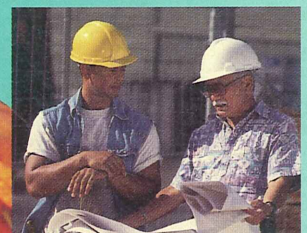


WTTC Hawaii Tourism Report 1999

How Travel & Tourism Affects
Hawaii's Economy



TRAVEL & TOURISM
Creating Jobs

**This report is presented on behalf of the following
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Table of Contents

Message from Dr. Richard R. Kelley, Chairman, Outrigger Hotels & Resorts	1
Message from the World Travel & Tourism Council	3
Travel & Tourism's Economic Impact	4
Travel & Tourism's Millennium Vision	5
Satellite Accounting Concepts	6
Two Measures of Travel & Tourism	7
Total Demand	10
Employment	11
Gross State Product.....	12
Capital Investment	13

Personal & Business Travel	14
Exports	15
Government Spending	16
Taxes.....	17
Comparing Impact.....	18
The Convention Center.....	19
WTTC Policy Agenda for Hawaii	20
The Satellite Account	25
Progress and Concepts	26
Satellite Account Tables	27
WTTC, WEFA and Technical Review Team	

WTTC Hawaii Tourism Report 1999

This is the fourth year we have produced the WTTC Hawaii Tourism Report to communicate reliable research data on the total impact Travel & Tourism brings to Hawaii, including Gross State Product, employment, capital formation, and tax revenue. It is one of more than 20 similar, detailed analyses of national, regional and global economies that the WTTC and WEFA have completed for areas around the globe.

This report continues the WTTC/WEFA practice to implement the international standard for Satellite Accounting developed by public and private sector experts including WTTC. The World Tourism Organization is expected to formally endorse this standard in Nice, France this month. We believe that satellite accounting provides greater clarity about the economic make-up of the "Travel & Tourism Industry" and the linkage into the broader "Travel & Tourism Economy." I hope that the State of Hawaii also will adopt the new satellite accounting standards as the official way to measure Travel & Tourism.

WTTC and WEFA have endeavored to improve their work each year, and 1999 is no exception. Several enhancements have been made to the research, including new input/output tables for the State of Hawaii to more accurately reflect the state of inter-industry linkages. The State GSP numbers and Travel & Tourism results for 1997 have been revised using updated DBEDT data. There are several additional, minor data revisions for visitor exports, government expenditures, and business travel. In total, these changes have not significantly affected the results, but have added even greater accuracy and credibility to the results.

For 1999, the measures of Travel & Tourism activity in Hawaii are compared to world figures as a percentage of the total economy and relative growth to give an additional global perspective.

The section on the Hawaii Convention Center has also been updated using the same satellite accounting methodology. Although the facility has been underutilized during this startup year, the HCC still provides the promise of meaningful employment and economic opportunity for thousands of Hawaii's citizens in the future.

The Hawaii economy continues to stagnate and the number of Visitor Arrivals and Visitor Days has declined. Nevertheless, the Travel & Tourism Economy remains the largest segment of Hawaii's overall economy, directly accounting for approximately one-third of the jobs, 26 percent of the Gross State Product, 64 percent of the state exports and 27 percent of total taxes.

The overall message has not changed... For the foreseeable future, in Hawaii, *Tourism Is Everybody's Business*.

I wish to thank the nearly 50 members of the private sector who supported this vital research, and the Hawaii Convention Park Council for its assistance with the work done on the economies of the Hawaii Convention Center. Mahalo to Hawaii's economists, listed on the back inside cover, for their review and constructive suggestions. My special thanks to Dr. Seiji F. Naya and his excellent staff at Hawaii's Department of Business, Economic Development & Tourism for their enthusiastic assistance, expertise and support.

Aloha,



Richard R. Kelley

June 1999



**HAWAII
TRAVEL & TOURISM CREATING JOBS**

	1999	2010
T&T Industry		
Jobs	134,300	173,200
% of Total	23.8	28.4
Jobs Created	–	38,900
T&T Economy		
Jobs	180,700	241,200
% of Total	32.1	39.6
Jobs Created	–	60,500



June 1999

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This fourth edition of the *WTTC Hawaii Tourism Report* is noticeably more pessimistic about Hawaii Travel & Tourism than previous reports.

Although Travel & Tourism is still Hawaii's largest industry with 26.3% of Gross State Product and 32.1% of total employment, its growth in 1998 was unimpressive (0.8% in GSP). However, more important and immediate is the outlook for 1999 which is forecast to be approximately flat. Much of this pessimistic forecast is due to economic prospects for 1999 in important Asian visitor markets. This report should serve as a wake-up call for Hawaii's business and government leaders.

For the second year, this report also highlights the impact that the Hawaii Convention Center is expected to have on the Travel & Tourism Industry and Economy. Although expectations for meetings and conventions attendees have been revised downward from last year's estimates, the Convention Center is still expected to add significant amounts to visitor receipts and tax rolls, well in excess of its costs.

We have also enhanced this year's report by illustrating how Hawaii Travel & Tourism compares among 160 nations around the world. Comparisons of relative contribution and expectations for growth help demonstrate the strengths and weaknesses of Hawaii Travel & Tourism.

Overall, we believe this report continues to serve an important role in illustrating the immediate contribution of the Hawaii Travel & Tourism Industry and broader Travel & Tourism Economy in conformity with the new international standard scheduled for ratification in June 1999 by the international research community in Nice, France.

As always, our objective is to present a real-time realistic picture of Travel & Tourism in Hawaii without sugarcoating the results or outlook. Unfortunately this year, the outlook is somewhat disappointing, but even so, we hope this report can serve as an early warning signal for action.

Harvey Golub
Chairman

Geoffrey H. Lipman
President

Travel & Tourism's Economic Impact

Travel & Tourism – encompassing transport, accommodation, catering, recreation and services for visitors – is one of the world's largest industries and creators of quality jobs. Worldwide, in 1999, it is expected to generate US\$ 4.5 trillion of economic activity (Total Demand), forecast to grow to US\$ 9.0 trillion by 2010.

In the United States, in 1999, Travel & Tourism is expected to generate US\$ 1.2 trillion of economic activity, growing to US\$ 2.1 trillion by 2010.

For Hawaii, Travel & Tourism in 1999 is expected to generate US\$ 14.0 billion of economic activity, growing to US\$ 28.7 billion by 2010.

In 1999, the T&T Industry should contribute 4.4% to worldwide Gross Domestic Product (GDP). The T&T Economy should contribute 11.7% to 1999 GDP.

The U.S. T&T Industry is expected to contribute 5.5% to GDP in 1999, rising to 5.6% by 2010. The T&T Economy contribution should grow from 12.1% to 12.3% in the same period.

In Hawaii, the T&T Industry is expected to contribute 18.2% to GDP in 1999, rising to 22.9% by 2010. The T&T Economy contribution should grow from 26.3% to 32.5% in the same period.

Travel & Tourism is a high-growth activity, which is forecast to increase its total economic activity by 3.4% per annum worldwide in real terms over the next twelve years.

In the United States, Travel & Tourism economic activity is expected to grow by 2.6% per annum, in real terms, between 1999 and 2010.

For Hawaii, Travel & Tourism economic activity is expected to grow by 4.3% per annum, in real terms, between 1999 and 2010.

Travel & Tourism is human-resource intensive, creating quality jobs across the full employment spectrum. In 1999, 1 in 12.2 jobs is generated by the global T&T Economy. The T&T Industry accounts for 3.1% of global employment. Today there are 67.8 million T&T Industry jobs and 192.3 million in the T&T Economy rising to 86.4 million T&T Industry jobs and 253.7 million T&T Economy jobs by 2010.

In the United States, in 1999, T&T Economy employment is estimated at 17.5 million jobs or 13.2% of total employment, which is 1 in every 7.6 jobs. By 2010, this should grow to 20.2 million jobs, 13.5% of total employment or 1 in every 7.4 jobs. The 8.0 million T&T Industry jobs account for 6.0% of total employment in 1999 and are forecast to rise to 9.2 million jobs or 6.1% of the total by 2010.

For Hawaii, T&T Economy employment in 1999 is estimated at 180,700 jobs or 32.1% of total employment - 1 in every 3.1 jobs. By 2010, this T&T Economy employment should grow to 241,200 jobs, 39.6% of total employment - 1 in every 2.5 jobs. The 134,300 T&T Industry jobs account for 23.8% of total employ-

ment in 1999 and are forecast to rise to 173,200 jobs - 28.4% of the total by 2010.

Travel & Tourism is a major exporter, with inbound visitors injecting dollars and foreign exchange directly into the economy.

In the United States and Hawaii, exports make up an important share of Travel & Tourism's contribution to Gross Domestic Product. Of total U.S. exports, services, and merchandise, Travel & Tourism is expected to generate 17.8% in 1999 and 17.6% by 2010.

In Hawaii, 1998 Travel & Tourism exports are expected to account for 63.8% of total, increasing to 73.5% of total by 2010.

Travel & Tourism is a catalyst for construction and manufacturing. In 1999, the private and public sectors combined are expected to spend US\$ 733.2 billion in new Travel & Tourism capital investment worldwide – 11.3% of the total – rising to US\$ 1.5 trillion by 2010 – 10.9% of the total.

Current capital investment in the United States T&T Economy is estimated at US\$ 167.6 billion or 9.8% of total investment. By 2010, this should reach US\$ 252.6 billion or 9.8% of total.

Capital investment in Hawaii's T&T Economy in 1999 is estimated at US\$ 846.9 million or 17.6% of total investment. By 2010, this amount should reach US\$ 1.5 billion or 17.4% of total.

Travel & Tourism is both a generator and receiver of government funds. Globally in 1999, Travel & Tourism is expected to generate US\$ 778.0 billion of taxes – 10.7% of total – while channeling US\$ 247.1 billion of government expenditures – 6.7% of total. By 2010, taxes should increase to US\$ 1.4 trillion – 10.6% of the total – and government spending to US\$ 444.8 billion – 6.7% of the total.

Taxes from Travel & Tourism in the United States in 1999 are expected to total US\$ 208.5 billion or 10.2% of total taxation. In contrast, government T&T operating expenditures are forecast at US\$ 52.2 billion or 5.0% of the total. Over the next 12 years, United States Travel & Tourism taxes are expected to grow to US\$ 329.6 billion or to 10.3% of total taxes. During this period, government T&T spending is forecast to grow to US\$ 84.7 billion or to 5.0% of overall expenditures.

Hawaii Travel & Tourism Economy taxes in 1999 are expected to total US\$ 1.9 billion or 27.0% of total taxation. In contrast, government T&T operating expenditures are forecast at US\$ 576.0 million or 5.6% of the total. Over the next 12 years, Hawaii's Travel & Tourism taxes are expected to grow to US\$ 3.8 billion or to 32.7% of total taxes. During this period, government T&T spending is forecast to grow to US\$ 888.5 million, or to 5.4% of overall expenditures.

It is becoming more apparent every day that for the foreseeable future the global economy will continue to be driven by three super service industries: information technology, telecommunications and Travel & Tourism.

Travel & Tourism offers governments a unique opportunity to create more than five and a half million new jobs worldwide each year. We call on the citizens of Hawaii, its state and county governments, and the appropriate federal agencies, to position Hawaii to participate in this future by sharing this *Millennium Vision*.

Make Travel & Tourism a Strategic Economic Development and Employment Priority

- ◆ Recognize the industry's economic and social contribution by always including it in mainstream programs to create jobs, to expand trade, and to stimulate investment.
- ◆ Establish a State Satellite Account for Travel & Tourism.



Move Toward Open and Competitive Markets

- ◆ Minimize regulatory impediments to Travel & Tourism and support the implementation of the General Agreement on Trade in Services (GATS).
- ◆ Liberalize air transport and deregulate telecommunications in international markets.
- ◆ Enhance the promotion of Travel & Tourism in the State of Hawaii and offer incentives to improve product quality.

Pursue Sustainable Development

- ◆ Establish a policy framework for sustainability by incorporating Agenda 21 principles into Travel & Tourism policies at local and regional levels. Support industry environment initiatives.
- ◆ Clarify zoning and permitting procedures relating to land and water use.



Eliminate Barriers to Growth

- ◆ Expand and modernize infrastructure — increase airport capacity, update air traffic control systems and structures, and improve highways, roads, beaches, port and meeting facilities.
- ◆ Tax intelligently for growth and exports. Avoid specific taxes on visitors at entry points.
- ◆ Invest in human resource development.
- ◆ Provide for visitor safety and security.

Satellite Accounting Concepts

Hawaii Travel & Tourism 1999

		Supply (Millions of US\$)				Employment (000's)		
		Direct GDP	Indirect GDP	Imports	Total Supply	Direct Jobs	Indirect Jobs	Total Jobs
Consumption	Demand (Millions of US\$) 12,614 A	6,319 C	1,926	4,369	12,614	134.3 C	37.7	172.0
Other Demand	1,359	709	167	483	1,359	2.9	5.8	8.7
Total	13,973 B	7,028 D1	2,093 D2	4,852	13,973	137.2 D1	43.5 D2	180.7

A Travel & Tourism Consumption – traditionally known as visitor spending, this is the primary measure of Travel & Tourism expenditures which includes personal, business and government travel provided by or for visitors. It also captures purchases of travel-related consumer durables.

B Travel & Tourism Demand – in order to capture the broader impact that Travel & Tourism has on the economy, this concept expands Travel & Tourism Consumption to include related capital and infrastructure investment, government spending, and exports of manufactured goods used abroad by Travel & Tourism.

C Travel & Tourism Industry – is the direct South Africa value-added and employment associated with Travel & Tourism Consumption (A). Direct producers include airlines, hotels, car rentals, tour agents/operators and retail shops, etc.

Travel & Tourism Economy – is the direct and indirect South Africa value-added and employment (D1 and D2) associated with Travel & Tourism Demand (B).

D1 Direct producers include C plus aircraft manufacturers, resort developers, highway construction companies, etc.

D2 Indirect producers include fuel suppliers, food suppliers, paper suppliers and wholesalers, plus steel producers, electrical equipment makers, wood products, manufacturers, etc.

When to Use Which Result/Estimate

- A. When illustrating Travel & Tourism's consumption demand
- B. When illustrating Travel & Tourism's total demand in the economy
- C. When making GDP and employment comparisons between Travel & Tourism and other industries
- D. When making GDP and employment assessments of Travel & Tourism's total economic impact

Two Measures of Travel & Tourism

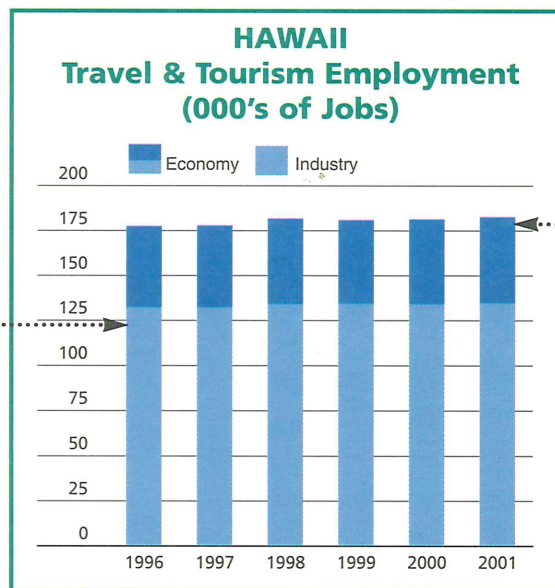
This report follows the concept of Satellite Accounting, developed by public/private sector experts under the auspices of the World Tourism Organization.

It deals with all Travel & Tourism — day and stay, business and leisure, international and domestic according to United Nations' definitions.

It identifies, from Hawaii's National Accounts, items such as personal consumption, intermediate inputs, government expenditures, imports/exports, and value-added related to Travel & Tourism.

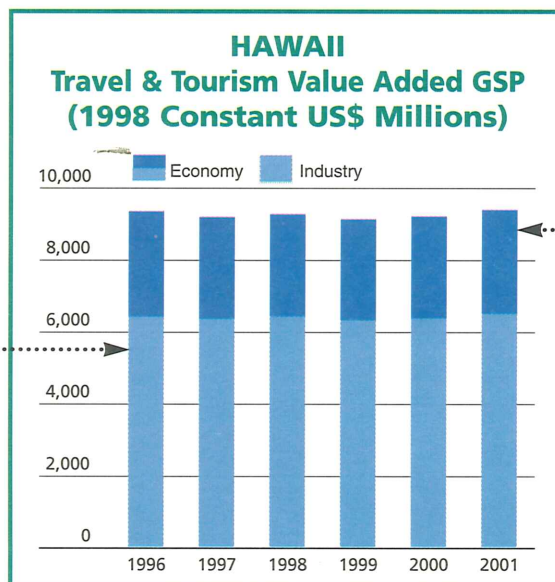
It considers two different, but related measurements of Travel & Tourism illustrated in the charts below:

- **T&T Industry:** The concept of the direct Travel & Tourism Industry. This shows the size of the industry and can be used to compare Travel & Tourism to other industries in the economy.
- **T&T Economy:** The concept of the direct and indirect Travel & Tourism Economy. This shows the more comprehensive "flow-through effect" that Travel & Tourism has across the economy as a whole.



T&T Industry
Direct visitor activity
(transportation,
accommodation,
catering, recreation,
entertainment and
travel services)

T&T Economy
Direct and indirect
from visitor activity,
capital investment,
exports and
government services.



TIP OF AN ECONOMIC ICEBERG



State of Hawaii Estimates and Forecasts

	1999 US\$ Mn	1999 % of Tot	1998 Growth ¹	2010 US\$ Mn	2010 % of Tot	1999-2010 Growth ²
Personal Travel & Tourism	1,421.4	6.2	1.7	2,385.4	6.6	2.4
Business Travel	407.9	---	0.5	675.1	---	2.1
Government Expenditures	576.0	5.6	2.8	888.5	5.4	1.8
Capital Investment	846.9	17.6	-2.0	1,503.1	17.4	4.7
Visitor Exports	10,667.8	63.5	-0.6	23,151.4	73.2	4.7
Other Exports	52.8	0.3	-0.6	94.8	0.3	4.7
Travel & Tourism Demand	13,972.8	---	-0.3	28,698.2	---	4.3
T&T Industry GDP	6,319.3	18.2	1.2	13,199.3	22.9	4.2
T&T Economy GDP	9,121.0	26.3	0.8	18,704.5	32.5	4.0
T&T Industry Employment	134.3	23.8	1.5	173.2	28.4	2.2
T&T Economy Employment	180.7	32.1	2.2	241.2	39.6	2.4

¹1998 Real Growth Adjusted for Inflation (Percent); ²1999-2010 Annualized Real Growth Adjusted for Inflation (Percent); Employment in Thousands

United States Estimates and Forecasts

	1999 US\$ Mn	1999 % of Tot	1998 Growth ¹	2010 US\$ Mn	2010 % of Tot	1999-2010 Growth ²
Personal Travel & Tourism	679.5	11.3	4.0	1,127.5	11.3	2.1
Business Travel	150.5	---	3.7	256.6	---	2.4
Government Expenditures	52.2	5.0 [*]	0.2	84.7	5.0	1.9
Capital Investment	167.6	9.8	7.1	252.6	9.8	2.5
Visitor Exports	109.9	11.3	6.4	235.5	10.6	5.8
Other Exports	63.1	6.5	6.4	155.1	7.0	5.8
Travel & Tourism Demand	1,222.8	---	3.6	2,112.0	---	2.6
T&T Industry GDP	488.5	5.5	3.1	819.0	5.6	2.3
T&T Economy GDP	1,067.1	12.1	3.4	1,801.2	12.3	2.4
T&T Industry Employment	8.0	6.0	1.3	9.2	6.1	1.2
T&T Economy Employment	17.5	13.2	1.6	20.2	13.5	1.3

¹1998 Real Growth Adjusted for Inflation (Percent); ²1999-2010 Annualized Real Growth Adjusted for Inflation (Percent); Employment in Millions

World Estimates and Forecasts

	1999 US\$ Mn	1999 % of Tot	1998 Growth ¹	2010 US\$ Mn	2010 % of Tot	1999-2010 Growth ²
Personal Travel & Tourism	2,104.1	11.0	4.7	3,960.2	11.0	2.8
Business Travel	397.5	---	4.4	742.7	---	2.9
Government Expenditures	247.1	6.7	-0.9	444.8	6.7	2.4
Capital Investment	733.2	11.3	3.9	1,491.4	10.9	3.9
Visitor Exports	598.8	8.0	5.2	1,325.7	7.9	5.7
Other Exports	394.7	5.3	5.2	1,007.5	6.0	5.7
Travel & Tourism Demand	4,475.5	---	4.5	8,972.2	---	3.4
T&T Industry GDP	1,328.8	4.4	4.7	2,492.3	4.3	2.9
T&T Economy GDP	3,549.9	11.7	4.3	6,771.3	11.6	3.0
T&T Industry Employment	67.8	3.1	1.8	86.4	3.3	2.4
T&T Economy Employment	192.3	8.2	1.0	253.7	9.0	2.6

¹1998 Real Growth Adjusted for Inflation (Percent); ²1999-2010 Annualized Real Growth Adjusted for Inflation (Percent); Employment in Millions

Total Demand

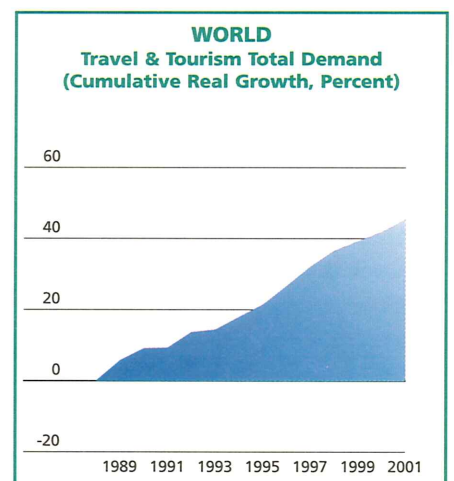
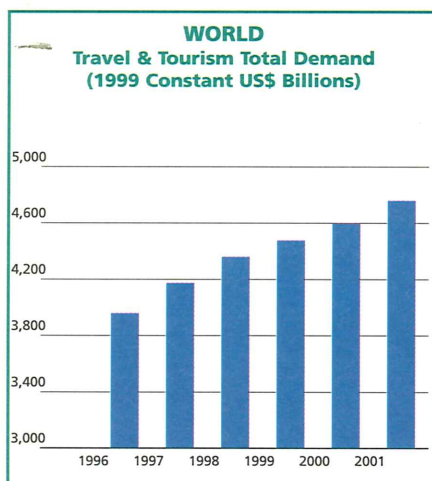
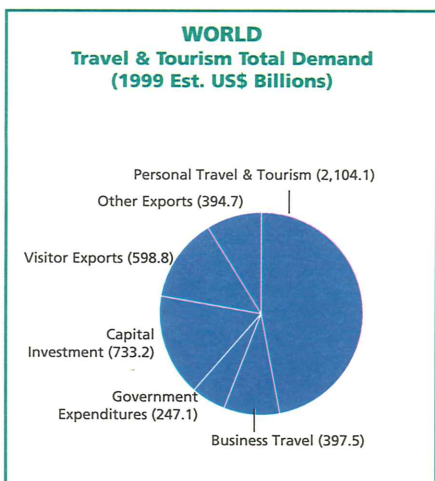
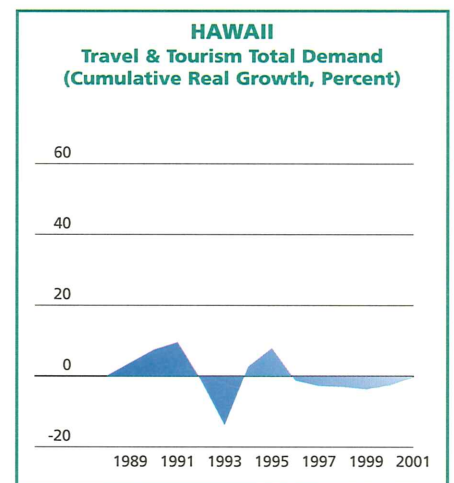
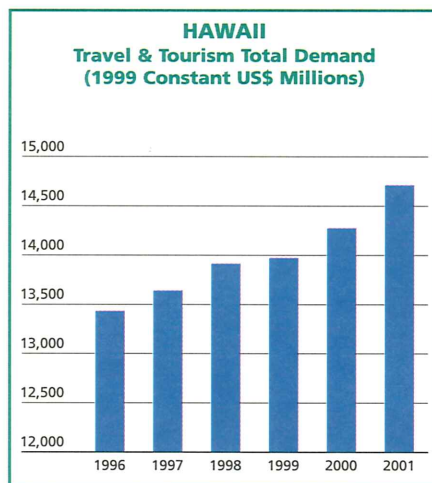
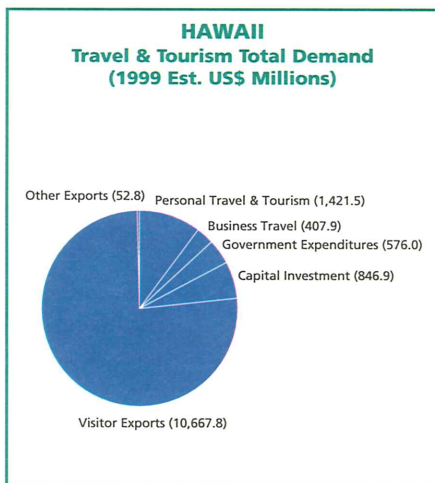
Travel & Tourism in Hawaii is expected to produce US\$ 14.0 billion of total demand in 1999, including:

- US\$ 1,421 million of personal Travel & Tourism consumption by Hawaii residents (6.2% of total);
- US\$ 408 million of business and government travel by companies and government employees;
- US\$ 576 million of government expenditures, 5.6% of total in Hawaii, to provide individual and collective services to the State of Hawaii Travel & Tourism Industry and its visitors;
- US\$ 847 million of capital investment, 17.6% of total in Hawaii, in personal, commercial and public Travel & Tourism facilities, equipment and infrastructure by residents, Travel & Tourism companies, local and national governments;
- US\$ 10.7 billion of visitor exports, 63.5% of total exports in Hawaii generated from Mainland and international markets; and
- US\$ 52.8 million of merchandise trade exports, 0.3% of total in Hawaii.

Illustrated in the pie chart below is the importance that these visitor exports, 76.3% of total Travel & Tourism demand in Hawaii, have on the Travel & Tourism Economy. In contrast, the World average and U.S. demand is usually led by internally focused personal Travel & Tourism expenditures with less reliance on external markets (e.g. visitor exports).

The outlook for growth in Hawaii Travel & Tourism demand in 1999 is flat. It is expected that visitor exports will lose 1.4% in 1999 over 1998 results, reducing the level of growth in overall Travel & Tourism demand to 0.3% for the year. Analysis of Hawaii's top visitor markets indicates personal Travel & Tourism spending should grow 4.0% in the United States and 2.7% in Canada in 1999, but fall 2.4% in Japan and 11.6% in South Korea. The latter two markets appear to be holding down Hawaii's outlook for Travel & Tourism demand in 1999.

Next year (2000), Hawaii Travel & Tourism demand is forecast to return to more positive territory. Over the next twelve years, assuming Japan's economy returns to health, Hawaii Travel & Tourism demand has the potential to average 4.3% growth per annum, exceeding U.S. expectations for 2.6% per annum and world expectations for 3.4% per annum.



The Travel & Tourism Industry in Hawaii will directly generate an estimated 134,300 jobs in 1999, and a total 180,700 jobs (direct and indirect) across the broader spectrum of the Travel & Tourism Economy, including:

- Travel company employment, providing private sector services to visitors and business travelers;
- Government agency employment, providing public sector Travel & Tourism services to visitors, business travelers, travel companies and the community-at-large; and
- Supplier company employment (manufacturing, construction, wholesale, financial services, agricultural, etc.), which provide goods (consumer and capital) and services to travel companies and government agencies which serve visitors.

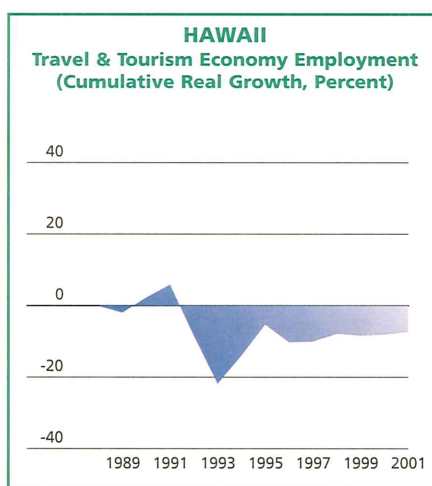
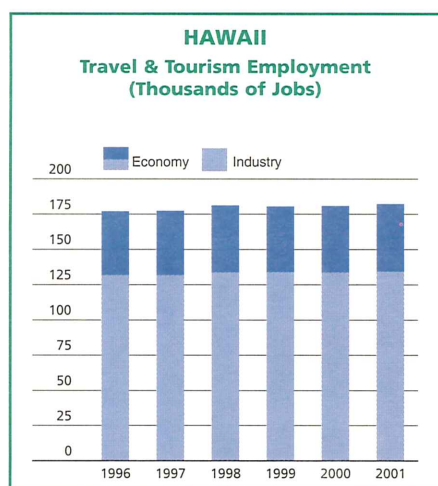
The first category represents Travel & Tourism Industry jobs, while all three categories represent Travel & Tourism Economy jobs.

The 1999 Travel & Tourism Industry jobs in Hawaii totalling 134,300 represent 23.8% of the total workforce. By 2010, Travel & Tourism Industry employment has the potential to increase by 38,900 jobs in Hawaii to 28.4% of total.

The 1999 Travel & Tourism Economy jobs in Hawaii totalling 180,700 jobs represent 32.1% of the total workforce. By 2010, Travel & Tourism Economy employment is expected to increase by 60,500 jobs in Hawaii to 39.6% of total.

As Hawaii's Travel & Tourism demand growth pauses in 1999 (up 0.3%), Travel & Tourism Economy employment is expected to lose a little ground, cutting 860 jobs. Marginal employment growth is expected to return in the year 2000.

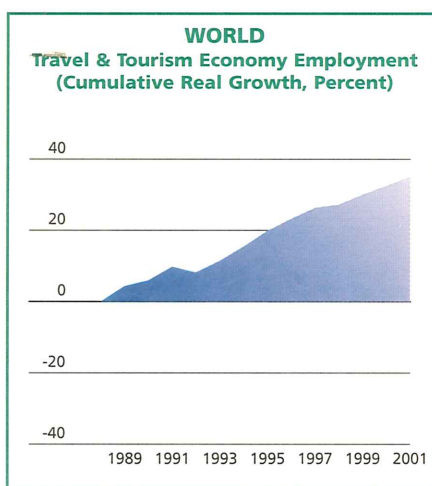
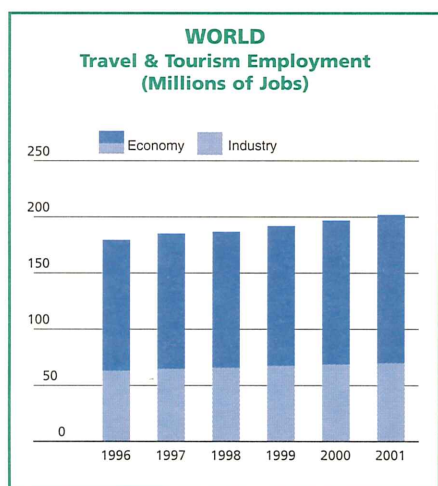
The charts below reveal a few interesting points. First, a larger share of Hawaii's Travel & Tourism Economy employment is produced by the Travel & Tourism Industry compared to the world-at-large. Second, Hawaii's Travel & Tourism employment is not expected to exceed its 1988 level until 2004. Third, Hawaii's Travel & Tourism employment as a percentage of total ranks high among the 160 nations studied by WTTC/WEFA. Last, Hawaii's Travel & Tourism employment growth rate expected over the next twelve years is not particularly high among its peers.



HAWAII

Travel & Tourism Economy Employment (1999, Percent of Total)

7	Cayman Islands	45.6
8	Maldives	45.0
9	Macau	43.0
10	Aruba	42.9
11	Barbados	40.2
	Hawaii	32.1
12	Saint Kitts and Nevis	31.1
13	Bermuda	30.3
14	Vanuatu	29.4
15	Other Oceania	28.4
16	St Vincent, Grenadines	28.3



WORLD

Travel & Tourism Economy Employment (1999-2010 Real Growth Annualized, %)

81	Hong Kong	2.7
82	Vanuatu	2.7
83	Sudan	2.6
84	The Gambia	2.6
85	Ecuador	2.6
	Hawaii	2.4
86	Ireland	2.3
87	Chile	2.3
88	Morocco	2.2
89	Tunisia	2.2
90	Malawi	2.2

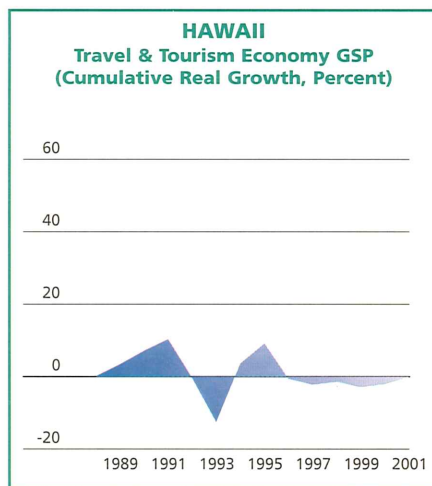
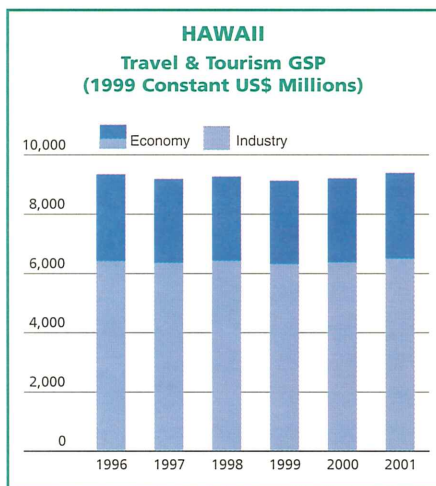
Gross State Product

The Travel & Tourism Industry in Hawaii is expected to directly produce US\$ 6.3 billion (18.2% of total) of Gross State Product (GSP) in 1999, while the broader Travel & Tourism Economy (direct and indirect) is expected to produce 1999 GSP of US\$ 9.1 billion (26.3% of total). By 2010, the Travel & Tourism Economy GSP is forecast to gain six percentage points to total 32.5%, or US\$ 18.7 billion.

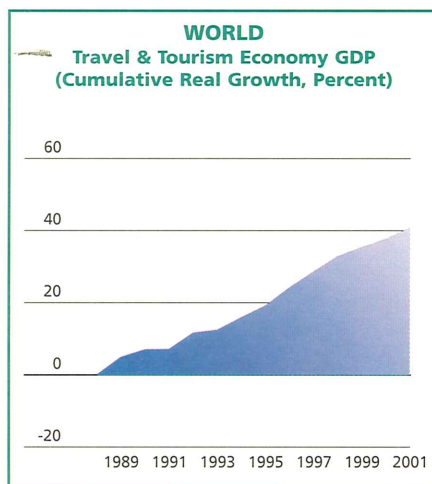
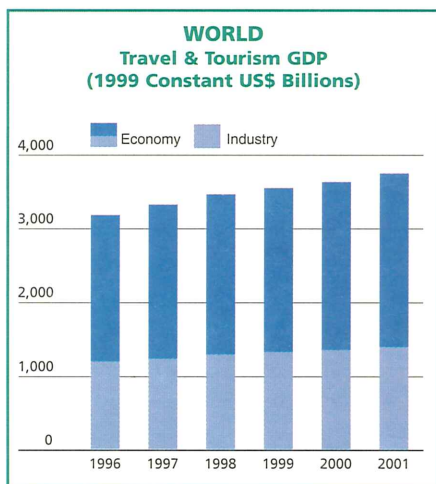
The Travel & Tourism Economy results and forecasts illustrate the massive *flow through effect* of Travel & Tourism. In the first set of charts (below left), it is easy to recognize the tourism intensity of Hawaii's Travel & Tourism Economy vis-a-vis the world-at-large, where the Travel & Tourism Industry is more balanced with the other elements that make up the Travel & Tourism Economy.

In the second set of charts (below middle), the instability of Travel & Tourism Economy GSP/GDP growth during the past few years is clear in Hawaii. This is in sharp contrast to the world-at-large average, where Travel & Tourism Economy growth is more regular and consistently positive. With the return of economic stability and growth in Asia/Pacific, cumulative Travel & Tourism Economy GDP growth has the potential to return to par in 2003 with its base year of 1988.

In the third set of charts (below right), comparing Hawaii with the WTTC / WEFA estimates for 160 countries illustrates how its Travel & Tourism Economy GDP as a percentage of total GDP compares with its peers. Ranked between Fiji at number 22 and the Dominican Republic at 23, Hawaii is clearly among the tourism intensive countries. However, the second league table extract illustrates that Hawaii's prospects for GDP growth are relatively modest among the 160 countries, where it is ranked between Bahrain at 107 and Aruba at 108. Although 4.0% Travel & Tourism Economy GDP growth is far from a poor performance, it is measurably slower than the top tier Travel & Tourism countries which are expected to run 6%-8% growth per annum.



18	Other Oceania	31.1
19	Cyprus	29.3
20	Malta	28.1
21	Mauritius	27.8
22	Fiji	26.7
	Hawaii	26.3
23	Dominican Republic	25.2
24	Belize	23.5
25	Spain	22.7
26	Jordan	22.5
27	Dominica	22.1



103	Australia	4.1
104	Saint Kitts and Nevis	4.1
105	Brunei	4.1
106	Gabon	4.1
107	Bahrain	4.0
	Hawaii	4.0
108	Aruba	4.0
109	Puerto Rico	3.9
110	Romania	3.9
111	Cyprus	3.8
112	Other Oceania	3.7

Capital Investment

Examination of Travel & Tourism capital investment results and forecasts lends greater insight into the market forces at work in a given economy and the expectations by the public and private sector to meet the challenges and opportunities in the years ahead. For the most part, capital investment tends to be cyclical, with strong links to major public policy initiatives, the business cycle, major events (i.e. natural disasters) and significant sociopolitical changes.

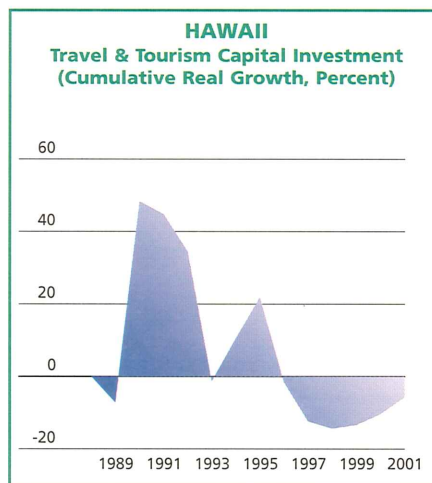
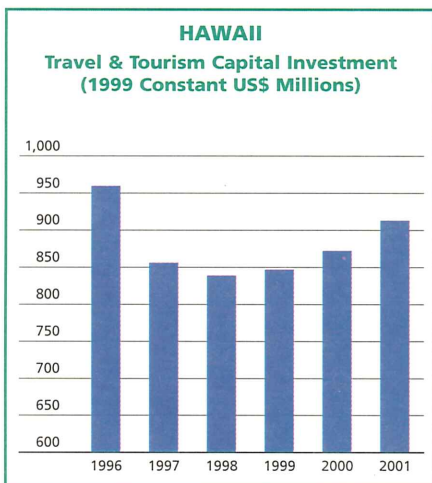
In 1999, Travel & Tourism capital investment in Hawaii is expected to total US\$ 846.9 million or 17.6% of total investment. Over the next twelve years (1999-2010), the average contribution of Travel & Tourism to the capital investment accounts is expected to grow in real terms 4.7% per year in Hawaii.

In constant 1999 dollars, Hawaii Travel & Tourism is expected to slightly exceed its 1998 capital spending. Because there is a lead and lag time disconnect between current income and capital investment, Hawaii's 1999 capital investment is not expected to be affected by the flat performance expected in visitor exports.

Worldwide, Travel & Tourism capital investment is expected to total \$733.2 billion or 11.3% of total in 1999. Global growth expectations for 1999-2010 are 3.9% per year (constant dollars).

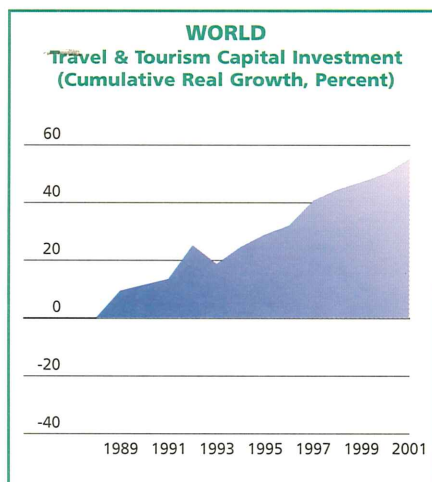
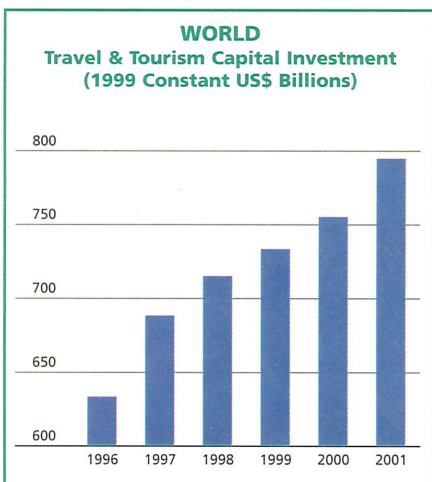
The charts at the bottom illustrate several points. First, Hawaii capital investment is growing stronger following poor performance in 1996 and 1997. If the investment environment remains strong, Hawaii should exceed 1988 base year growth levels going forward. Second, although Hawaii has experienced recent weakness, it still ranks well in investment percentage terms among the 160 nations studied by WTTC / WEFA. At 17.6% of total investment, Hawaii T&T capital investment is placed among Puerto Rico at 43rd position and Finland at 44th position. Again, like GDP growth, Hawaii capital investment growth (prospects for 1999-2010) ranks in a middle tier on the league table with 9 countries ranked between 76th and 84th position at 4.7% real growth. Although 4.7% real growth per annum in capital investment is healthy, it does pale in comparison to the top tier which is posting annual gains of 6% to 8%.

Variance from last year's estimates results from expectations which were overly optimistic.



WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Capital Investment
(1999, Percent of Total)

39	Trinidad and Tobago	18.2
40	Turkey	18.2
41	Italy	18.2
42	Switzerland	18.1
43	Puerto Rico	17.7
	Hawaii	17.6
44	Finland	17.2
45	Denmark	17.1
46	Malta	17.0
47	Sweden	16.7
48	France	16.6



WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Capital Investment
(1999-2010 Real Growth Annualized, %)

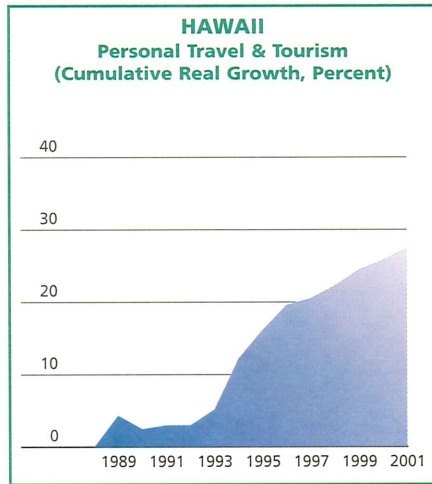
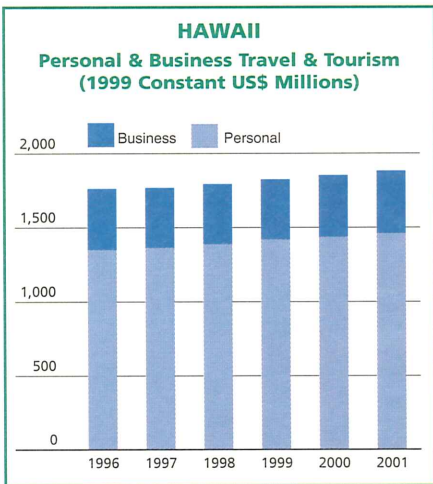
75	Kuwait	4.9
76	Laos	4.7
77	Gabon	4.7
78	Belize	4.7
79	Guyana	4.7
	Hawaii	4.7
80	Nicaragua	4.7
81	Suriname	4.7
82	Brazil	4.7
83	Saudi Arabia	4.7
84	Sri Lanka	4.7

Personal & Business Travel

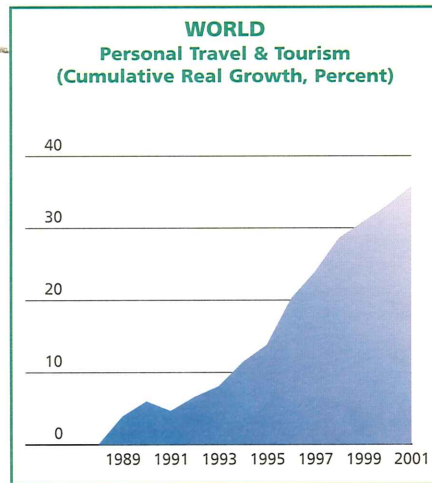
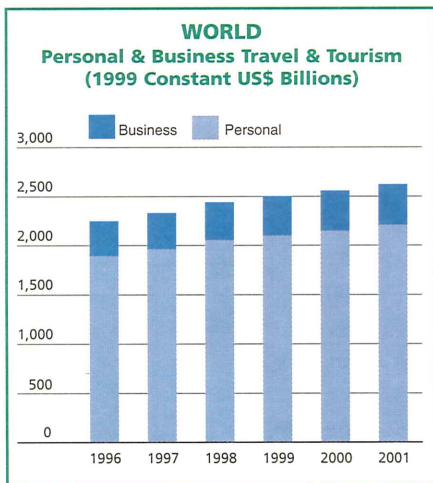
In 1999, Hawaii is expected to generate US\$ 1,421 million of personal Travel & Tourism consumption by residents, 6.2% of total consumption in Hawaii. In Hawaii, business travel is expected to total US\$ 408 million (US\$ 388.5 million corporate, US\$ 19.4 million government). Unlike visitor exports, which depend upon the international and Mainland markets for consumers, the business generated in these two categories depends on the State of Hawaii economy itself. As the Hawaii economy grows, Hawaii consumer and business travel follow suit. Over the next twelve years to 2010, personal Travel & Tourism in Hawaii is expected to grow at an annual rate of 2.4%, while business/government travel is expected to grow at an annual rate of 2.1%. In Hawaii, personal, business, and government consumption is clearly not driving growth of the Travel & Tourism Economy.

Although some of this Travel & Tourism takes place within Hawaii, a measurable portion takes place out-of-state. When the spending does take place out-of-state, the Satellite Account generates a corresponding "import credit," providing for an accurate assessment of Travel & Tourism "produced" in Hawaii and Travel & Tourism "produced" out-of-state.

Analysis of Hawaii and World results illustrates a few interesting points. First, Hawaii residents have recently spent about 6.2% of their personal expenditures on Travel & Tourism. Generally, this percentage is lower than that found on the Mainland and in other countries (U.S. average is 11.3% for 1999, world average is 11.0% for 1999). The reason for this difference in Hawaii is due to the limited use of consumer durable items such as personal autos and recreational vehicles for Travel & Tourism purposes. Second, in all other respects, including constant dollar growth, Hawaii resident spending on personal and business Travel & Tourism is following world trends with slower growth 1990-1992 and steady stronger growth beginning in 1993. Third, the league table extracts show that Hawaii is just under average for personal Travel & Tourism, ranking between Papua New Guinea at 97 of 160 and Cameroon at 98 of 160. If Hawaii's geography and consequent durables spending were different, however, so too would be Hawaii's results and ranking. Last in terms of personal Travel & Tourism spending growth (1999-2010), Hawaii ranks among many of the mature developed economies at the lower end of the league table.



93	Libya	6.5
94	Niger	6.5
95	Yemen	6.5
96	Zimbabwe	6.5
97	Papua New Guinea	6.3
	Hawaii	6.2
98	Cameroon	6.1
99	Rwanda	6.1
100	Venezuela	6.1
101	Nicaragua	6.0
102	Angola	6.0



142	Italy	2.5
143	Luxembourg	2.5
144	Netherlands	2.5
145	Sweden	2.5
146	United Kingdom	2.4
	Hawaii	2.4
147	Switzerland	2.4
148	Belgium	2.3
149	Libya	2.3
150	New Zealand	2.2
151	United States of America	2.1

As illustrated by Total Demand, Travel & Tourism Exports are an important economic item for Hawaii Travel & Tourism. In 1999, Travel & Tourism services and merchandise exports for Hawaii (US\$ 10.7 billion by visitors, US\$ 52.8 million by non-visitor merchandise exports) are expected to represent 76.7% of total Travel & Tourism demand. Without question, as this category grows and contracts, the strength of Hawaii's Travel & Tourism sector will grow and contract.

In real terms, over the next twelve years, Hawaii visitor exports have the potential to grow 4.7% per annum, while Travel & Tourism merchandise exports (non-visitor exports) are expected to follow suit at 4.7% per annum.

Clearly, based on these forecasts, Hawaii is positioned in the long-term to grow its Travel & Tourism exports. However, in the short-term the prognosis is barely positive. In constant 1999 dollars, results for 1998 were down 0.6%. Additional losses (-1.4%) are expected for 1999. Expectations for the years 2000 and 2001 are positive, but only in the 1-2% range.

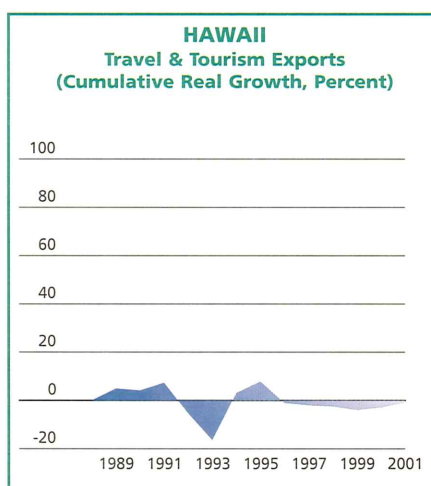
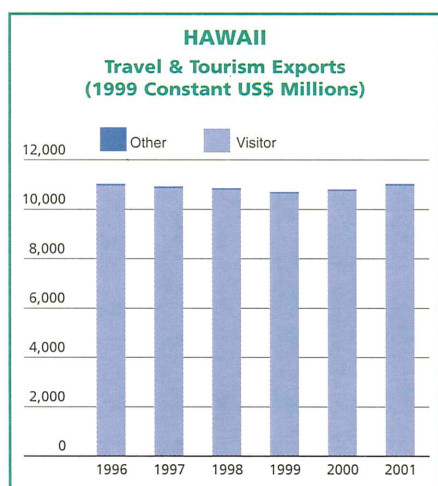
Globally, visitor exports and non-visitor Travel & Tourism exports are expected to grow slightly better at 5.7% per annum over the

next twelve years (1999-2010). Unlike Hawaii, which is particularly susceptible to regional events and events in a few key markets, the world results for Travel & Tourism exports are smoothed by aggregating stronger regions with weaker regions. So history shows year-on-year positive growth with little variation.

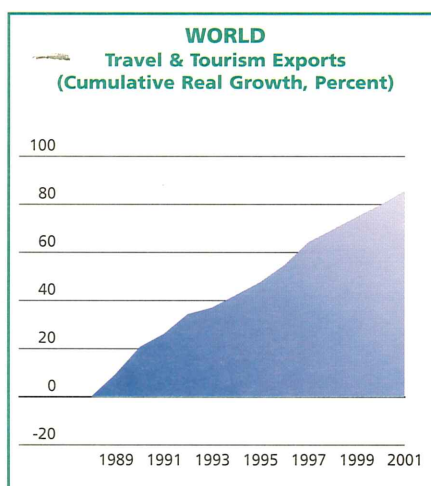
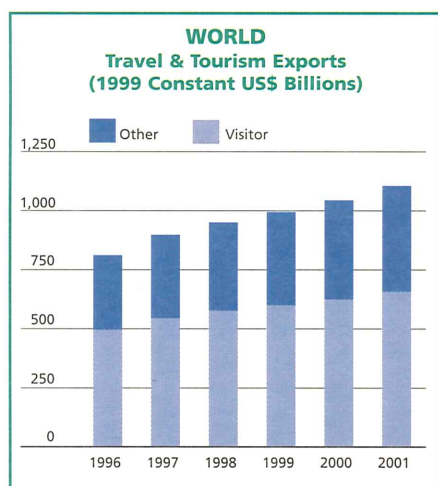
Although the long-term potential for Hawaii Travel & Tourism export growth (1999-2010) is positive, these forecasts, like any other, depend on future local and remote events and are therefore not guaranteed. For example, the recent Asia / Pacific economic crisis, which has had a particularly negative effect on Hawaii Travel & Tourism and trade, is an example of what causes uncertainty in forecasting.

Examination of Hawaii's position in the WTTC / WEFA league tables reveals that Hawaii is among the tourism export-intensive destinations, similar to the British Virgin Islands at number 6 and Macau at number 7 out of 160 countries. On the growth league table, Hawaii exports stack up below average between Seychelles' number 102 ranking and Italy's 103 ranking.

Variance from last year's estimates results from expectations which were overly optimistic.



2	Suriname	75.9
3	The Bahamas	75.6
4	Anguilla	74.4
5	Antigua and Barbuda	69.6
6	British Virgin Islands	67.8
	Hawaii	63.5
7	Macau	63.4
8	Saint Lucia	59.9
9	Barbados	58.8
10	Virgin Islands	57.2
11	Cayman Islands	55.9



98	Singapore	4.9
99	Hong Kong	4.8
100	Oman	4.8
101	Mali	4.8
102	Seychelles	4.7
	Hawaii	4.7
103	Italy	4.7
104	Cameroon	4.6
105	United Kingdom	4.6
106	Greece	4.5
107	Tonga	4.5

Government Spending

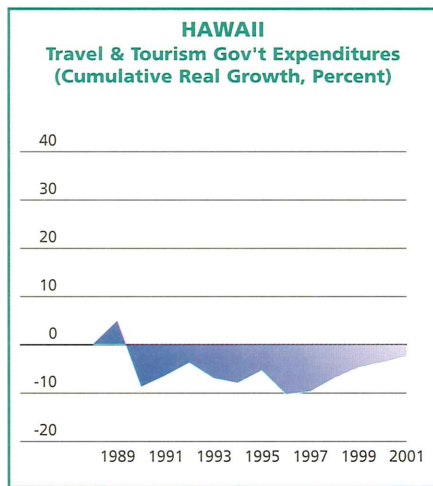
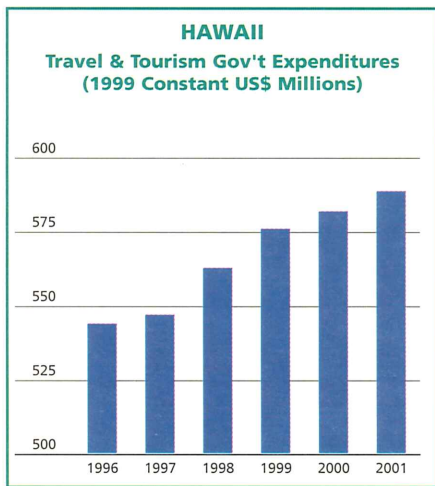
In 1999, state, local and national government agencies are expected to spend US\$ 576.0 million in Hawaii. This represents 5.6% of total government expenditures to provide individual and collective government Travel & Tourism services to visitors, travel companies and the community-at-large. Over the next twelve years (1999-2010), Travel & Tourism government expenditures in Hawaii are expected to increase 1.8% per year in real terms, approximately equal to several European countries (below right).

Globally, the average government is expected to contribute 6.7% of government expenditures to Travel & Tourism-related functions. Based on these results, Hawaii's 1999 government contribution of 5.6% suggests that it is falling short of its competition for Travel & Tourism with the rest of the world. The United States at 5.0%, on the other hand, is even less competitive with the global average.

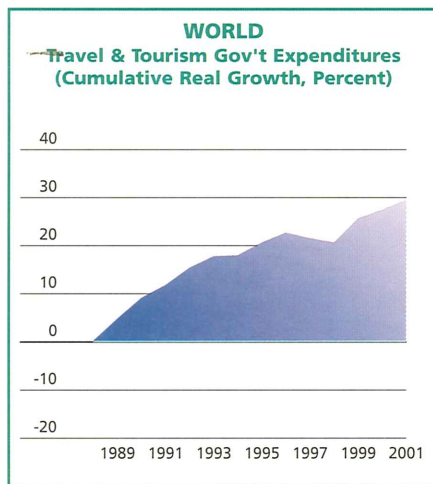
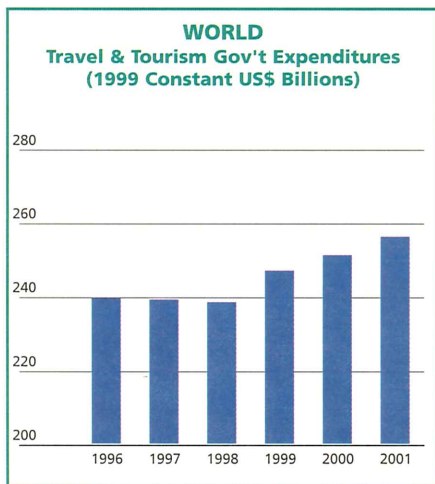
In this WTTC report, 1999 government expenditures include: individual expenditures (US\$ 117.2 million) which can be linked to individual visitors like museum subsidies or immigration services; and collective expenditures (US\$ 458.8 million) which

are undertaken for the community-at-large like airport administration or tourism promotion, but which have a strong impact on Travel & Tourism.

Intuitively, one would think that there should be a direct link between the size and impact of an industry/sector like Travel & Tourism on the economy (in terms of GDP) and the amount of funding allocated by governments toward that industry/sector. In Hawaii, the 1999 ratio of Travel & Tourism GSP (percent of total) to government expenditures (percent of total) is 4.7 to 1.0. Worldwide, this ratio is 1.7 to 1.0. These results would indicate that government money invested in Travel & Tourism produces a far greater return in Hawaii than in the average country.



65	Suriname	6.2
66	Malaysia	6.1
67	Cambodia	5.9
68	Egypt	5.9
69	Guatemala	5.7
	Hawaii	5.6
70	Uruguay	5.4
71	Ghana	5.3
72	Panama	5.3
73	Guyana	5.3
74	Bulgaria	5.0



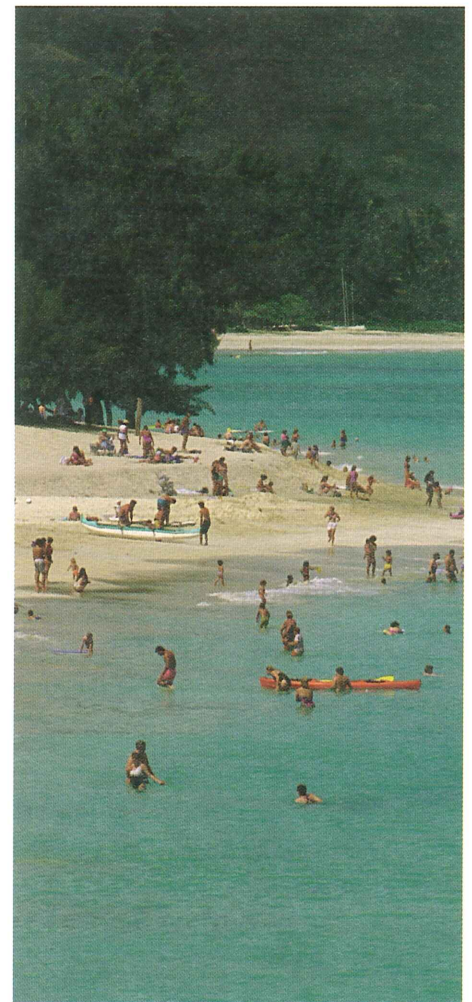
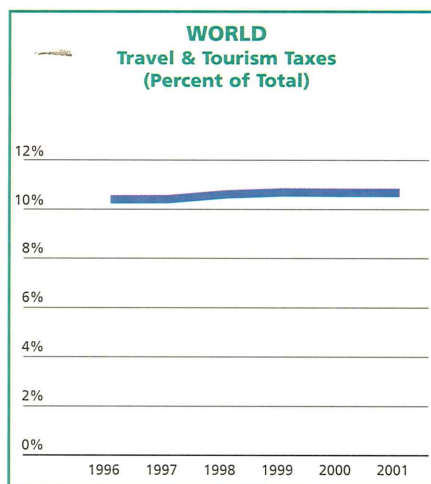
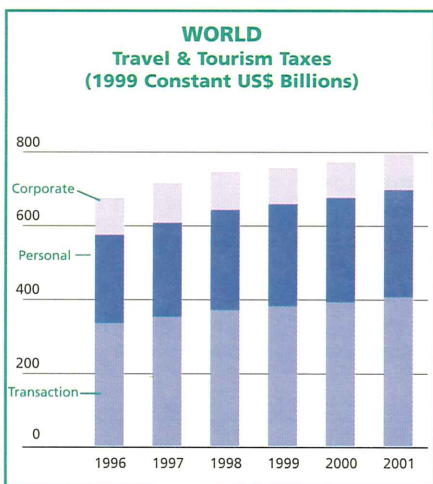
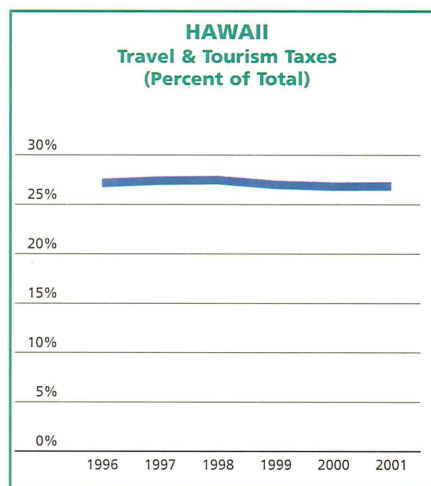
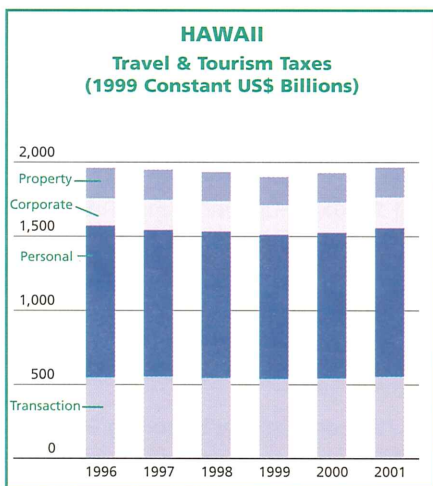
141	Denmark	2.1
142	Greece	2.0
143	Ireland	1.9
144	United States of America	1.9
145	Netherlands	1.9
	Hawaii	1.8
146	Switzerland	1.7
147	Sweden	1.7
148	Indonesia	1.7
149	Germany	1.7
150	Spain	1.6

Hawaii's Travel & Tourism Economy is expected in 1999 to generate US\$ 1.9 billion in tax revenue. The largest portion of this total is from personal taxes (US\$ 1.0 billion) paid by Travel & Tourism Economy employees. Next in size is the US\$ 0.5 billion of transaction taxes paid in connection with visitor purchases of goods and services. All totaled, the Travel & Tourism Economy is responsible for 27.0% of total taxes paid in Hawaii.

By 2010, Hawaii's Travel & Tourism tax contribution is expected to increase to US\$ 3.8 billion. In twelve years, unless some other industry unexpectedly develops, Travel & Tourism's share of Hawaii's tax revenue will increase to 32.7%.

By definition, the economic success of Hawaii's Travel & Tourism economies dictates the tax contributions they make to national and local collections. As Travel & Tourism Economy employment increases, so do personal and real property taxes. As visitor counts and spending increase, so do the indirect transaction taxes collected by Travel & Tourism companies. As Travel & Tourism businesses expand, so do the income taxes associated with those businesses.

Comparing the 1999 expected tax revenue generated by Travel & Tourism (US\$ 1.9 billion) and the 1999 government expenditures made (US\$ 0.6 billion) on behalf of Travel & Tourism, it is again evident that money invested in Tourism in Hawaii produces an excellent return.



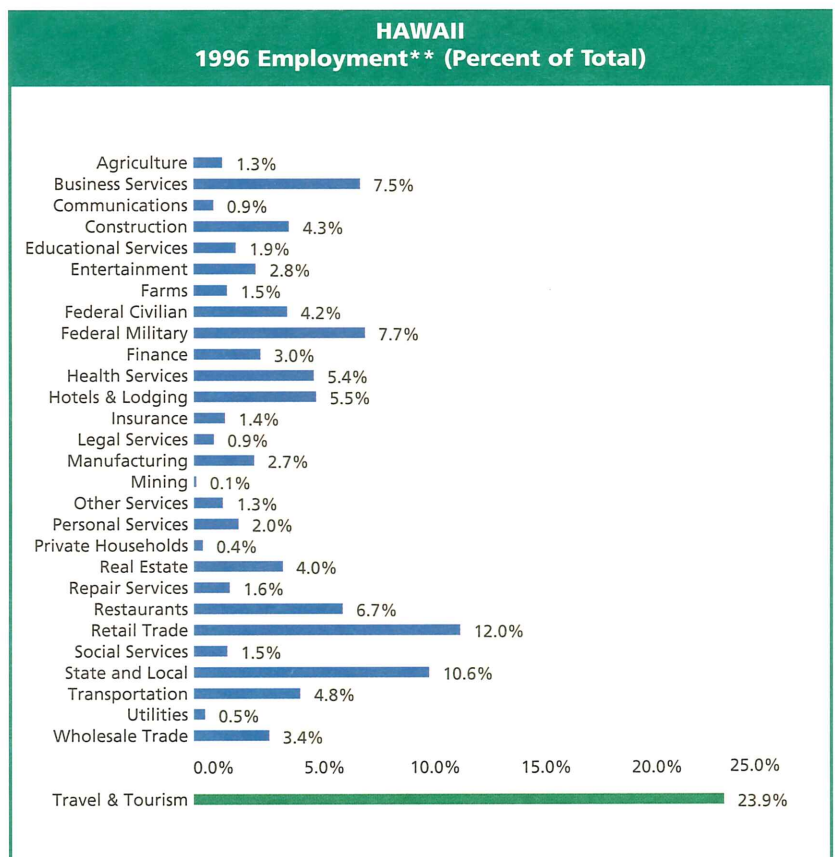
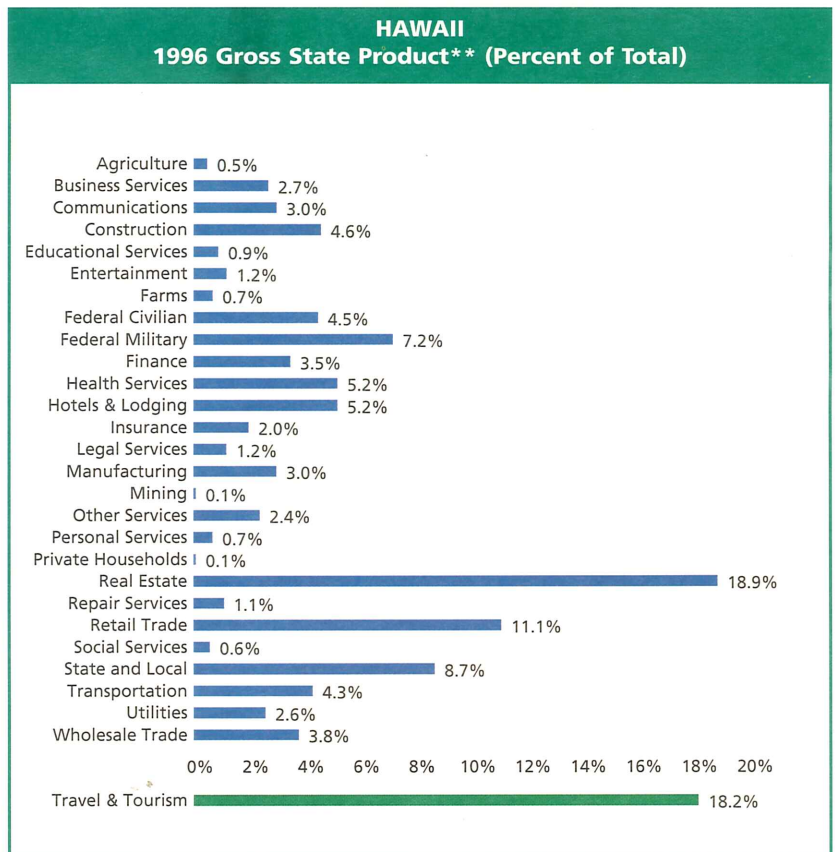
Comparing Impact

The international standard for Travel & Tourism Satellite Accounting developed by a public sector/private sector Experts Committee under the auspices of the World Tourism Organization now provides for the direct comparison of Travel & Tourism GSP and employment with other industries in the Hawaii economy.

In 1996, Hawaii's Travel & Tourism Industry produced 18.2% of Gross State Product (direct industry impact only). Although Real Estate reports 18.9% of Hawaii GSP, this contribution is an accounting anomaly created by the cost of goods sold (real estate), rather than the value added of the Hawaii real estate industry. Thus, Travel & Tourism is still the leading industry in the state. The next largest industries (some of which are contributors to Travel & Tourism) in the state include: Retail at 11.1%, State & Local Government at 8.7% and Federal Military at 7.2%.

Also in 1996, Hawaii's Travel & Tourism Industry generated 23.9% of state employment (direct industry impact only), making it the state's largest employer. The next largest industry employers include: Retail at 12.0%; State & Local Government at 10.6%; Federal Military at 7.7%; Business Services at 7.5% and Restaurants at 6.7%.

Please note, the Travel & Tourism Satellite Account reconstitutes the GSP and employment that are counted in traditional accounts by other industries. Nonetheless, based on this new Travel & Tourism Satellite Accounting structure, which provides for direct comparison of Travel & Tourism with other industries, it is clear that no single industry in Hawaii can compete with Travel & Tourism in terms of Gross State Product or job contribution.



**Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, 1998;
 **1996 WTTC/WEFA Travel & Tourism data (direct industry GSP and direct industry employment) is used on this page for comparison purposes.
 ***Portions of the GDP and Employment from the industry sectors above have been reconstituted to produce Travel & Tourism results.

Convention Center P&L Statement - Forecast

(US\$ 000's)	1999	2000	2001	2002	2003	2004
Travel & Tourism Satellite Account for Convention Center Attendees						
Inbound Visitor Spending	125,722	215,015	247,226	282,452	320,736	361,904
Gross State Product	102,711	139,867	160,820	183,735	208,638	235,418
Jobs	1,721	2,280	2,538	2,806	3,053	3,284
Convention Center Operations						
Revenues	3,821	7,801	8,720	9,156	9,614	10,095
Expenditures	(10,320)	(12,426)	(12,855)	(13,240)	(13,638)	(14,047)
Total Operations	(6,499)	(4,625)	(4,135)	(4,084)	(4,024)	(3,952)
Con. Center Marketing (HVCB)**	(4,078)	(4,282)	(4,496)	(4,721)	(4,957)	(5,205)
Convention Center Debt Service						
T.A.T. Revenues	23,407	27,248	27,887	28,603	29,383	30,202
Principle Payments	(2,590)	(7,262)	(18,331)	(21,358)	(26,527)	(27,022)
Interest Payments	(20,922)	(20,482)	(19,813)	(18,850)	(17,647)	(16,098)
Total Debt Service	(105)	(496)	(10,257)	(11,605)	(14,791)	(12,918)
Net after Op's, Mkt & Debt Service	(10,682)	(9,403)	(18,888)	(20,410)	(23,772)	(22,075)
Incremental State and Federal Tax Revenues Resulting from Convention Center Attendees						
Transaction Taxes	6,413	8,749	10,072	11,476	12,999	14,615
Personal Income Taxes	10,583	14,412	16,571	18,932	21,262	23,667
Corporate Income Taxes	2,423	3,298	3,791	4,333	5,035	5,838
Total State and Federal Taxes	19,419	26,458	30,434	34,741	39,296	44,119
Less Federal Taxes	(9,305)	(12,671)	(14,568)	(16,646)	(18,801)	(21,077)
Total State Taxes	10,114	13,788	15,866	18,096	20,495	23,042
Net Net to State	(568)	4,385	(3,022)	(2,314)	(3,277)	967

*Please note the Convention Center fiscal year is July to June; the Satellite Account Tax Revenues are calendar year. **Convention Center Marketing assumes 1999 expenditures growing 5% per year.

This year is the second iteration of WEFA's special analysis of the Travel & Tourism Satellite Account to identify the incremental economic impact associated with Convention Center attendees/delegates.

This special analysis suggests that Convention Center attendees/delegates will account for:

- ◆ \$126 million of visitor exports in 1999, growing to \$362 million by 2004.

Following application of the input/output model, this new spending is expected to result in:

- ◆ \$103 million of new Gross State Product (direct and indirect) by the Travel & Tourism Economy in 1999, growing to \$235 million by 2004.
- ◆ 1,721 new jobs in the Travel & Tourism Economy in 1999, growing to 3,284 new jobs by 2004.
- ◆ \$19.4 million of new federal and state tax revenue in 1999 (\$10.1 million to state) generated from increased transaction taxes, increased personal income taxes (from the additional employees), and increased corporate taxes (from additional operating surplus). By 2004, new federal and state tax revenue resulting from Convention Center

attendees/delegates is forecast to total \$44.1 million (\$23.0 million to state).

The above table illustrates the total new tax revenues generated by Convention Center attendees/delegates from the Travel & Tourism Satellite Account and their relationship to the Convention Center P&L Statement. With the current levels of usage there is a loss. Increased utilization of the facility combined with debt refinancing should improve this situation.

The Convention Center Study

The Convention Center study is based on bookings, targets, and visitor projections provided by the Hawaii Visitors & Convention Bureau (HVCB) with further analysis by WEFA. Future Convention Center visitor growth and spending was developed under a conservative scenario considering the current Asian economy events. After identification of the incremental spending (Visitor Exports), these results were introduced into the Hawaii Travel & Tourism Satellite Account to assess the Convention Center delegates/attendees' impact on GSP, individual GSP components and employment. The above incremental tax revenues are a result of this effort. The Convention Center P&L Statement was obtained from the Hawaii Convention Center Authority and is current as of March 15, 1999.

WTTC Policy Agenda for Hawaii

To realize Travel & Tourism's potential for economic development and job creation, WTTC suggests that the citizens, state and local governments of Hawaii and the U.S. federal government consider the following recommendations:

Make Travel & Tourism a Strategic Economic Development and Employment Priority

Recognize the Industry's Economic Contribution

The Travel & Tourism Industry is highly fragmented and its economic effects flow across the policy spectrum — employment, transport, construction, communications, regional development, infrastructure, taxation, trade/exports and the environment. While a diverse and balanced economy which includes a mix of industries is important, Travel & Tourism clearly plays a vital role in economic development and job creation in the State of Hawaii. No other single industry — including real estate, retail trade, state and local government, military, construction, health services, federal government, manufacturing or agriculture — can match Travel & Tourism's contribution to Gross State Product or employment.

Despite this extensive impact, Travel & Tourism is often not adequately taken into account in the formulation of broad economic policy. Travel & Tourism offers significant potential for boosting economic growth, investment and export trade. It is particularly effective in developing small businesses and creating jobs in urban and rural areas where structural unemployment is often highest.

To this end, the industry should be factored into mainstream decision making on infrastructure, employment and exports, at federal, state and local levels. The focus should be on creating a positive business climate and favorable public attitude for investment, growth and job creation for Travel & Tourism.

Establish a National Satellite Account

Because National and State Accounts and general economic indicators do not specifically identify Travel & Tourism, its impact is often ignored or at best understated in reports and analyses of economic performance. However, after five years of consideration, the World Tourism Organization (WTO) has established the conceptual framework for satellite accounting in line with WTTC/WEFA research. In June 1999 the WTO conference in Nice will seek agreements from governments on this framework for satellite accounting.

This study urgently recommends that the State of Hawaii and the United States as a whole establish official State and National Satellite Accounts for Travel & Tourism. In the meantime, WTTC stands ready to work with the State of Hawaii, Department of

Business Economic Development and Tourism and the U.S. Department of Commerce to make the widest possible use of the WTTC/WEFA research. Furthermore, the State of Hawaii should play a leadership role in encouraging other states and countries to establish Travel & Tourism Satellite Accounts to help track the industry's input to the global economy, and as a basis for policies to increase that contribution.

ACTION

- ◆ Ensure that Travel & Tourism's impact and potential are understood by state citizens and across federal, state and local government departments. Integrate Travel & Tourism into mainstream policies to create jobs, encourage exports, develop infrastructure and stimulate investment.
- ◆ Create a State Satellite Account for Travel & Tourism in Hawaii in line with the principles agreed to by the WTO, and support the same on a national level.

Move Toward Open and Competitive Markets

Liberalize Markets

A liberal international trading system with free-flowing markets for goods and services will help Travel & Tourism grow. Increased trade encourages business travel, and growing disposable income expands leisure tourism. Protectionism has the reverse effect.

The next round of the General Agreement on Trade in Services (GATS) in 2000 offers worldwide prospects for liberalization of barriers to Travel & Tourism. The steady growth of tourism-related services forecast to continue over the coming years is recognized by WTO as an important contributor to the creation of new jobs. Travel & Tourism will therefore form a fundamental element of the GATS negotiations, where special attention will be directed to the cross-border movement of travellers. If GATS is effective, it will have a large impact on destinations in terms of tourism marketing, the structure of the tourism industry, investment and training in tourism, and the ownership of facilities.

Aviation

In liberalizing Travel & Tourism, the biggest single challenge is to achieve competitive air transport regimes. Across the United States the majority of international business travelers, as well as a significant and growing number of leisure travelers, arrive by air. Virtually all intercontinental travel and travel to Hawaii involves this mode of transport. Many bilateral aviation agreements and national air transport policies have limited the potential growth of Travel & Tourism by protecting national airlines.

Recent studies suggest that the drawbacks to national economies from protectionist aviation regimes dramatically outweigh the benefits, when measured in terms of GDP, tax revenues and jobs. Some progress has been made towards the liberalization policies advocated in WTTC's 1997 report *Air Transport and Freer World Trade*, but a number of policy setbacks have been noted in several parts of the world, including Europe, the United States, Asia and South America. WTTC will, therefore, focus on the following issues:

- ◆ Effective market access
- ◆ Freedom of ownership and establishment
- ◆ Harmonization of competition rules
- ◆ Elimination of state aids
- ◆ Speedy dispute resolution
- ◆ Fair access to restricted facilities

The Asia/Pacific Travel & Tourism market is widely recognized as the fastest growing market in the world, with airline transportation as the primary means of transport within the region. As new technology develops, operations between these markets and the U.S. Mainland will have the capability to increasingly overfly Hawaii. As the region moves to more liberal aviation regimes, it is imperative that new bilateral and multilateral agreements between APEC (Asia Pacific Economic Council) states give opportunity for expanded operations to and through Hawaii. The United States should give high priority in its aviation negotiations to opening the market between Hawaii and Asian countries.

Telecommunications

One of the most important policy measures required by government is to ensure open and liberal Travel & Tourism support services, particularly telecommunications, to reduce costs for companies and to improve services for customers.

The growth potential of Travel & Tourism is particularly linked to liberalized telecom markets and the use of information technology for distribution and marketing. Where telecoms are monopoly-controlled, there are often restrictions on access, high costs and unreasonable operating conditions. This in turn limits the potential for market-oriented expansion of Travel & Tourism with negative national and international economic impacts.

Enhance Promotion

Hawaii has world class products to offer international visitors, including its cities and countryside, its natural and man-made attractions, its historical, artistic and cultural heritage and its climate of peace, stability and freedom.

Foreign visitors' spending should be treated as a legitimate export and given at least the same type and level of public support as other "traditional" exports. The effectiveness of promotional tools should be measured in terms of the direct and indirect economic impact of international visitor spending: Research by the BTA (UK) for example shows that for every US\$1 spent on promotion up to US\$27 can return as international tourism expenditure. Promotion also can be used as an effective tool to tackle seasonality to ensure that the economic benefits are maintained throughout the year.

An increasing number of governments are beginning to understand the value of Travel & Tourism to their economies and are turning their attention to measures that will enhance their comparative advantage in this area. Public/private sector cooperation is growing, notably in major tourism receiving destinations — such as the Caribbean, Australia, Spain and Mexico — which have devoted substantial government resources and funds to improve products and marketing and have also stimulated private sector funds to do likewise. Regional partnerships are increasingly being formed to boost collective marketing spending and improve image.

Canada recently restructured its Travel & Tourism promotional machinery — creating a top-level, private-sector-driven Tourism Commission, tapping the federal budget for promotion, and challenging the private sector to match that effort. The United States, with Hawaii's strong support, should do no less to remain competitive.



ACTION

- ◆ Promote competitive markets by supporting implementation of the GATS, continuing to encourage bilateral and multilateral air transport liberalization with Asia/Hawaii markets as a high priority and pressing for deregulation of worldwide telecommunications markets.
- ◆ Support increased public/private sector cooperation in promoting Hawaii Travel & Tourism through dedicated permanent state and local government contributions and funding to Hawaii destination marketing organizations.
- ◆ Establish and promote state and local branding and marketing to ensure international competitiveness.
- ◆ Encourage the U.S. federal government to support national brand marketing through the post-White House Conference process.

Pursue Sustainable Development

Promote Sustainability

Travel & Tourism is responsible for moving, accommodating, feeding and entertaining hundreds of millions of people each year. Aircraft manufacturing, hotel construction and travel infrastructure development are integral parts of the operation. As markets open and business increases, there is a responsibility to ensure that development proceeds in harmony with the environment. Travel & Tourism has a key interest here: the environment is the core of its product, and must be preserved for business sustainability as well as the global imperatives.

As the U.N. agencies and governments implement policies in response to the Rio Earth Summit and the 1999 Commission on Sustainable Development, they have many choices about the form and nature of their actions, the degree of penalty or incentive, and the use of market-driven or regulatory-based instruments.

In 1996, the WTTC, with the support of WTO and the Earth Council, established Agenda 21 for Travel & Tourism as the global framework to encourage the sustainable development of Travel & Tourism. The policy sets out the public and private sector responsibilities proposing an action-orientated approach based on partnership.

The Travel & Tourism industry strongly believes that the environmental policy agenda should focus on the *Agenda 21 for*

Travel & Tourism policy framework, certification incentives, and light-handed regulation as the preferred approach. This will encourage the innovation and business acumen of the industry to improve environmental performance.

Programs such as Green Globe which aim to build an environmental ethic into all aspects of the Travel & Tourism business, have received wide recognition as a benchmark for good practice. Green Globe offers a practical program for environmental self-improvement to Travel & Tourism companies of any size, type or location, drawing on a global database of best practices backed by ISO-type certification and destination development models.

WTTC believes the State of Hawaii should encourage its industry to move toward self-regulatory efforts such as Green Globe as a flexible, market-based environmental awareness program, and should avoid excessive regulation in this area.

Restructure Land Use Procedures

An integral component of the Rio Earth Summit's Agenda 21 is development. Just as governments and the private sector are addressing ways of ensuring responsible development, they must also evaluate the legal and planning requirements of the development process.

In Hawaii, land and water-use permitting are often costly, burdensome and lengthy, resulting from unnecessary duplication and poor or arbitrary definition of standards and responsibilities. Clarification of zoning responsibilities, establishment of review time limits, concurrent permit processing, limitation of exactions, and allowances for compliance approval would all help ameliorate the problem. The recent amendment of the Waikiki Special District ordinance, and reduction of building permit processing time on Oahu by 50 percent, are positive steps to improve the current development process.

ACTION

- ◆ Develop a market-oriented environmental policy framework and support private sector initiatives for improved environmental performance.
- ◆ Restructure land and water use approval processes to clarify requirements, add certainty and reduce unnecessary time and expense in the development process.

Eliminate Barriers to Growth

There are some policy areas which if not tackled in a strategic way can act as barriers to the growth of Travel & Tourism. In some instances, these barriers are a direct result of government action or inertia; in others, the industry plays a part. However, in all cases, their elimination requires action and investment from the public sector.

Expand Infrastructure

In many states and countries, Travel & Tourism infrastructure faces critical development challenges resulting from inadequate policies, planning and funding over many years. WTTC has therefore set out a number of principles relating to the provision of infrastructure:

- ◆ Identify Travel & Tourism infrastructure requirements at national, state, and local levels;
- ◆ Promote innovative financing approaches to attract private sector investments;
- ◆ Include *Agenda 21 for Travel & Tourism* sustainability principles in infrastructure planning;
- ◆ Recognize the linkages between sustainable Travel & Tourism, infrastructure and jobs;
- ◆ Encourage the World Bank and other international lending institutions to more proactively support Travel & Tourism infrastructure development, particularly for air transport and inter-modal links.

One of the most urgent problems is in the air transport sector, where airport expansion and air traffic control system (ATC) modernization is a very high priority, particularly across the Pacific. Current land-based ATC systems should be switched to satellite navigation as soon as possible to contain operating costs, improve safety, and reduce congestion. An increased private sector role should be pursued with appropriate partnerships and privatization.

Hawaii's Travel & Tourism faces challenges in upgrading and improving its product and infrastructure, including highways, roads, beaches and meeting facilities. Although several projects are underway or completed, such as the Convention Center, greater attention must be paid to make sure the Hawaii travel product meets the requirements and standards of an increasingly demanding and discriminating visitor market.

Expedite Airport/Border Clearance

Another major infrastructure issue arises at international border crossings, particularly at Hawaii's airports. With the number of travelers expected to almost double over the decade, and with pressures on budget and space resources, it will be increasingly important to apply modern automation technology and business procedures to speed up border clearance.

The highly successful visa waiver program has made travel to the United States and Hawaii much easier for citizens of those countries included in the program. Hawaii should encourage the INS to extend and make permanent the visa waiver program and to eliminate other visa requirements where possible.

Tax Intelligently

Hawaii's Travel & Tourism economy is expected to generate US\$ 1.9 billion tax revenue in 1999, representing 27.2% of total taxes paid in Hawaii.

WTTC agrees that the industry should pay its fair share of corporate taxes, but stresses that travelers and travel companies should not be taxed in a discriminatory way. Add-on taxes and user fees are a case in point. Despite known negative effects, they are proliferating at airports, on air tickets, rental cars, hotel rooms and restaurant meals - levied by local, state and federal authorities and comprising one of the fastest growing areas of operating costs. If unconstrained, they can contribute to raising total trip costs to levels that depress demand, impairing international competitiveness.

WTTC believes that where travelers are directly taxed the principle of User-pays-User benefits should be applied:

- ◆ There should be explanation, consultation and a close relation to the State's overall strategy for Travel & Tourism and economic development;
- ◆ The taxes collected should be accounted for and earmarked for Travel & Tourism enhancements;
- ◆ Where specific projects are involved, the collection of revenue should be time limited.

WTTC Principles of Intelligent Taxation

Equity: All economic sectors should be treated fairly;

Efficiency: Taxes must generate revenue without significant adverse impact on demand;

Simplicity: Complicated taxation schemes eat up revenues through administrative costs. The reason for taxes should be clear as should the purpose for which the revenues are intended to be used;

Fair Revenue Generation: It is unreasonable to assign special fees or levies on specific goods or services — unless there are accepted public interest reasons for modifying behavior.

Invest in Human Resources

As a major source of employment in Hawaii and the United States, training and education in Travel & Tourism is an important business imperative. Industry is already investing substantial amounts in retraining programs for existing staff and in basic service programs for new entrants. However, there is a need for high schools and colleges to work more closely with employers to ensure continuing improvement in the quality of Travel & Tourism service to consumers.

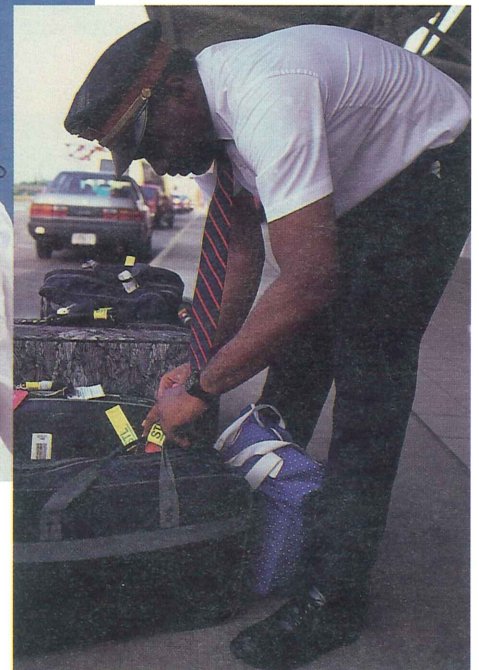
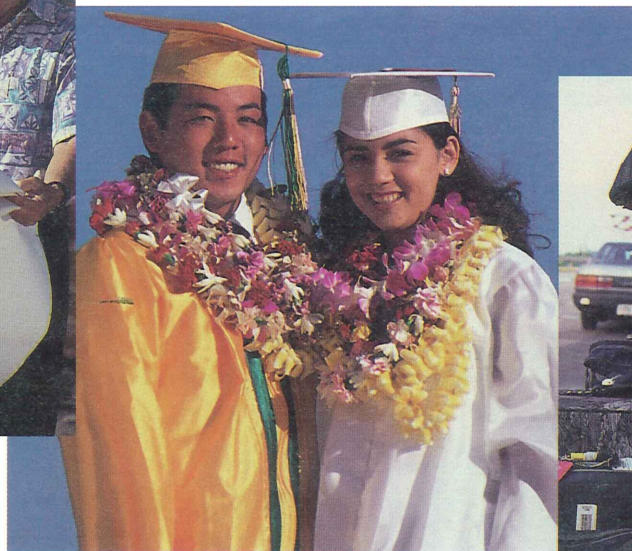
Provide for Visitor Safety and Security

Recent high visibility events in several countries have reinforced the importance of addressing visitor safety and security issues in all tourist destinations, including Hawaii. Although few of the millions of travelers are actually affected directly, WTTC believes that this issue has the potential to become a serious barrier to travel, and governments cannot afford to ignore this central issue. If safety is not firmly addressed on an international, national, and local level, it will become an increasingly visible, costly, and demanding depressant.

WTTC encourages local governments to increase and improve safety measures specifically for travelers, upgrade traveler safety information, coordinate safety mechanisms and procedures between industry and government, and promote constructive media reporting.

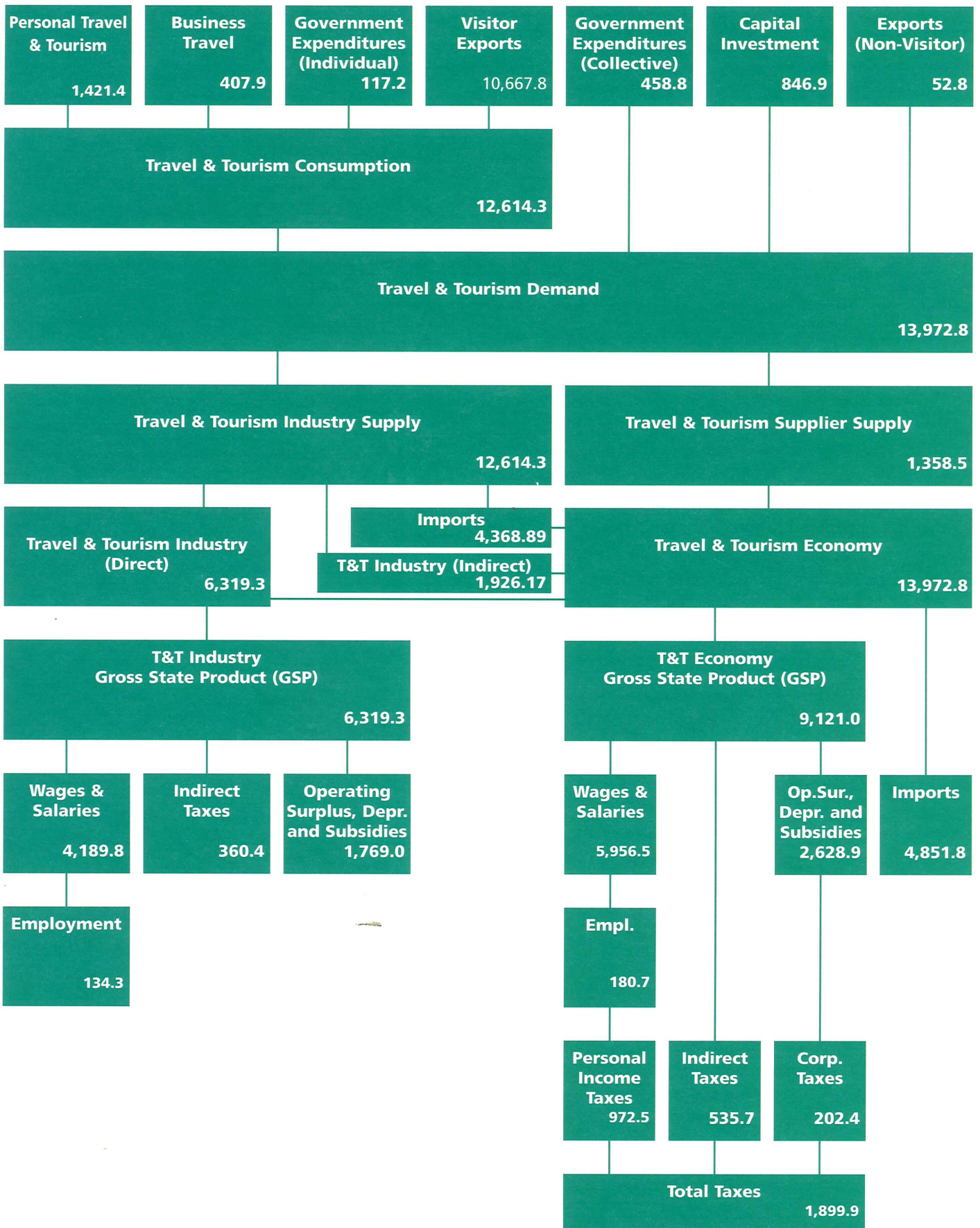
ACTION

- ◆ Support improvement of Travel & Tourism infrastructure with emphasis on expanded airports, satellite-based air traffic control, intermodal linkages and highways, roads, beaches, and meeting facilities.
- ◆ Encourage visa waiver extension and visa elimination.
- ◆ Apply basic economic principles of taxation — fair revenue generation, efficiency, equity, simplicity and effective stimulus to growth — to Travel & Tourism. Apply export incentives and exemptions to Tourism as in other industries.
- ◆ Include Travel & Tourism in high school and university programs and career guidance schemes. Ensure that the industry's training programs have full access to public job creation incentives.
- ◆ Improve visitor safety and security programs, with a focus at destination level.



The Satellite Account

Hawaii Travel & Tourism Satellite Account 1999 Estimates (US\$ Millions, Employment in 000's)



Progress and Concepts

The WTTC / WEFA Travel & Tourism Satellite Accounting research for 1999 reflects: a full and complete implementation of the new international standard developed by the public/private sector Experts Committee under the auspices of the World Tourism Organization (see diagram on preceding page); a number of operational, analytical and data source enhancements used in the preparation of the research; and application of WEFA's latest world macroeconomic forecasts.

With this new international standard (proposed), WTTC/WEFA research concepts now provide greater detail into the inter-workings and inter-linkages of the **Travel & Tourism Industry** and the broader **Travel & Tourism Economy**. The former captures the technical production-side "industry" equivalent for comparison with all other industries, while the latter captures the broader "economy-wide" impact of Travel & Tourism.

Details and Economic Concepts

The Travel & Tourism Satellite Account is based on a "demand-side" concept of economic activity (i.e. the economic activities of visitors and travel companies), because it does not produce or supply a homogenous product or service like traditional industries (agriculture, electronics, steel, etc.). Instead, Travel & Tourism is a collection of products (durables and nondurables, consumer and capital) and services (activities) ranging from airline and cruise ship fares, to accommodations, to restaurant meals, to entertainment, to souvenirs and gifts, to immigration and park services, to recreational vehicles and automobiles, to aircraft manufacturing and resort development.

To implement a demand-side approach for Travel & Tourism, the Satellite Account has identified two major concepts, Travel & Tourism Consumption, and Travel & Tourism Demand, which help differentiate between the technical "industry" impact and the broader Travel & Tourism "economy" impact.

From an "industry" perspective, Travel & Tourism produces products and services for visitor consumption (**Travel & Tourism Consumption**) including:

- **Consumer Expenditures** which include the traditional personal spending by residents on services that are normally associated with Travel & Tourism (lodging, transportation, entertainment, meals, financial services, etc.); as well as goods (durable and nondurable) which are purchased by residents and used for Travel & Tourism activities.
- **Business and Government Expenditures** for "business travel" which mirror those of personal consumption (transportation, accommodation, meals, entertainment, etc.), but are undertaken in the course of business or government work.
- **Government Expenditures (Individual)** by agencies and departments such as cultural institutions (art museums) or

national parks and customs and immigration on behalf of individual visitors.

- **Visitor Exports** which are expenditures by international visitors on goods and services.

From an "economy" perspective (**Travel & Tourism Demand**), Travel & Tourism produces products and services for visitor consumption (as discussed) as well as products and services for industry demand, including:

- **Government Expenditures (Collective)** by agencies and departments associated with Travel & Tourism, but made on behalf of the community-at-large, such as tourism promotion, aviation administration, security services and sanitation services.
- **Capital Investment** by Travel & Tourism providers (the private sector) and government agencies (the public sector) to provide facilities, equipment and infrastructure to visitors.
- **Exports (Non-Visitor)** which include consumer goods sent abroad for ultimate sale to visitors (such as clothing, electronics or gasoline) or capital goods sent abroad for use by industry service providers (such as aircraft or cruise ships).

By employing input/output modeling to these two aggregates, the Satellite Account is able to differentiate between **T&T Industry Supply** and **T&T Economy Supply**. The Satellite Account is even able to determine that portion of supply which it **Imports** from abroad. Finally, the Satellite Account breaks down the supply side accounts into the **Direct** and **Indirect** impacts and the individual **Gross Domestic Product (GDP)** elements (**Wages & Salaries, Transaction Taxes, Operating Surplus, Depreciation, and Subsidies**).

One of the most important elements of the Travel & Tourism Satellite Account is the **Employment** results which can now be quantified for the narrow "Travel & Tourism Industry" and the broader "Travel & Tourism Economy."

- **T&T Industry Employment** generally includes those jobs with face-to-face contact with visitors (airlines, hotels, car rental, restaurant, retail, entertainment, etc.).
- **T&T Economy Employment** generally includes T&T Industry Employment plus those faceless jobs associated with:
 - ◆ Industry suppliers (airline caterers, laundry services, food suppliers, wholesalers, accounting firms, etc.).
 - ◆ Government agencies, manufacturing and construction of capital goods and exported goods used in Travel & Tourism.
 - ◆ Supplied commodities (steel producers, lumber, oil production, etc.).

Satellite Account Tables

	1996	1997	1998E	1999E	2000E	2001E	2010P
Hawaii Travel & Tourism - US\$ (Millions) - Nominal US\$							
Personal Travel & Tourism	1,300.76	1,337.86	1,371.37	1,421.45	1,470.59	1,528.70	2,385.38
Services	682.75	704.03	720.79	749.56	777.91	811.26	1,291.26
Non-Durables	498.76	511.16	523.27	539.95	556.54	576.37	873.26
Durables	119.25	122.67	127.31	131.94	136.13	141.06	220.87
Business Travel & Tourism	396.60	396.41	401.65	407.87	423.97	440.86	675.06
Corporate	378.20	377.68	382.61	388.48	403.57	419.42	645.07
Government	18.40	18.73	19.04	19.39	20.40	21.44	29.99
Gov't Expenditures - Individual	110.36	108.16	113.38	117.22	124.95	127.12	182.54
Visitor Exports	10,685.00	10,770.00	10,777.62	10,667.78	10,973.39	11,435.69	23,151.43
Travel & Tourism Consumption	12,492.71	12,612.43	12,664.02	12,614.31	12,992.89	13,532.36	26,394.41
Gov't Expenditures - Collective	402.61	418.80	436.02	458.75	474.05	495.26	705.94
Capital Investment	982.43	873.45	845.02	846.91	875.57	916.82	1,503.09
Public	368.05	228.75	214.69	216.76	226.91	237.51	352.75
Private	614.38	644.69	630.33	630.16	648.66	679.31	1,150.34
Exports (Non-Visitor)	54.98	53.89	52.82	52.83	54.25	56.75	94.81
Travel & Tourism Demand	13,932.74	13,958.56	13,997.88	13,972.81	14,396.76	15,001.19	28,698.25
Travel & Tourism Industry Aggregates (Direct Impact Only)							
Employment (000's)	132.10	132.04	134.06	134.27	134.00	134.64	173.19
Gross State Product	6,155.13	6,207.67	6,342.44	6,319.25	6,510.21	6,779.59	13,199.31
Wages & Salaries	4,205.22	4,189.84	4,205.22	4,189.84	4,316.45	4,495.06	8,207.15
Op. Sur. + Deprec. - Subs.	1,636.16	1,671.41	1,776.77	1,768.97	1,821.76	1,896.63	4,240.76
Transaction Taxes	313.74	346.42	360.46	360.44	372.00	387.90	751.40
Travel & Tourism Economy Aggregates (Direct and Indirect Impact)							
Employment (000's)	177.29	177.60	181.52	180.66	181.05	182.47	241.24
Gross State Product	8,951.51	8,972.14	9,132.52	9,121.00	9,396.98	9,788.56	18,704.55
Wages & Salaries	5,700.68	5,837.70	5,959.11	5,956.45	6,139.07	6,396.95	11,383.96
Op. Sur. + Deprec. - Subs.	2,727.77	2,596.32	2,638.19	2,628.90	2,705.46	2,815.74	6,218.71
Transaction Taxes	523.07	538.12	535.22	535.66	552.45	575.87	1,101.87
Personal Taxes	980.33	965.98	972.91	972.48	1,002.29	1,044.39	1,858.60
Corporate Taxes	178.65	199.84	203.07	202.35	208.24	216.73	478.66
Property Taxes	196.66	198.86	194.62	189.43	205.01	210.88	324.26
Total Taxes	1,878.70	1,902.80	1,905.81	1,899.91	1,968.00	2,047.88	3,763.39
Imports	4,981.22	4,986.43	4,865.36	4,851.80	4,999.78	5,212.63	9,993.70
T&T Accounts as % of State Accounts based on Nominal Dollar Results							
Personal Travel & Tourism	6.08	6.12	6.15	6.19	6.24	6.28	6.64
Services	6.20	6.25	6.31	6.37	6.42	6.48	6.99
Non-Durables	7.83	7.85	7.88	7.90	7.92	7.95	8.16
Durables	2.98	3.00	3.02	3.04	3.06	3.08	3.26
Business Travel & Tourism	5.39	5.38	5.51	5.65	5.61	5.54	5.40
Individual	50.55	49.67	51.23	52.01	52.70	51.02	51.33
Collective	4.33	4.37	4.47	4.60	4.54	4.51	4.38
Capital Investment	18.37	18.73	17.62	17.58	16.39	16.33	17.39
Public	24.69	19.22	17.87	18.39	17.56	17.71	19.26
Private	15.92	18.57	17.54	17.31	16.01	15.90	16.88
Exports	64.61	64.57	64.35	63.77	63.93	64.28	73.53
Merchandise	3.52	3.52	3.52	3.52	3.52	3.52	3.52
Services	70.95	70.70	70.31	69.68	69.85	70.31	80.05
T&T Imports	26.08	25.76	24.68	24.16	24.02	24.11	28.51
Travel & Tourism Industry Aggregates (Direct Impact Only)							
Employment	23.91	23.83	23.91	23.84	23.68	23.68	28.40
Gross State Product	18.22	18.40	18.56	18.21	18.06	18.10	22.91
Wages & Salaries	19.02	18.55	18.38	18.03	17.88	17.92	22.68
Op. Sur. + Deprec. - Subs.	16.71	18.11	18.94	18.58	18.43	18.47	23.30
Transaction Taxes	16.71	18.11	18.94	18.58	18.43	18.47	23.30

Satellite Account Tables

	1996	1997	1998E	1999E	2000E	2001E	2010P
T&T Accounts as % of State Accounts based on Nominal Dollar Results (continued)							
Travel & Tourism Economy Aggregates (Direct and Indirect Impact)							
Employment	32.09	32.05	32.37	32.08	31.99	32.09	39.57
Gross State Product	26.71	26.20	26.73	26.29	26.07	26.13	32.47
Wages & Salaries	25.78	25.84	26.04	25.63	25.43	25.50	31.46
Op. Sur. + Deprec. - Subs.	27.86	28.14	28.12	27.62	27.37	27.42	34.17
Transaction Taxes	27.86	28.14	28.12	27.62	27.37	27.42	34.17
Personal Taxes	25.78	25.84	26.04	25.63	25.43	25.50	31.46
Corporate Taxes	27.86	28.14	28.12	27.62	27.37	27.42	34.17
Property Taxes	32.50	33.48	33.39	32.66	32.62	32.57	32.75
Total Taxes	27.13	27.36	27.44	26.96	26.78	26.82	32.66

Travel & Tourism Real Growth (per annum) based on 1999 Constant Dollars							
Personal Travel & Tourism	3.46	0.96	1.71	2.24	1.33	1.64	2.80
Business Travel & Tourism	-2.67	-1.89	0.54	0.17	1.81	1.67	2.22
Gov't Expenditures	-4.96	0.52	2.81	2.24	1.06	1.22	1.97
Capital Investment	-23.64	-10.79	-2.03	1.00	3.00	4.68	4.57
Exports	-9.08	-0.96	-0.57	-1.38	0.95	2.01	4.12
Travel & Tourism Consumption	-7.68	-0.80	-0.24	-0.92	1.04	1.93	3.95
Travel & Tourism Demand	-9.09	-1.52	-0.29	-0.67	1.16	2.13	3.94

Travel & Tourism Industry Aggregates (Direct Impact Only)							
Gross State Product	-8.61	-0.99	1.16	-1.71	0.89	1.99	3.77
Employment	-3.75	-0.05	1.53	0.15	-0.20	0.48	1.93

Travel & Tourism Economy Aggregates (Direct and Indirect Impact)							
Gross State Product	-9.76	-1.60	* 0.78	-1.47	0.90	2.02	3.70
Employment	-4.96	0.17	2.21	-0.47	0.21	0.78	2.72

Travel & Tourism - 1999 Constant US\$ (Millions)							
Personal Travel & Tourism	1,353.94	1,366.91	1,390.29	1,421.45	1,440.39	1,463.99	1,849.23
Business Travel & Tourism	412.81	405.02	407.19	407.87	415.26	422.20	523.33
Gov't Expenditures - Individual	117.02	112.26	116.14	117.22	121.37	120.24	143.85
Visitor Exports	10,981.73	10,878.16	10,817.64	10,667.78	10,768.73	10,985.33	18,714.49
Travel & Tourism Consumption	12,865.51	12,762.35	12,731.26	12,614.31	12,745.75	12,991.76	21,230.90
Gov't Expenditures - Collective	426.93	434.70	446.65	458.75	460.47	468.47	556.32
Capital Investment	959.43	855.90	838.54	846.91	872.28	913.12	1,445.16
Exports (Non-Visitor)	56.51	54.43	53.02	52.83	53.23	54.52	76.64
Travel & Tourism Demand	13,431.31	13,640.94	13,913.71	13,972.81	14,274.47	14,710.91	24,986.68

Gross State Product							
Travel & Tourism Industry	6,419.10	6,355.67	6,429.20	6,319.25	6,375.81	6,502.72	10,468.47
Travel & Tourism Economy	9,335.41	9,186.04	9,257.45	9,121.00	9,202.98	9,388.81	14,834.71

Variance from Last Year's Report (1998)

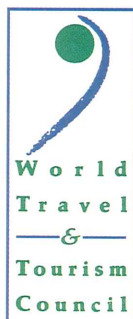
In this new 1999 Report, final results are included up to and including 1997. Figures for 1998 forward are estimates. Last year, final results were included up to and including 1996. Figures for 1997 forward were estimates.

In reviewing last year's estimates for 1997 against this year's actual results for 1997, Hawaii's overall economy underperformed WEFA's expectations. However, visitor exports slightly exceeded last year's estimates, while capital investment fell short of expectations. Business Travel for 1997 was repegged this year at a lower level as a result of a newer data source (see below).

Travel & Tourism Government Expenditures (Individual and Collective) for the period 1988-1992 vary from previous research as a result of a new source of information used to allocate FAA expenditures. In this 1999 Report, the new source is used to restate all historical data so it is consistent over the period of study.

The division of supply-side components (compensation and operating surplus) for this 1999 Report vary from previous results following the implementation of a more up-to-date Input-Output table which is used to construct these results. This new Input-Output table also causes significant differences in Business Travel and small differences in Travel & Tourism Government Expenditures.

In the period 1993 through 1996, there are significant changes in the DBEDT data for Gross State Product. The first change is in government expenditures, which are quite substantial. The second large change is in foreign visitor spending which shows up in 1995. There is also a slight difference in total employment, as a result of revised government data.



The World Travel & Tourism Council (WTTTC) is the Global Business Leaders' Forum for Travel & Tourism. Its Members are Chief Executives from all sectors of industry, including accommodations, catering, entertainment, recreation, transportation and other travel-related services. Its central goal is to work with governments to realise the full economic impact of the world's largest generator of wealth and jobs – Travel & Tourism.

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