
A BILL FOR AN ACT

RELATING TO ECONOMIC LEAKAGE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the State's economy
2 is heavily dependent on the tourism industry. While there have
3 been a variety of attempts to diversify Hawaii's economy in
4 industries other than tourism, the tourism industry remains the
5 largest industry in the State. Due to the importance of tourism
6 to the State's economy, the legislature finds that it is crucial
7 for its members to have access to a breadth of information
8 relating to the tourism moneys that enter, and potentially
9 leave, the State.

10 The legislature further finds that economic leakage occurs
11 when revenue generated by an industry is not retained in the
12 State's economy, but instead, is lost to foreign economies.
13 Examples of economic leakage in Hawaii's tourism industry
14 include foreign-based tour operators offering Hawaii tours, the
15 import and sale of souvenirs produced by a non-Hawaii source,
16 and foreign debt incurred to develop hotels, resorts, and
17 shopping areas. A 2013 report by the United Nations Trade and



1 Development Commission estimates that countries without a
2 diversified economy experience an average of forty to fifty per
3 cent of leakage in the tourism industry. Leakage rates can even
4 be as high as seventy per cent in countries that rely heavily on
5 foreign investment to develop tourism infrastructure.
6 Currently, the amount of the State's economic leakage in the
7 tourism industry is unknown. Information about the State's
8 economic leakage in the tourism industry can help policy makers
9 develop strategies to strengthen and diversify the State's
10 economy.

11 The purpose of this Act is to require the department of
12 business, economic development, and tourism to prepare a report
13 that examines the severity of economic leakage in the State's
14 tourism industry.

15 SECTION 2. The department of business, economic
16 development, and tourism shall prepare a report examining the
17 severity of economic leakage in the State's tourism industry.

18 SECTION 3. The department of business, economic
19 development, and tourism shall submit a report of its findings
20 and recommendations, including any proposed legislation, to the



1 legislature no later than twenty days prior to the convening of
2 the regular session of 2017.

3 SECTION 4. There is appropriated out of the general
4 revenues of the State of Hawaii the sum of \$ or so much
5 thereof as may be necessary for fiscal year 2016-2017 for the
6 preparation of a report on the economic leakage in the State's
7 tourism industry.

8 The sum appropriated shall be expended by the department of
9 business, economic development, and tourism for the purposes of
10 this Act.

11 SECTION 5. This Act shall take effect on July 1, 2120.



Report Title:

Economic Leakage; Tourism; Report; Appropriation

Description:

Requires DBEDT to prepare a report examining the severity of economic leakage in Hawaii's tourism industry. Makes an appropriation. (HB2259 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.





DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: dbedt.hawaii.gov

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

Friday, February 12, 2016
10:30 a.m.
State Capitol, Room 312

in consideration of
HB 2259, HD1
RELATING TO ECONOMIC LEAKAGE.

Chair Kawakami, Vice Chair Kong, and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) offers comments on HB2259, HD1, which would require DBEDT to prepare a report that examines the severity of economic leakage in the State's tourism industry. DBEDT supports the overall intent of this bill, but would like to provide the following comments:

- The data does not currently exist and it is expensive to obtain data through business surveys.
- Visitors spend on a wide range of goods and services so that surveys should also cover food services establishments, grocery stores, museums, tour operators, travel agencies, rental car companies, duty free stores, department stores, ABC stores, outlet stores, and hotels. Developers of hotels and timeshares should also be included.
- We estimate that \$200,000 would be needed to hire a research firm to conduct the required surveys.

Thank you for the opportunity to provide the above comments.