



Report to the Legislature
State of Hawai'i
Regular Session of 2008

HAWAI'I CRUISE INDUSTRY STUDY
in response to Section 7 of Act 213, SLH 2007

Prepared by:

Hawai'i Tourism Authority
December 13, 2007

Background

This report is prepared pursuant to Section 7 of Act 213, Session Laws of Hawai'i 2007 (Act 213), in which the Hawai'i State Legislature appropriated \$600,000 to the State Department of Transportation (DOT) and \$600,000 to the Hawai'i Tourism Authority (HTA) to undertake a cost-benefit analysis of the cruise industry in the state. The act further requires HTA to work with DOT and the State Department of Business, Economic Development and Tourism (DBEDT) to undertake this study on behalf of the state. In addition to the HTA, DBEDT and DOT, the State Department of Land and Natural Resources (DLNR) is also involved in the project.

The Hawai'i Cruise Industry Study is scheduled for completion by October 31, 2008. It should be noted that this report is not yet complete and serves as an interim report of work done as of December 11, 2007.

The Hawai'i Cruise Industry Study objectives are:

1. To provide comprehensive, factual and objective information regarding the cumulative impacts and benefits arising from the current and future operation of the cruise industry on each island and the state of Hawai'i, as it relates to impacts and benefits on the economy, revenues generated by taxes and fees, government services and physical infrastructure, physical environment and natural resources infrastructure, historical and cultural assets and practices, traffic and congestion related issues, competition with other commercial and cargo carriers and users for access to piers or tendering docks, and the health, safety and welfare of residents and cruise ship passengers and crew;
2. To determine, assess and calculate the cumulative costs and benefits related to the development and promotion of a cruise industry, and in comparison, to tourism generated through on-shore accommodations (e.g. hotels); and,
3. To identify optimal development and best management practices relating to the cruise industry in other destinations, and to assess the utilization of those practices with the current and future development of the cruise industry in Hawai'i.

Upon completion, the resulting findings of the Hawai'i Cruise Industry Study will provide information, but not recommendations, for policymakers to make any decisions regarding the cruise industry in the state of Hawai'i.

Hawai'i Cruise Industry Study Project Timeline and Work to Date

June 26, 2007	Issue request for proposal for Hawai'i Cruise Industry Study (RFP-08-01)
July 1, 2007	Start of FY 2008; budget for Hawai'i Cruise Industry Study available
July 19, 2007	Informational briefing held at Hawai'i Convention Center
August 3, 2007	Hawai'i Cruise Industry Study proposals due and received from: <ol style="list-style-type: none">1. Belt Collins Hawai'i2. Bermello Ajamil & Partners, Inc.3. Economic Research Associates (ERA)4. ICF International5. Jones Lang LaSalle6. Leo A Daly7. SMS Research and Marketing Services, Inc
August 3 – September 7, 2007	Representatives from HTA, DBEDT, DOT, DLNR and the visitor industry (Atlantis Adventures) evaluate submitted proposals
September 10, 2007	In-person presentations by selected contractors: <ol style="list-style-type: none">1. Belt Collins Hawai'i2. Bermello Ajamil & Partners, Inc.3. Economic Research & Associates, Inc.4. ICF International
October 26, 2007	MOU executed between HTA, DBEDT and DOT. DBEDT will manage the study on behalf of the various state agencies, and DOT will allot appropriated monies to HTA to help fund the study.
October 30, 2007	ICF International contract, in amount of \$896,815.00, is effective. ICF International's Hawai'i Cruise Industry Study project team includes a number of mainland and Hawai'i based sub-contractors.
October 31, 2008	Hawai'i Cruise Industry Study final report completed



The ICF International Team's Expertise: Each Partner Offers a Distinct Subject-Matter Expertise

Partner	Expertise	Brief Firm Description
ICF International (Prime)	Economics, Environment, Transportation, and Emergency Management	Global research and consulting firm with practices organized around economics, environment and transportation, energy, community, regulatory policy, and emergency management.
Menlo Consulting Group	Tourism and Cruise Industry Research	Globally-recognized firm in travel and tourism market research and strategy, including for the cruise industry.
John M. Knox & Associates	Social, Economic, and Community Research	Highly-respected Hawai'i consulting firm with a long and productive track record working with HTA and DBEDT on tourism and economic issues.
Charlier Associates, Inc.	Multi-Modal Transportation	Multi-modal transportation consulting firm with expertise in tourist/resort-oriented transportation mobility and impacts—and a track-record in Hawai'i that few other firms in the country have.
Pacific Legacy	Historic and Cultural Sites	Hawai'i-based firm that specializes in protection, preservation, and utilization of cultural and historic sites.
FAQ Hawai'i, Inc.	Field Services, Data Collection, and Tabulation	Hawai'i-based field services, data collection, and tabulation firm with a history of performing surveys for Hawai'i Public Housing Authority and other public and private clients throughout Hawai'i.
Harbour Mastery, Inc.	Port Operations	Firm specializing in analysis of port operations and development of next-generation IT solutions.



The Hawai'i Tourism Authority (HTA)

The Department of Business, Economic Development and Tourism (DBEDT)

The Department of Transportation (DOT)
The Department of Land and Natural Resources (DLNR)

James Gollub
ICF International
Project Director

John Knox
John M. Knox & Associates
Deputy Hawai'i Project Director

Alyson Greenlee
ICF International
Project Manager

**Module 1:
Assessment
of
Cruise
Industry**

S. Skidmore (MCG)
N. Valley (ICF)
Technical Leaders

Key Team Members
J. Weber (ICF)
J. Lay (ICF)
H. Hardwick (MCG)
R. Pyszka (MCG)
S. Kummer (MCG)

**Module 2:
Assessment
of
Hawai'i's
Cruise
Industry**

S. Skidmore (MCG)
N. Valley (ICF)
Technical Leaders

Key Team Members
S. Asam (ICF)
J. Weber (ICF)
J. Lay (ICF)
H. Hardwick (MCG)
R. Pyszka (MCG)
S. Kummer (MCG)

**Module 3:
Impact on
the Economy**

B. Saha (ICF)
J. Knox (JMK)
Technical Leaders

Key Team Members
E. Johnston (ICF)
L. Shoup (ICF)
T. Dinell (JMK)
R. Mamiit (JMK)
D. Kieman (JMK)
A. Kop (JMK)
J. Itamura (FAQ)
K. Hartley (FAQ)
K. Kirton (FAQ)

**Module 4:
Impact on
Infrastructure
&
Government
Services**

J. Riger (CAI)
G. Walters (HM)
Technical Leaders

Key Team Members
E. Johnston (ICF)
L. Shoup (ICF)
C. Façanha (ICF)
C. Towsley (HM)
J. Valentine (CAI)

**Module 5:
Impact on
the
Environment**

W. Palmer (ICF)
Technical Leader

Key Team Members
E. Healy (ICF)
A. Beaudette (ICF)
S. Asam (ICF)

**Module 6:
Impact on
Historical
Sites**

P. Cleghorn (PL)
Technical Leader

Key Team Members
M. Kirkendall (PL)
R. Reeve (PL)

**Module 7:
Cost Benefit
Analysis**

F. Garcia (ICF)
Technical Leader

Key Team Members
B. Saha (ICF)
E. Johnston (ICF)
L. Shoup (ICF)

**Module 8:
Comparison
with On-
Shore
Accommodati
on**

J. Knox (JMK)
Technical Leader

Key Team Members
T. Dinell (JMK)
R. Mamiit (JMK)
D. Kieman (JMK)
A. Kop (JMK)

**Module 9:
Best
Management
Practices**

G. Walters (HM)
Technical Leader

Key Team Members
C. Façanha (ICF)
C. Towsley (HM)

**Module 10:
Consultation
with State**

J. Gollub (ICF)
A. Greenlee (ICF)
J. Knox (JMK)
Technical Leaders

Key Team Members
E. Johnston (ICF)
T. Dinell (JMK)

ICF International Hawai'i Cruise Industry Study Work Plan and Approach

ICF International's work plan and key deliverables are organized around ten modules. While some modules are dependent upon another, other modules are independent of each other. Additionally, some modules occur simultaneously with other modules or, in the case of Module 10, are occur throughout the duration of the study.

- Module 1 Assessment of Cruise Industry
- Module 2 Assessment of Hawai'i Cruise Industry
- Module 3 Impact on the Economy
- Module 4 Impact on Infrastructure and Government Services
- Module 5 Impact on the Environment
- Module 6 Impact on Historical Sites
- Module 7 Cost-Benefit Analysis
- Module 8 Comparison with Onshore Accommodations
- Module 9 Best Management Practices
- Module 10 Ongoing Consultation with the State

ICF International Key Study Deliverables

Module	Key Deliverables (Note: This list is not exhaustive--only lists key deliverables)	Approximate Delivery Date (To be confirmed with client and subject to modification by mutual agreement)
Module 10: Consultation with State	Establishment of Stewardship Group.	1/31/2008
Module 6: Impact on Historical Sites	Draft summary report on interviews with cruise operators, tour operators, managers of historical sites, etc.	1/31/2008
Module 3: Impact on the Economy	Final designs of two surveys--one for cruise harbor and shipping agent operations, and second for crew member expenditures.	2/15/2008
Module 1: Assessment of Cruise Industry	Analysis of key trends and best practices in cruise industry.	2/28/2008
Module 1: Assessment of Cruise Industry	Comprehensive review of the technology of the cruise ship industry and assessment of port expansion considerations.	2/28/2008
Module 2: Assessment of Hawaii's Cruise Industry	Comprehensive assessment and analysis of the market for Hawaii cruising, including history, projections, breakdown of market components, and characteristics.	3/31/2008
Module 2: Assessment of Hawaii's Cruise Industry	Draft comprehensive overview of the regulatory climate for cruise industry and a matrix that displays all fees charged by Hawaiian government and compared to other cruise ship destinations.	3/31/2008
Module 2: Assessment of Hawaii's Cruise Industry	Summaries of the major issues/impacts at ship port or tender destinations in Hawai`i.	3/31/2008
Module 3: Impact on the Economy	Draft report on the results of the two surveys: one of cruise harbor and shipping agent operations, and one of crew member expenditures	4/30/2008
Module 9: Best Management Practices	Draft report on best management practices relating to the cruise industry, including baseline analysis summary, Hawaii current practices and challenges, global best practices and challenges, case studies, gap analysis, best practices plan, and port-level assessment of best practices.	4/30/2008
Module 6: Impact on Historical Sites	Draft summary report on results of site visitation censuses.	5/31/2008
Module 3: Impact on the Economy	Draft report on the economic impacts of the Hawaiian cruise industry, including discussions on the current scenario, projections until 2018, and assessment of implications for workforce.	6/30/2008

ICF International Key Study Deliverables (continued)

Module	Key Deliverables (Note: This list is not exhaustive--only lists key deliverables)	Approximate Delivery Date (To be confirmed with client and subject to modification by mutual agreement)
Module 4: Impact on Infrastructure & Government Services	Draft report on the current and projected impacts of the cruise industry on harbor and port facilities.	6/30/2008
Module 4: Impact on Infrastructure & Government Services	Draft report on the current and future impacts of the cruise industry on public roads, streets, and highways.	6/30/2008
Module 4: Impact on Infrastructure & Government Services	Draft report on the impacts of the cruise industry on community infrastructure and services, including water and sewage, healthcare and hospitals, energy and public utilities, visitors bureaus, police, fire, and emergency services.	6/30/2008
Module 5: Impact on the Environment	Draft comprehensive assessment of the current impacts to the marine, coastal, and terrestrial environment, including identification of key natural resources that are particularly affected and an assessment of the efficacy of current policies and programs.	6/30/2008
Module 6: Impact on Historical Sites	Draft report on the impact to historical and archeological sites by cruise visitors.	6/30/2008
Module 7: Cost Benefit Analysis	Draft cost-benefit analysis methodology.	6/30/2008
Module 7: Cost Benefit Analysis	Draft cost-benefit analysis report that integrates the impacts identified in the other modules into a single evaluation, including a calculation of the NPV of impacts and a projection of impacts in the future comparing alternative scenarios.	8/31/2008
Module 8: Comparison with On-Shore Accommodations	Draft report on the comparison of the benefits and impacts of tourism development through the cruise industry to the on-shore hotel industry.	8/31/2008
Module 10: Consultation with State	Final cumulative report on the Impacts of the Hawaii Cruise Industry.	10/31/2008

**Hawai'i Cruise Industry Study
Project Status Update, 12/11/2007**

Module 1: Assessment of Cruise Industry

- Started preliminary review of Menlo Consulting Group's (MCG) proprietary data on the U.S. and Canadian outbound cruise industry.
- Started to identify competitive cruise destinations that may be similar to Hawai'i for further exploration.
- Have begun to assemble a preliminary list of resources on issues affecting the cruise industry and competitive cruise destinations for future review.

Module 2: Assessment of Hawai'i Cruise Industry

- Started a preliminary review of MCG's proprietary data on U.S. and Canadian outbound travel to Hawai'i.
- Accessed the project team's "Hawaiicruisestudy" QuickPlace web portal to begin to review the relevant sources provided by DBEDT and HTA and to start a list of other sources we may want to request for review as background to Module 2.
- Reviewing project team/staff schedules to assign visits to conduct in-person interviews with key Hawaiian cruise industry players.
- Identified a Coast Guard contact (George Butler) in Coast Guard District 14 and requested that he be added to the Steward list.
- Began brainstorming options for the focus groups—issues related to scope/purposes, scheduling, facilities, topics, participants, etc.

Module 3: Impact on the Economy

- Reviewed existing Economic and Environment Impact Reports, including: DBEDT 2002 and 2003 Hawai'i Cruise Industry Impact Study; December 2005, Planning for Sustainable Tourism Report; 2006 CLIA Economic Impact Report; 2005 Maui Cruise Impact Report; and other academic reports.
- Reviewed old survey questionnaire (Appendix A, 2002 and 2003 Hawai'i Cruise Industry Impact Study) and began to discuss methods to improve questions.
- Began process of obtaining the secondary user license to REMI.
- Scheduled a 12/12/2007 kick-off meeting with DBEDT and the NorthWest Cruise Ship Association to (1) review a questionnaire used in a previous survey of expenditures by crew members and shipping agents and determine needed changes; and (2) discuss logistical issues involved in getting cooperation from cruise lines and shipping agents.

Module 4: Impact on Infrastructure and Government Services

- Drafted format for port survey interviews and data collection.
- Contacted NCL, to set an interview meeting. Awaiting follow-up.
- Reviewed QuickPlace project team web portal for project team background research and project postings.
- Gathering preliminary information and identifying data needs regarding cruise lines: capacity of ships on major cruise lines, including passengers and crew, and itineraries for major cruise lines.
- Gathering preliminary info and identifying data needs re: ports: schedules for major harbors, dominant cruise lines and heaviest months.
- Gathering preliminary info and identifying data needs re: visitor statistics, overall spending patterns and trends for transportation vs. other activities, length of stay, travel between islands, etc.

- Gathering preliminary info and identifying data needs re: shore excursions, activities offered on each island/port, specifically those booked through major cruise lines.
- Gathering information on SuperFerry: recent developments and news.

Module 5: Impact on the Environment

- Finalized module project team staffing and reviewed and refined information requirements.
- Coordinated with members of several other modules on information collection, to preclude duplication of effort or gaps.
- Initiated search for literature resources addressing environmental impact of cruise industry, focusing on refined information requirements for module 5.
- Reviewed literature so far collected regarding Hawai'i coastal environment, cruise industry, tourism, tourism impact, and cruise industry impact in other U.S. states.
- Began collecting information for development of GIS focusing on sensitive environments potentially vulnerable to impact from cruise industry, and began development of this GIS.
- Obtained and reviewed information regarding cruise ship ports and moorings in Hawai'i from project team of other modules.
- Assembled contact information for Hawai'i state agencies, experts, and other sources of required data, coordinating with project team of other modules.

Module 6: Impact on Historical Sites

- Background research nearly complete, on sources of cruise ship info: Representatives at specific sites, possible "concierge" connections on vessels, and cruise ship-sponsored shore excursions to historic sites, and areas within which historic sites may be located.
- Background research nearly complete on list of key historic properties/attractions, with cruise ship scheduling for all ports established and specific questions for source informants in progress, as well as the development of specific questions for site census data collection.
- Informal preliminary interviews in progress, specifically for Kaua'i and Maui at present: State parks staff (Maui), State Historic Preservation Staff (Kaua'i), National Park Personnel (Volcanoes National Park).
- Contacts with ship concierges currently being established.
- Preliminary dates for the collection of site census data—during which time various cruise ships are in ports—have been established for the month of January.

Module 7: Cost Benefit Analysis (CBA)

- In the process of coordinating with other module staff to develop the methodology for how the outputs from modules 3 - 6 will be integrated into a consolidated CBA.
- Methodology will be communicated to full project team.

Module 8: Comparison with On-Shore Accommodations

- This module requires the survey results from module 3 before significant work can begin, but we have identified prospective stewards whom we hope will assist us in assuring that methods are appropriate and results will be useful to known or suspected policy applications of module 8 results.

Module 9: Best Management Practices

- Have identified and procured documentation on the following Hawai'i resources: cruise terminals, pilots, SuperFerry, tug and barge companies, Hawai'i DOT reports, Hawai'i Tourism Authority reports, island port details and ferry/cruise schedules for Hawai'i, Kauai, Lanai, Maui, Molokai, Niihau, Oahu, identified Hawai'i home-ported vessels.
- Have identified and procured documentation on the following non-Hawai'i resources: compiled lists of international and cruise ports in USA for surveys; Identified previous case

studies on best practices as resource for current studies; downloaded AAPA Cruise Convention reports for 2006 and 2007.

Module 10: Consultation with State

- Established "Hawaiicruisestudy" QuickPlace web portal for all project team communications and shared documentation.
- Have held several teleconferences with HTA, DBEDT, and DLNR to begin project operations and discuss formation of the Stewardship Group.
- Have reached a first-draft draft preliminary list of potential Stewards.
- Seeking an opportunity to meet with DOT to be sure harbor capacity issues are adequately addressed and to discuss the possibility of regular communication with SuperFerry EIS consultants who may be addressing some of the same issues.