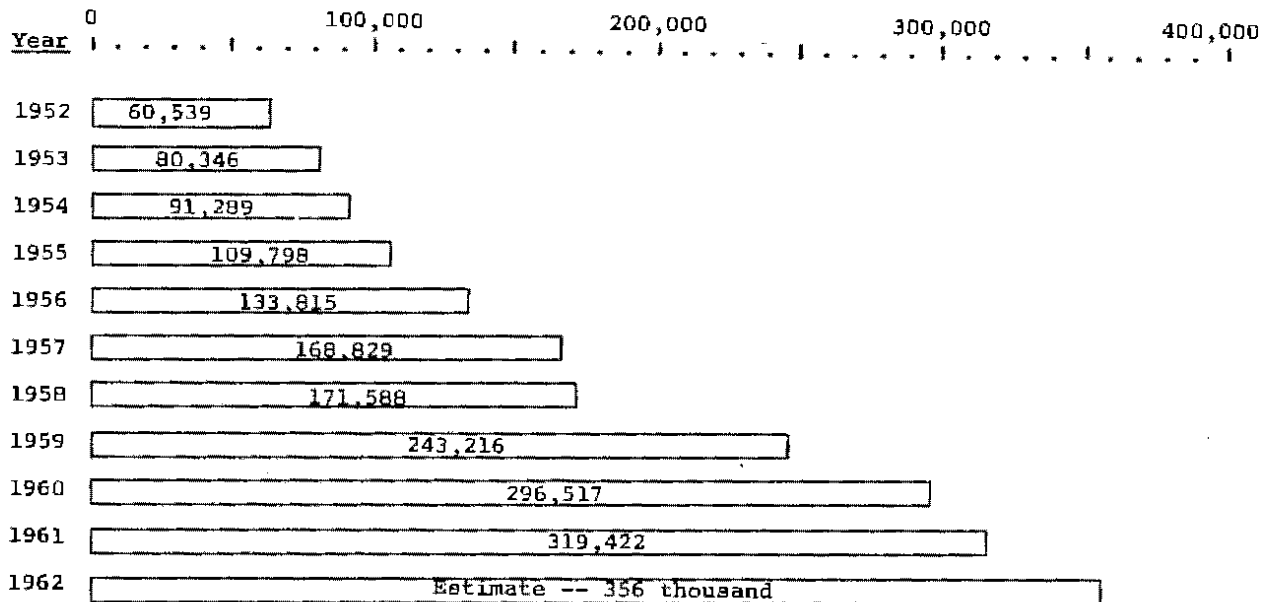
tion, and changes in over-all patterns of travel, to name just a few of the more important factors. There is no way to determine exactly what proportion of increases or decreases in tourist arrivals are attributable to these factors and what proportion can be attributed to advertising and promotional efforts of the HVB. Figures concerning the flow of tourists to Hawaii during the past decade suggest that there is a very strong correlation between recessions on the mainland and the number of tourists coming to Hawaii. As Chart 2 indicates, there was a marked fall-off in the growth rate of visitor arrivals in Hawaii during the mainland recession years of 1954, 1958, and 1961. Disregarding the level of statistical significance of this correlation, it is apparent that recessions on the mainland are a very strong contributing factor in the number of visitor arrivals in Hawaii regardless of promotional and advertising efforts in these years. Of course, it also might be true that the fall-off would have been more drastic if Hawaii had no advertising and promotional program whatsoever.

Some of the individuals associated with the visitor industry argue that if advertising and promotion is conducted by a department of government it will suffer from problems of bureaucratization, political favoritism, and the various other ills allegedly associated with government operations. There is no objective evidence either to support or disprove this assertion. It is not necessarily the case that an advertising and promotion program run by the state government would be less efficient than the arrangement that now exists. In the first place, a state agency would likely contract out the advertising part of its program to a private advertising agency, as is the case with the HVB and other jurisdictions where this is a government function.²⁶ The adequacy of advertising would be a function of how good the advertising agency is which is selected for this purpose rather than a result of whether it is a public or private agency that buys the service. Similarly, there is no necessary reason why a promotional program run by government should be any less efficient than is now the case. Rather it is a function of who is picked to run the program. If the state government picked a good man for the job, there is nothing inherent in the fact that he would be a public servant to keep him from doing a good job.

²⁶See Appendix below.

C H A R T 2

Visitor Arrivals to Hawaii 1952-62



Source: Statistical Abstract of Hawaii, 1962, Department of Planning and Research, State of Hawaii, p. 46.

Other arguments concerning the question of whether or not the executive branch should be given direct responsibilities in advertising and promotion could be examined in detail, but with the same general result obtained in the discussion of the two arguments above. The question of whether or not the state government should make advertising the responsibility of an agency of state government cannot be answered, but only debated.

The Functions of the HVB. The second major problem under this heading involves the need to define clearly just what the function of the HVB should be assuming that the state government does not run an advertising program through a department of government. There are primarily two schools of thought concerning this issue. One school argues that the HVB should expend all of its efforts in the area of advertising and promotion and not become involved at all in visitor satisfaction. The other school argues that the HVB can and should be involved in both advertising and visitor satisfaction.

The argument that the HVB should be involved in both advertising and visitor satisfaction is based on two assumptions: first, it is believed that since, under present arrangements, there is no other single agency in the State concerned with the over-all development of visitor satisfaction, the HVB must become more and more involved in this function to ensure that essential jobs are carried out; secondly, it is believed that it is more efficient for a single organization to have control over both functions--advertising and visitor satisfaction--as is the case in any business where the firm has control over the advertising of its product as well as over the quality of the product it advertises. In regard to this second argument, the conclusion is that since the HVB advertises the product (i.e. the State of Hawaii), it should also have some influence over the quality of the product.

The HVB has adopted this line of thinking since 1960 and has expended a good proportion of its resources in the area of visitor satisfaction. But as the HVB has become involved in functions concerned with visitor satisfaction over the past few years, it has been criticized for failing to deal with all of the problems associated with visitor satisfaction. These criticisms, whether justified or not, reduce the effectiveness of the HVB in the area of advertising since, as a reaction to the criticisms, the HVB channels finances and staff time away from advertising into meeting more and more responsibilities in the area of visitor satisfaction. The result is that its advertising program is diluted, and at the same time the HVB is unable to meet all of the problems existing in the vast area of visitor satisfaction. But the more

serious objection to the HVB's involvement in visitor satisfaction is that it lacks the authority which is necessary to the solution of many of the problems in this area. The solution to some of the problems can be found only through government action. Questions such as: "Which special event should receive the support of public funds and when should they be held? How can the beaches and parks be kept clean and attractive? How can courteous treatment of visitors by public employees such as policemen and bus drivers be promoted?"--these and similar questions relating to visitor satisfaction are clearly in the jurisdiction of government and not the HVB. If the HVB remains a semi-private organization, it cannot hope to deal with these and similar questions which actually should be handled through public authority. Furthermore, the HVB cannot be expected to deal impartially with questions that affect its own members, particularly those members who are important and large contributors to the HVB.

In conclusion, assuming that the State does not make advertising a government function, the principal problem concerning advertising and promotion is the need to define clearly what responsibilities the HVB should have. The discussion above suggests the need to restrict the HVB to advertising and promotion where it most reasonably can be expected to perform efficiently.

Problems Relating to Visitor Satisfaction

In discussing what broad policy responsibilities the state government might assume in the function of visitor satisfaction, it is useful to recall the fact that the visitor industry in Hawaii involves hundreds of activities which encompass almost the entire economy of the State. Literally hundreds of organizations, both public and private, play a part in one or another of these activities. The multitude of activities engaged in by these different organizations are too complicated for a simple, single line of responsibility. The conclusion is unavoidable, then, that there are limitations to what the state government can be expected to accomplish in the function of visitor satisfaction. The decision as to what these limits are is a policy rather than an administrative matter.

Certain basic facts concerning the nature of the American system of government are relevant to this policy question. The state government cannot through the exercise of public authority ensure that the various business firms operating in visitor satisfaction work cooperatively, either among themselves or with the government, toward goals established by the state government, because this would conflict with the traditional and legal

premises of American private enterprise economy. Similarly, the state government is limited, though less severely, in what it can secure in the way of cooperation between the various state and county agencies having responsibilities in visitor satisfaction, for this involves traditions of home-rule.

The discussion which follows concerning problems in the area of visitor satisfaction proceeds, therefore, under the assumption that these broad limits on the jurisdiction of authoritative governmental action are recognized, and that it is possible to define these broad limits as they relate to each of the specific problem areas.

Maintenance of Standards. A long list of problems confronts the visitor industry in the area of maintenance of standards. These include such questions as the courtesy of treatment of visitors by policemen, waitresses, hotel employees, taxicab drivers, tour drivers, and the other employees of concerns having direct contact with the visitor; the honesty of representation by business firms; the fairness of prices charged by hotels and restaurants; the cleanliness of parks, beaches, and streets; the number and kind of cultural activities offered; the beauty of Hawaii's cities; and the general attitude of the people of Hawaii toward visitors. The policy and administrative questions in the list are inextricably bound together: first, there is a need to define whether or not something can be done by the state government about these questions, and then there is the need of deciding what agency of state government will be responsible for carrying out the minimal standards laid down by the Legislature.

Basically this is a question of separating what the state government can do directly through the force of its authority, and what it can hope to accomplish by encouraging cooperation from the numerous people and organizations involved in visitor satisfaction. It is apparent that the state government cannot through the force of authority guarantee the maintenance of high standards in all of the diverse services and facilities in the visitor industry. Moreover, some of these questions are being addressed on a volunteer basis, as, for example, the question of adequate hotel services, which is handled through cooperation between the Hawaii Visitors Bureau and the Honolulu Hotel Association. In this case the Hotel Association upon receipt of complaints, principally through the HVB, attempts to correct shortcomings by applying pressure on the offending hotel. On the other hand, the adequacy of both short-range and long-range state visitor services and facilities can be dealt with by legislative or executive action of the state government.

The problem, then, is one of defining what responsibilities the state government should assume, and then designating the appropriate agency of state government that will be charged with carrying out these responsibilities. In other words, in regard to private facilities, it first has to be decided whether or not a question such as the fairness of prices charged by hotels and restaurants is the type of question which warrants government action, and then the responsibility of enforcing certain minimum standards set by the Legislature should be assigned to the appropriate agency. In regard to public services and facilities, there is a need to spell out minimum standards and designate clearly the agency or agencies which shall be responsible for enforcing and carrying out such standards.

Research and Planning. The problem in the area of research and planning is principally one of identifying the different kinds of research that relate to the visitor industry and then ensuring that the appropriate agency is responsible for handling each kind. Three different kinds of research activity concerning the visitor industry can be distinguished. First, there is market research, which is concerned with analyzing the effectiveness of advertising programs and cultivating new markets for visitors. Second, there is what can be termed "visitor satisfaction research", which is concerned with data describing what kind of visitor comes to Hawaii; what his likes and dislikes are; what his expectations are; and how his expectations have or have not been fulfilled. Third, there is long-range planning and research, the principal object of which is to analyze long-range developmental needs in the visitor industry based on projections of future expectations and the changing composition of the industry.

In the past, the Hawaii Visitors Bureau has been the only agency conducting continuing research in the visitor industry in Hawaii. Consulting firms and other agencies, such as the University of Hawaii, have been called upon to do particular research on specific problems. But since the HVB has not been able to run a continuing program of research in all three areas mentioned above, the result has been that research into visitor satisfaction and long-range planning has been sporadic at best. Moreover, the agency that might be best equipped to conduct market research would not necessarily be the best agency to conduct research in long-range planning. The problem here, then, is similar to the one concerning advertising and promotion; that is, it is a problem of clearly defining what kinds of research are needed and then assigning the proper agency responsibility for each kind of research.

Coordination and Balanced Development. The same intermingling of policy and administrative questions noted in regard to the above mentioned areas exists in regard to the question of coordination. Chart 1 on page 20 above lists the principal agencies and organizations concerned with the functions of advertising and visitor satisfaction in the visitor industry in Hawaii. The problem of coordinating the plans and activities of all of these organizations to achieve balanced development in the two major functions of the visitor industry is a complicated one indeed. At the least it requires coordination between:

1. all state agencies having responsibilities in the visitor industry;
2. state and county agencies having responsibilities in the visitor industry;
3. the various business firms involved in the visitor industry;
4. business and government in areas of common concern;
5. the function of advertising and the function of visitor satisfaction.

Even a casual perusal of these five areas indicates that the state government is limited in what it can hope to achieve. Realistically, it can expect to secure coordination by the exercise of authority only in regard to the state agencies having responsibilities in the visitor industry, and possibly between the function of advertising and promotion. In the other areas it can induce cooperation principally by establishing the proper climate for such cooperation and by assuming responsibility for initiating cooperative efforts to alleviate situations detrimental to the growth of the tourist industry. Such situations might include overcrowded surfing conditions in Waikiki, a problem now being met, or the disruptive overcrowding of some rooms and cottages in Waikiki during the summer months or the behavior of some of the younger summer visitors. In sum, the problem of coordination for the State in achieving goals in the visitor industry relates primarily to coordinating the plans and activities of the state agencies having responsibility in the visitor industry.

Alternative Approaches for the State Government

It is relatively easy to list a number of organizational alternatives by which the government can try to solve the problems discussed in the previous sections. It is not easy to list and analyze all of the possible consequences of each alternative. Nevertheless, some assessment of each alternative can be made

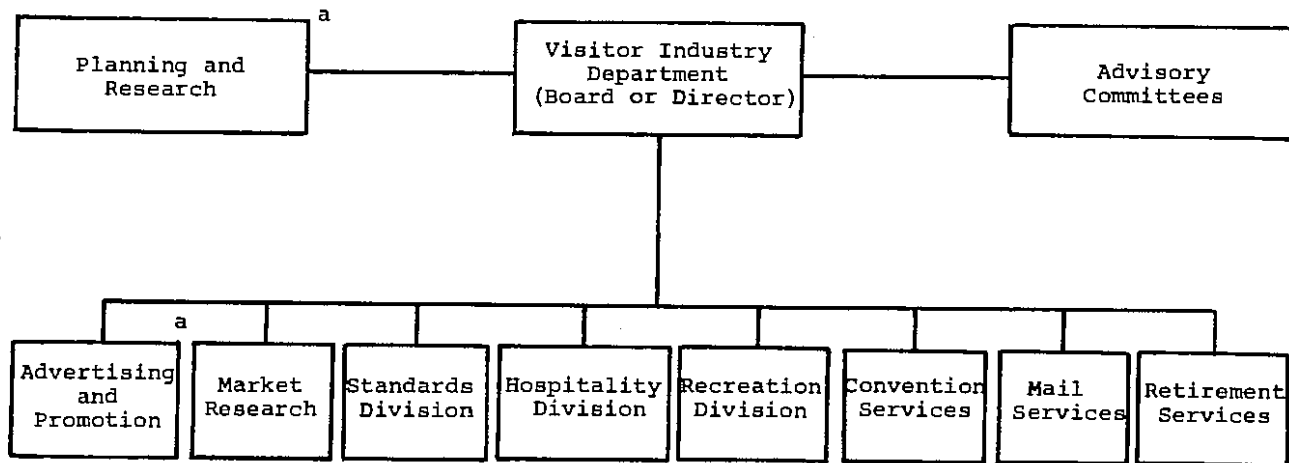
given certain assumptions about the possible policy choices of state government. These assumptions are considered below on pages 39-42. Discussion of these assumptions will be facilitated if the various organizational alternatives are listed first. The purpose here is to list the organizational alternatives and then consider the merits of each given certain assumptions about the policy choice of state government. The order in which the alternatives are listed does not indicate an order of preference.

There are essentially five different approaches the state government can take to meet the problems facing the visitor industry:

1. It can create a new department, within the structure of state government, charged with responsibilities in both advertising and visitor satisfaction, or in visitor satisfaction alone. Chart 3 on page 35 depicts what the organizational chart of such a department of tourism might look like. The Director of the Department or Board could have responsibility for: coordinating the state agencies having functions in visitor satisfaction; coordinating the function of advertising with the development of both short-range and long-range visitor satisfaction services and facilities; and maintaining the standards of these services in accordance with general legislative mandates. It could also operate a state advertising and promotion program.
2. It can provide for the establishment of a tourist division within one of the existing departments of government charged with the responsibility of both advertising and visitor satisfaction or with visitor satisfaction alone. The logical department in which to locate a tourism division is the Department of Economic Development; in fact, the Department's present office, staffed by a tourist facilities representative, could be expanded into a division of tourism, charged with the tasks of: coordinating the functions of advertising and visitor satisfaction and maintaining the minimum standards prescribed by the Legislature.
3. It can create a visitor industry coordinator under the Governor charged with the responsibility of both advertising and visitor satisfaction or with visitor satisfaction alone. The Coordinator would operate primarily through committees though he would probably also need a small staff of his own. Each of these committees would

CHART 3

The Alternative of a Department of Tourism



^aThe long-range research and advertising and promotion jobs could be contracted out to an independent agency or conducted by the Department itself.

have jurisdiction in a specific functional area. This alternative is fashioned after the Urban Renewal Coordinator of the City of Honolulu. Chart 4 on page 37 depicts what the organizational arrangement might look like.

4. It can merge the departments of economic development and planning and research into one new department and assign it responsibilities for the visitor industry, including both advertising and visitor satisfaction, or visitor satisfaction alone. Under this alternative the new agency would have in addition to the present responsibilities of these two departments the third major function of tourist promotion and development. A possible organizational structure for such a department is depicted in Chart 5 on page 38.
5. It can leave the situation as it now stands. If this alternative is followed, the HVB will continue to manage the State's tourist advertising and promotion program and participate in visitor satisfaction activities under contract with the Department of Economic Development. The other departments of state government would continue in the activities in which they are now engaged.

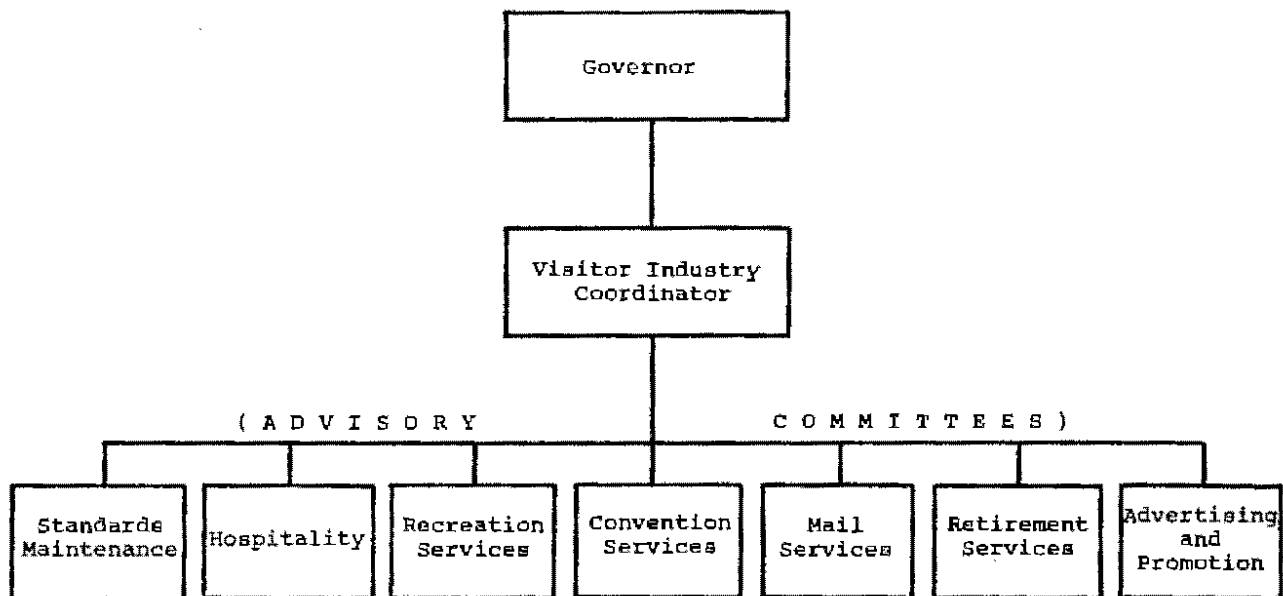
The Five Alternatives: Considerations Contingent Upon Various Policy Choices of State Government

The answer to the question, "which of the five organizational alternatives would best fulfill the goals of the state government in the visitor industry", depends upon what answer is given to the policy question "what kinds of goals and responsibilities should the state government assume in advertising and in visitor satisfaction?" Hence, an assessment of the various alternatives outlined in the previous section can proceed only on the basis of assumptions concerning these policy decisions. Essentially the state government has a choice of four policy alternatives:

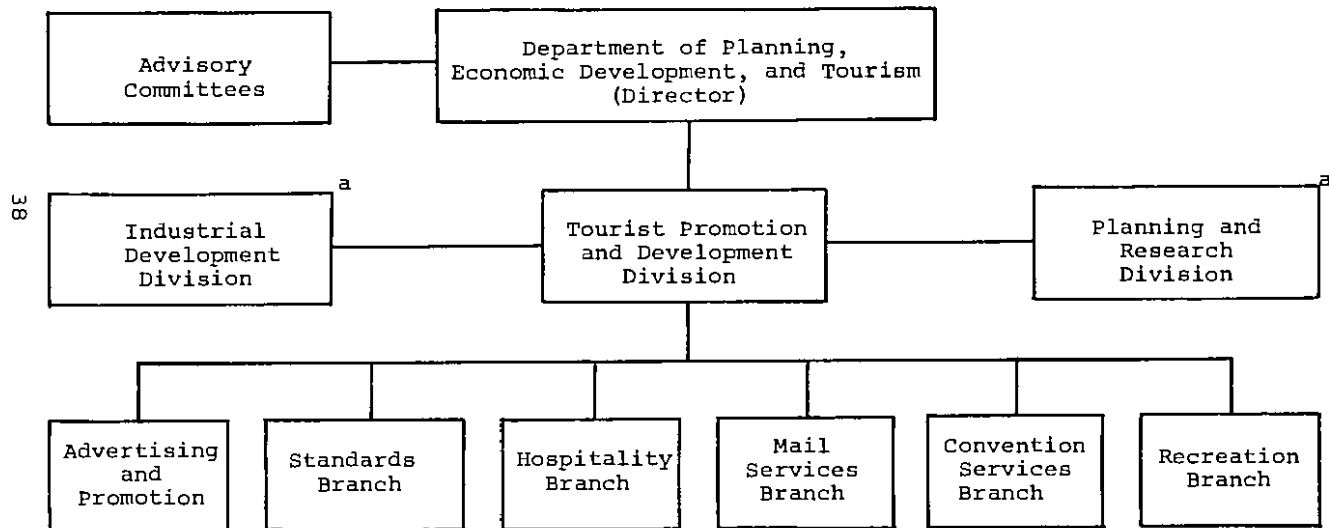
1. It can assume more direct responsibilities in advertising and promotion and in visitor satisfaction than it now has.
2. It can assume more direct responsibilities than it now has in advertising and promotion but not in visitor satisfaction.

CHART 4

The Alternative of a Visitor Industry Coordinator



The Alternative of a Combined Department of
Planning, Economic Development, and Tourism



^aSubsidiary functions of these divisions are not listed.

3. It can assume more direct responsibilities than it now has in visitor satisfaction but not in advertising and promotion.
4. It can assume no greater responsibilities in either advertising and promotion or visitor satisfaction than it now has.

Assumption 1. If the state government assumes more direct responsibility both in advertising and promotion (i.e., assigns this to the executive branch) and in visitor satisfaction than it now has, the most suitable organizational arrangements would be those indicated in alternatives 1, 2 and 4 above, that is, create a new department, or a new division in the Department of Economic Development, or merge the Departments of Economic Development and Planning and Research. If the State is going to engage directly in extensive advertising and promotion and visitor satisfaction programs, then these programs will have become major functions of the state government and should be recognized organizationally. The creation of a department of tourism would best serve to emphasize the importance the State attached to these programs. There is a certain amount of prestige associated with departmental status. Furthermore, the director of this department, whose sole concern would be tourism in Hawaii, would probably have easier access to the Governor and the Legislature than would the head of a division.

It might be possible to conduct successful programs in advertising and promotion and visitor satisfaction through the assignment of these programs to a division within the Department of Economic Development. This, of course, would necessitate a great increase in the budget of that Department and a substantial increase in its legal and operational authority. The major advantage of placing these programs in a division within the Economic Development Department is that it could facilitate coordination of tourism promotion and development with those of industrial development and product promotion. Given the constitutional requirement in Hawaii to maintain 20 or fewer principal departments and the resulting incentive to combine several major functions within a single department, it may be more consistent to lodge these functions within a division of a major department rather than create a separate department.

A principal disadvantage associated with the establishment of a new department is that concerned with coordinating the activities of such a department with those of the various existing state agencies having responsibilities in the field of visitor

satisfaction. Because of the extensive nature of the tourist industry, a new department of tourism may infringe upon the operations and activities of existing departments rather than successfully coordinate their activities. A second major disadvantage would occur if this department became so clientele oriented that it tended to ignore the overall needs of the State of Hawaii in favor of those of the tourist industry with whom it had direct and frequent contacts. Both of these disadvantages also could occur with the establishment of a division within the Department of Economic Development.

The third organizational alternative, i.e., merging the Economic Development and Planning and Research Departments, could facilitate coordination between the planning and development of tourist facilities with long-range planning and industrial development. On the other hand, combining such diverse activities in a single department might result in the emphasis of one aspect, such as planning, to the detriment of other aspects, such as tourist promotion, or recruitment of industrial prospects.

Assumption 2. If the state government were to assume more direct responsibility in advertising and promotion (i.e., assign this to the executive branch), but not assume more responsibilities in the area of visitor satisfaction, then the establishment of a division within the Department of Economic Development would perhaps be most effective (alternative 2). The operational authority needed to carry out advertising and promotion would not be such as to require the creation of a new agency with broad legal powers, nor would such an agency be necessary in order to coordinate the activities involved in advertising and promotion. The other organizational alternatives, such as the creation of a new department, presume a greater change in the present way of conducting tourism promotion and development than would be the case under assumption 2.

Assumption 3. If the state government assumes more responsibility than it now has for visitor satisfaction, but not for promotion and advertising, three organizational alternatives are feasible. It might be reasonable to establish a new department, establish a visitor industry coordinator, or merge the Departments of Economic Development and Planning and Research in one new agency (alternatives 1, 3 and 4). Perhaps the arguments for creating a new department under this assumption are not as strong as presented in assumption 1 above since the state government would only be assuming part of the total tourist promotion and development function, that is, visitor satisfaction alone. A separate department of government, however, would be in a good position to

develop successful department-client relationships with those responsible for visitor satisfaction outside of the government. The choice of creating a new agency of government presumes that the state government will greatly extend its responsibilities in the visitor industry; this organizational alternative would not be necessary if the government conceives of its role as a coordinator of ongoing activities rather than an initiator of new activities.

If the governmental role in visitor satisfaction is presumed to be primarily one of coordinating the activities of those who provide the tourist services and facilities and of bringing together individuals and groups to facilitate their working together, then the establishment of a visitor industry coordinator located in the Governor's office seems an adequate solution. Such a coordinator would be able to speak for the Governor in matters affecting the visitor industry and would be in a very favorable position to exert influence on State department heads and tourist industry officials with respect to visitor satisfaction activities. While it will not guarantee the end of jurisdictional disputes and questions of responsibility that fall into the "gray" area between existing departments, administrative logic suggests that a coordinator would suffer fewer handicaps in carrying out plans and goals than a new agency or a division within an existing department. If the function, however, was to be more than a coordinating one, involving the application of standards and the policing of facilities and activities, then it would be undesirable to encumber the Governor's office with such tasks, and the creation of a new agency might be more appropriate.

The arguments presented under assumption 1, above, with respect to assignment of both the advertising and promotion and visitor satisfaction functions to a merged Department of Economic Development and Planning, apply equally to the assignment of visitor satisfaction alone to such a department. That is, not only is there the possibility that one responsibility might be emphasized to the detriment of the others, but difficulties may arise from combining two different types of professionals with different viewpoints and approaches and time perspectives in a single department.

Assumption 4. If the state government desires to assume no greater responsibility than it now has in the visitor industry, then alternative 5 is clearly the most advisable choice since it permits the continuance of HVB activities in these areas while at the same time allowing the State through the Department of Economic Development to oversee and control HVB activities through the device of annual contracts and contract performance review.

Several observers argue that if the currently existing arrangement is given time to mature, many of the problems in the visitor industry might be resolved. There are, however, several problems associated with this solution. First, if present trends concerning financial support of the HVB continue, the state government soon will be financing most or all of the advertising and promotion program of the HVB. Such a development, if it occurs, likely will be accompanied by other significant changes in the relationship between HVB and the state government. The second major problem inherent in this solution is that it does not make adequate provision for giving attention to problems associated with visitor satisfaction. Clearly, the visitor satisfaction function requires a coordinated approach on the part of those interested in the industry and its future if we want visitors to be happy with their stay in Hawaii. Systematic and continuous study by an independent agency of the attitudes of visitors towards their stay in Hawaii has not been made and it is consequently difficult to know exactly what proportion of visitors go away disillusioned.²⁷ However, those associated with the industry know that the best form of advertising is a satisfied customer. It is in this area--visitor satisfaction--that the greatest shortcomings exist today. It is not likely that these shortcomings will be corrected without the state government taking positive steps to meet its responsibilities in the function of visitor satisfaction.

In Summary. The most serious challenge to the tourist industry will be that of keeping Hawaii an interesting and beautiful place for the visitor to spend his time. To accomplish this, adequate planning, research and implementation is needed if Hawaii is to keep pace with other areas in the increasingly competitive visitor industry. Organizational arrangements themselves will not result in keeping Hawaii an interesting and beautiful place for the visitor to spend his time nor attract him to the Islands in the first place. Such arrangements, if soundly conceived, will simply facilitate successful execution of the major policy decisions made by the state government.

²⁷See, however, Herbert B. Weaver, A Study of Techniques for Evaluating Tourists' Reactions to Hawaii (Hawaii: The Governor's Advisory Committee on the Tourist Industry, March, 1957), pp. 22-23.

APPENDIX

APPROACHES TO ADMINISTRATION AND ORGANIZATION OF TOURIST PROMOTION AND DEVELOPMENT IN SELECTED JURISDICTIONS

The growth of the tourist trade in recent years has led to a great increase in competition among areas of the world for a greater share of this trade. Today, almost every nation of the world has made the promotion of tourism a function of government. The brief description below of the way in which tourist promotion is managed in selected jurisdictions should serve to illuminate some of the similarities and differences between Hawaii and the jurisdictions described. The material is meant to be simply illustrative of the broad relationships between the extent and method of involvement of various governments in tourist promotion and development.

Mainland United States

In the United States, in recent years, many state governments have entered the field. A total of 34 states appropriate money for expenditure by a governmental agency for vacation travel and tourist promotion. These states are meeting the challenge of the growing tourist trade in many different ways. However, the main effort of most states is in the area of advertising.¹ In most states tourist promotion is conducted by an independent commission or through a department of economic development. Some states devote special effort to studying and analyzing their tourist trade, and a few others have a program of planned development for tourist facilities.

Florida. The Florida Legislature consolidated the responsibility for the general development of the State in a single commission when it established the Florida Development Commission in 1955. The Commission is responsible for tourist promotion at the state level and it also cooperates with local governments and private interests in their programs through its tourist services division. It contracts for its advertising program with private

¹Council of State Governments, State Expenditure for Advertising and Economic Development (Chicago, Council of State Governments, 1962).

advertising agencies. In addition to the tourist services division, the Commission has an improvement division whose function is to bring about the improvement of the physical structures and facilities of Florida. The revenue bond department of the Commission acts as a private corporation by selling bonds to finance a variety of internal projects. For example, the Sunshine Skyway across Tampa Bay, connecting St. Petersburg and the Sarasota-Bradenton area, was financed in this manner. The Commission also has a number of other departments or divisions relating to such things as industrial development, aviation safety, hospitals, business research, and international trade. Its planning department gives technical assistance to local authorities in carrying out a program of planning. Personnel of the department directly assist the community concerned.

The division of tourist services of the Commission has a number of bureaus, each of which is concerned with a different facet of the industry. The news bureau furnishes news articles, special features and stories to newspapers and magazines all over the United States and abroad. The State is divided into nine regions according to the characteristics of the area and each region receives its pro-rata share of publicity emphasizing the features which characterize it. The direct mail bureau answers letters of inquiry. The retirement department is concerned with the problems of the aged and migration of the aged. The recreation department works with local areas and Federal agencies in promoting recreation programs. The Commission also has six welcome stations and is planning others. These stations provide information to incoming visitors, free orange juice, and assistance in planning itineraries.² There is no bureau or division within the State's Development Commission concerned with the maintenance of standards, but a Governor's Committee composed of volunteer members and the Development Commission conduct campaigns to promote courtesy and fair treatment of tourists.

The expenditure of public money for tourist promotion and development in Florida is not dependent upon private spending in tourism. In addition to the Commission, Florida has a voluntary, unpaid Governor's Tourism Steering Committee; and many cities and areas of the State raise money for tourist promotion, both through private subscription and appropriation by local governments. The local areas raised about \$3,500,000 from both private sources and

²Florida Development Commission, 1961 Annual Report.

public tax funds for fiscal 1960. This combined with the \$2,500,000 appropriated by the State gives Florida a total budget for tourist promotion in 1960 of six million dollars. Not many other states have as comprehensive a program as Florida.

Michigan. In some states, money is appropriated to private agencies for the purpose of promoting the State. Michigan is one example of such an arrangement. In addition to maintaining the Michigan Tourist Council and other agencies, the State appropriates a total of \$120,000 annually to the four regional tourist associations which promote specific attractions in different geographical areas of the State.

California. California is one of the few states that does not maintain a state agency either for advertising or for visitor satisfaction. The State appropriates money to two private, non-profit organizations which restrict their activity entirely to the area of advertising.³ The All-Year Club of California represents the ten southernmost counties of the State, and Californians, Inc., represents the remaining counties of central and northern California. The yearly budget of the All-Year Club is \$1,000,000, the greatest proportion of which comes from the State, and the remainder from private subscriptions. The managing director of the Club has stated that one of the principal reasons for the successful operation of the Club is the fact that it does not lend its prestige to questions affecting any segment of the travel business or the travel product but rather concentrates its efforts in advertising. It does not help create tourist attractions, and only promotes attractions that are in being. The question of improving the product is left entirely to other agencies, and in this way the Club maintains an aloofness from difficult political squabbles. Every dollar of its advertising budget is spent outside the State of California, and is devoted exclusively to paid advertising rather than for both promotion and advertising. Half of its annual advertising expenditures of \$850,000 is for newspaper advertising and the other half for magazines. The next largest portion of its budget goes into research while the remainder is for administration.

³Kenneth Decker, The Tourist Trade in California, (California: University of California, Bureau of Public Administration, 1955).

Puerto Rico

The government of Puerto Rico is heavily involved in the tourist industry of the country. The principal agency responsible for this development is the Economic Development Administration, whose responsibilities concern both industrial development as well as the promotion of tourism.

The Department of Tourism within the Administration has responsibility for advertising as well as for providing facilities for tourists. Almost all advertising is placed with an advertising firm under contract. The government has extensive power to promote facilities development either through granting tax exemptions to private developments or by governmental ownership of facilities such as hotels and restaurants. In recent years, more responsibility has been taken over by private enterprise in the area of visitor satisfaction.⁴ The EDA also operates a hotel school in conjunction with the Department of Education. The Department of Education offers improvement and orientation courses for tour operators, taxicab drivers and bus drivers.

Bermuda

In Bermuda, the responsibility for developing tourism is assigned to the Bermuda Trade Development Board, a department of the Bermuda government. Although it is titled a "Trade Development Board", all of its activities are in the area of tourism and tourist facilities. With a current staff of about 96 persons, the Board conducts many varied activities. Advertising and promotion of Bermuda as a whole is undertaken by the Board. It contracts with a private advertising agency for this purpose. It also supports various promotional programs throughout the world, such as window displays, agents' information books, motion pictures, publicity, branch information offices, conference service department, and magazine space service. The Board's second major area of activity is in the provision of entertainment to tourists. It cooperates in this endeavor with private organizations such as hotels and various special events groups. The

⁴Letter from Frank Ledesma, Acting Director, Department of Tourism, Economic Development Administration, Commonwealth of Puerto Rico, August 29, 1962.

development of tourist facilities is partly the responsibility of the Board and partly a private responsibility. The government maintains an aquarium and museum; two restored forts, botanical gardens, and various small parks throughout the Island. Other sightseeing facilities are privately owned while buses and ferries are owned and operated by the government. Standards of accommodations and service are maintained "more or less by public relations means by the Board".⁵

The Board receives all of its funds from the government, which in turn are derived from an import duty on all articles brought into the Island. The 1960 Report of the Board noted that Bermuda faced increasing competition from Europe, Hawaii, and Mexico, and stated that Bermuda had many shortcomings, including such things as inadequacy of hotel accommodations, litter on beaches, poor appearance of parks, and other similar problems that plague areas that depend heavily on tourist trade. However, it noted that many travel agents, carrier personnel, and visitors had referred "to the over-expansion of Miami Beach, Hawaii, and other resorts", and it asked that Bermuda "not try to follow them, for the atmosphere of these, and other over-expanded resorts, has lost its appeal to the type of people Bermuda wants to attract".⁶

Jamaica

The Ministry of Trade and Industry of Jamaica is charged with responsibility for a number of subjects, including tourist promotion and development. It deals with policy matters affecting the tourist industry and the operating agency for tourist promotion is the Tourist Board. The budget of the Board is provided by the government.

The primary function of the Board is to promote the tourist industry through advertising, publicity and promotion. In addition, it acts as liaison between government and private industry in the maintenance of standards. For example, the Board keeps an eye on the shopping regulation which are primarily the responsibility of the Collector General's Department.

⁵Letter from W. J. Williams, Director, The Bermuda Trade Development Board, August 6, 1962.

⁶Bermuda Trade Development Board, Annual Report, 1960.

The Tourist Board acts as a clearing-house for information and contact between the government and other groups connected with and engaging in the tourist industry. Requests by these groups on most aspects of the tourist industry go to the government through the Board.

In addition to the advertising conducted by the Board, most private agencies, including hotels and airlines, advertise extensively. But it is the responsibility of the Board to advertise the whole Island as opposed to advertising particular attractions or individual interests. While the Board encourages the development and expansion of tourist facilities, the Jamaica Industrial Development Corporation has the responsibility of guiding hotel development. The Board has the responsibility to maintain standards of hotel, restaurant and other services, but has no legal authority to enforce these standards. The Jamaica Hotel and Tourist Association, a private agency, tries to maintain standards by disciplining and penalizing those of its members who do not conform to proper practice.

The Pacific and Far East

In 1958, of the 17 countries of the Pacific and Far East area which derive a significant portion of their income from tourism, 14 operated tourist agencies as a governmental function. While the budgets for these agencies were relatively low, the benefits to the economies of the various countries were very high.⁷ For example, Hong Kong has a cost-benefit ratio of about two hundred to one, compared to Hawaii's cost-benefit ratio of about seven to one. Hong Kong's tourist business amounted to about \$88 million in 1959. The responsibility for tourist promotion rests with the Hong Kong Tourist Association, a government organization. However, according to a Department of Commerce study of tourism in the Pacific and the Far East, lack of sufficient incentives to build and run first-run accommodations and lack of policing of shops and hotels are two serious problems that must be solved if the industry in Hong Kong is to prosper. It concluded at the same time that the budget of the Association would have to be greatly expended if it were to solve these problems successfully.

⁷U. S. Department of Commerce, The Future of Tourism in the Pacific and Far East (Washington, D. C.: 1961).

In all of the 17 countries of the Pacific and Far East, the principal need is for top-level governmental support of the tourist industry. In addition, there is a need for technical assistance, strengthening tourism organizations, developing long-term programs, helping the tourist, and carrying out tourism research. In regard to tourism organization, most of the countries of the area are concerned primarily with the promotional aspects of tourism and little concern is given to improving the product of tourism. The Department of Commerce study of the Pacific and Far East area concluded that the government agency responsible for tourist promotion and development in each country would be more likely to succeed if:

It is responsible to a board of directors made up of both government and business leaders.

Or, if it has an advisory board (that it uses actively) made up of both government and business leaders.

It can count on the support and cooperation of a unit of the government that handles regulatory matters and attempts to coordinate the various agencies concerned with different aspects of travel and tourism.

It can count on the support and cooperation of an inter-department committee on tourism that is responsible for coordinating government agencies whose regulatory responsibilities cover various aspects of tourism.

It works closely with, obtains advice from, and seeks the support of trade associations of hoteliers, travel agents, tour operators, and the carriers.⁸

⁸Ibid.