

Big Island Big Ideas

Local leaders chart six ways to revitalize the economy

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“We’re a big island but a small community. That’s what makes Hawaii Island unique. It’s what binds the people and it’s what will get us through this recession. Not, no can. Can!”

Mayor Billy Kenoi’s confidence is shared by a host of other Big Island leaders. Where outsiders see a crippled tourism industry, high unemployment and reduced real estate investment, these local leaders see lots of big projects starting or on the horizon, a community consensus that is stronger than ever, and an abundance of visionary but realistic ideas.



Photo: Mark Arbeit
Business and brainstorming on the Big Island are still done local style, at a place like Ken’s House of Pancakes in Hilo. Gathered there recently were farmer Richard Ha, Mayor Billy Kenoi, UH-Hilo Chancellor Rose Tseng and KTA’s Toby Taniguchi.

“Some people might call Hilo the sleepy town, but I assure you, we’re not sleeping,” says Rose Tseng, chancellor of the University of Hawaii at Hilo. In fact, Tseng says the Big Island is bustling with exciting initiatives that will improve and diversify its economy – and the state’s – forever. She and others cite potential growth in science, technology, renewable energy, construction, tourism and, perhaps most important, education – all of which they say will make the Big Island a great place to live instead of just a great place to visit. Residents understand the challenges – too little capital, too much red tape and differing visions – but they also realize what is at stake.

Kenoi, for example, loves the Big Island and says he’ll never leave, but fears his three young children will not feel the same way. He wants to make sure they have reasons to stay. The following pages contain six ideas from a dozen Big Island leaders about how to turn the Big Island into a place that those children will always want to call home.

1. Support Mom and Pop

Fixing the Big Island's economy will require long-term planning and discussion, but it's not all rocket science, says Toby Taniguchi, executive vice president of store operations for KTA Super Stores.

Taniguchi can't emphasize enough the importance of buying local.

"It's usually the Joe Souza down the street who supports the soccer team," he says. "It's the mom-and-pop store that sponsors the Little League trip, so we have to support them because they're the ones that invest in the betterment of our community."

KTA, which employs more than 850 people, puts that philosophy into action: The company supports the American Heart Association, United Way, the Boys and Girls Club and many other local organizations.

In a recession, Taniguchi adds, the community must support nonprofits even more. "From cradle to rocking chair, we have to take care of our community and then our economy will have a chance to thrive."

2. Power Up

The Big Island's economic future depends on sustaining existing industries while developing new ones.

"If we can capture a portion of the \$750 million that we ship off-island for fossil-fuel dependence, that would be something," says Matthews Hamabata, executive director of The Kohala Center, which advocates for energy sustainability and food self-reliance. By forging strong local-global partnerships, Hamabata says, Hawaii Island can be a model for the world.

Many believe geothermal should be a part of that model. "We absolutely must get into geothermal. Pau. End of story," says Richard Ha, president of Hamakua Springs Country Farms. "Geothermal could provide enough power for the entire state somewhere down the road and it would definitely help stabilize our economy."

At peak demand, the Big Island consumes around 200 megawatts of energy. Puna Geothermal Ventures is permitted to generate 60 megawatts, although it currently only produces about half that. "We have equipment in place to generate 30 percent excess of what the island consumes at peak level," says PGV's plant manager Mike Kaleikini. However, its remote location at the end of the electrical grid poses storage and transmission challenges. It is currently prospecting other sites for geothermal generation.

Ha, along with Jacqui Hoover, executive director of the Hawaii Island Economic Development Board, supports an underwater cable to carry geothermal-generated electricity to other islands. Lack of capital and outside investors have always blocked changes in Hawaii and the cable needs lots of both. "In that regard, a feat of this magnitude – we're probably talking about billions of dollars – could be a long way off," says Elizabeth Cole, deputy director of The Kohala Center.

Money isn't the only obstacle. Geothermal faces cultural challenges from individuals who argue that it exploits natural resources. "A lot of the people who have a problem with geothermal are removed from

Hawaii,” Kaleikini says. As a Native Hawaiian, he believes geothermal is a gift. “We’re not using it out of disrespect or wastefully. It’s a resource, just like how you can gather from the land or go fishing,” he explains.

Kenoi believes the Big Island could be the first Hawaiian Island to hit the 70 percent renewable energy target initiated by Gov. Linda Lingle. “We’ve already got solar, wind, geothermal and ocean thermal energy conversion initiatives underway,” he says. “We’ve got Big Island Carbon in Kawaihae that will be making energy from macadamia nut shells and another partnership involving Shell Oil that is using algae to create energy, so the innovation is already here.”

3. Create and Export Ideas

Hawaii's isolation hinders exports, but Hamabata sees it differently. "We might not be able to manufacture very many goods, but we sure can export the stuff between our ears," he says. "Knowledge, ideas, innovation. That's what will boost our economy and what we can offer to the rest of the world."

UH-Hilo's Tseng couldn't agree more. She says her campus is a living laboratory for the state's top minds. It recently added two doctorate programs – pharmacy and Hawaiian language – and six new master's programs. "I think higher education and advanced-degree programs are a huge economic stimulus because it means local kids won't have to go to Mainland colleges to get a quality education," Tseng says. "We need to reverse the brain drain and keep our talent in the Islands." Student enrollment has increased 50 percent over 10 years to more than 4,000.

Tseng says state budget cuts have forced UH Hilo to eliminate some courses. "Right now, we're doing OK, but the state needs to remember that if you cut to the bone, it's hard to revive." Too many reductions could force top-notch faculty and students to go elsewhere.

"Tourism, construction, infrastructure, those are all important," Tseng says. "But education is the foundation. It, alone, has the ability to generate buildings, income, knowledge, research, social vitality, cultural understanding, international recognition and global awareness. And those are all priceless."

4. Build Roads to Opportunity

The County of Hawaii will receive \$96.4 million in federal stimulus to build roads, repair bridges, and expand and repair water and wastewater systems.

"One of the things that's always been a challenge is our transportation system," says the development board's Hoover. "We have to look at where we want to be and then reverse engineer."

Transportation upgrades mean construction jobs and would shorten the two-hour commute between East and West Hawaii. "Who knows, that could prompt some businesses to expand or give residents greater accessibility to higher-paying jobs and education," Hoover says. "That would certainly improve our economy."

Saddle Road, which runs from downtown Hilo to Kona, with access to the slopes of Mauna Loa and Mauna Kea, is undergoing the second phase of realignment.

Kenoi says the county will expedite permits to get these projects rolling. "If people aren't working because of economic forces beyond our control, no can help," he says. "But if people aren't working because of the inefficiencies of our permitting, planning or building procedures, that's just inexcusable."

The county is also building a \$50 million West Hawaii Civic Center, the Keaukaha Military Reservation Armed Forces Reserve Center near the Hilo Airport, \$28 million in workforce housing in Waikoloa, and

is contracted for \$110.5 million more for new and ongoing construction.

5. Fix Tourism with New Blood

Ten of the Big Island's largest employers are hotels on the South Kohala coast, so getting heads in beds is one of Kenoi's top priorities. In August, the state's four mayors joined the Hawaii Visitors and Convention Bureau on a marketing blitz to the West Coast. Kenoi is also working with the state and the Hawaii Tourism Authority to secure more direct flights from the West Coast to the Big Island.

Summer occupancy rates at the Sheraton Keauhou Bay Resort & Spa have fluctuated between a low of 30 percent and the high 40s. "It's been a challenging year," says Christi Lewis, the hotel's director of sales and marketing, "but we're already starting to see small signs that things are improving, so we're optimistic." Vivian Landrum, the president and CEO of the Kona-Kohala Chamber of Commerce, says many hotels have been relying on group bookings or big events to boost revenue.

Lower numbers have cut airline fares and hotel rates. George Applegate, executive director of the Big Island Visitors Bureau, says, "It's an ideal time to reach out to the first-time Hawaii traveler who has perceived that Hawaii is too expensive when, in fact, it's more affordable than ever." The bureau is launching promotions, contests, sales trips and education campaigns and increasing efforts to attract more conventions, meetings and incentives business.

To be profitable today, companies need to be flexible and adapt to their clients' needs, says Chris Colvin, sales manager for Nature Adventures & Outfitters, which offers guided tours of Big Island forests and trails. "For example, if customers have problems getting to your site, fix it," he says. "You really have to offer added value if you want to get a piece of the shrinking pie."

Lewis says social media and Internet marketing also help reach a broader audience. That's why Mendy Dant, vice president of Fair Wind Big Island Ocean Adventures, says it'll take "new blood" – people who know technology and advanced marketing – to move the visitor industry forward. "We need visionaries," she says. "We need to get rid of the old boys and get fresh blood in."

Dant also suggests that every island have a Department of Land and Natural Resources chief to effectively address island-specific issues, such as rules for tourism businesses. She says many of the big decisions made in Honolulu aren't the solutions for the Neighbor Islands.

On the Hilo side, aging hotels provide another challenge. "It's a shame because the East side has so much to offer," says Mary Begier, executive director of the Hawaii Island Chamber of Commerce. She says several properties are upgrading facilities, which should help attract more visitors.

6. Aim for the Stars

A \$1 billion opportunity can come just once in a lifetime. In July, the board of directors of the Thirty Meter Telescope Observatory selected Mauna Kea over Chile as the site for the world's biggest and most advanced telescope. Many leaders anticipate TMT will create jobs, attract big money and draw world-class

talent.

“TMT will mean endless opportunities for our residents,” says Ha, who helped lead the TMT campaign. “The best minds would come to study and do research here and our local kids would have access to high-paying science and technology jobs. Good things are bound to happen when we rub elbows with smart people.”

Ha also sees TMT as a way to help elevate low-income families into the middle class. “This will really raise the standard of living, especially for some people in East Hawaii.”

Kenoi supports TMT for similar reasons. “My dream is that when an outsider asks someone from the Big Island where they’re from, they won’t automatically assume we all work construction or work at one of the hotels,” Kenoi says. “While there’s nothing wrong with those jobs, the TMT will give hope that even small-town kids from the Big Island can do big things and get good-paying jobs in industries other than construction or tourism.”

Ha says the real victory wasn’t about winning over the TMT board. “History has taught us that the process of getting things done is just as important – if not more important – than the actual end result,” he says. That process included nearly two years of heated debate that pitted friends, neighbors and relatives against one another. “The good thing was that everyone who had an opinion at least agreed on two things: We were all pro-Big Island, whether or not we were for or against the telescope, and we were all concerned about the education and future of our keiki.”

The side benefit of doing things pono and fostering open, respectful conversation, Ha says, is that process can now guide other islandwide issues. “And we have big plans, so I’m sure we’re going to be activating this model for years to come.”



Agriculture Land: Injects about \$500 million a year into the economy.

1 Parker Ranch: Generates more than \$2 million from visitor and retail sales annually and over \$12.5 million from cattle operations.

2 Thirty Meter Telescope: A \$1.2 billion project that will create more than 300 construction jobs in the short term and 140 more science/technology positions when the TMT is completed in 2018. The TMT board has also committed to invest \$1 million a year toward Big Island education for the 50-year life of the telescope.

3 Hawaii Carpenters Union Unemployment: Hard hit for years by the construction slowdown. Unemployed members on Oct. 1, Hilo 56%, Kona 86%. Unemployed at end of 2007, Hilo 51%, Kona 56%.

4 UH Hilo: The second largest employer in East Hawaii after agriculture with about 600 faculty. It generates about \$240 million each year in economic activity. About \$20 million is from teaching and research grants.

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Tourism: Visitor numbers are down about 25% from two years ago. Jan-Aug 2009: 845,912 Jan-Aug 2007: 1,125,855

because of poor pavement and limited visibility. So far, half of the 45-mile road has been realigned at a cost of \$30 million.

9 Pohakuloa Training Area: At almost 100,000 acres, PTA is the largest Department of Defense installation in Hawaii with housing quarters for about 2,000 troops. On the ground, it is only accessible via Saddle Road.

10 Hawaii Island Community College at Palamanui: Design and construction will result in the creation of approximately 150 direct jobs. Enrollment could begin as early as Fall 2011.

11 Natural Energy Laboratory of Hawaii: Laid out to nearly 30 innovative enterprises - and growing - it generates about \$30 million to \$40 million each year in total economic impact.

SOURCES: COUNTY OF HAWAII RESEARCH AND DEVELOPMENT; HAWAII UNIVERSITY OF HONOLULU AT THE UNIVERSITY OF HONOLULU; HONOLULU COUNTY DEPT. OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM; DEPT. OF LABOR AND INDUSTRIAL RELATIONS