

## Report II

# The World's No. 1 Resort Can Be Created on Urasoe's West Coast

*It's about time that we aim for the top!*

Akira Toguchi

Editor-in-Chief, Okinawa Kankou Sokuhousya

### 1. Enhancing and expanding capabilities to host 25 million visitors

Last year, 9.4 million tourists visited Okinawa, surpassing the 9.38 million who traveled to Hawaii, the destination that has served as a tourism model for Japan's southernmost prefecture. This year, the number of visitors to Okinawa could well exceed 10 million. The prefectural government says that it is looking to make inbound tourism a world-class industry, but perhaps it's now time to aim higher by putting Okinawa at the top of the pole. This author, judging from Hawaii's track record, believes that Okinawa has the potential to draw 25 million visitors annually, as long as action is taken to further enhance and expand the prefecture's inbound tourism capabilities. This article presents a few examples of the steps that can be taken.



Photo 1: Urasoe's west coast, with the recently opened bayside bypass.

### 2. Growth of global tourism: Contributing factors and outlook

This author has repeatedly asserted in *Shimatati* that the level of inbound tourism in Okinawa can be expected to grow toward its maximum hosting capacity in line with the logistic equation ("The law of Okinawa tourism growth: Further growth on the way," No. 73, July 2015; "Okinawa's tourism industry ranks among the highest of 180 countries," No. 75, January 2016; "The global method of tourism forecasting applies to Okinawa as well," No. 81, July 2017"). This author also noted that UNWTO data show that the inbound tourism industries of various countries are following a growth trajectory similar to that of Okinawa. Citing statistics for more than 180 countries across the world, the author found that inbound tourist levels were on the rise for nearly all of the countries not embroiled in war or other calamities. Moreover, the author explained the ten-odd forecasting techniques presented in UNWTO's *Handbook on Tourism Forecasting Methodologies*, and argued that simple extrapolation of past trends was the most accurate approach.

This article builds on those premises by adding three new insights. The first is a set of four criteria essential for the growth of tourist destinations that was put forward by David Atkinson and incorporated into the Japanese government's tourism policies.

The second is three types of factors that the *Handbook on Tourism Forecasting Methodologies* uses in its observations of global tourist behaviors: the destination's pull factors, the origin's push factors, and the frictional factors standing between destinations and origins.

The third is that the experiences of Hawaii teach us that even after the number of inbound tourists reaches the destination's maximum hosting capacity, that number can be stretched further by taking

the right steps to expand hosting capabilities. This author used the logistic equation to calculate maximum hosting capacity growth beyond a given timepoint and obtained a result that fits well with Hawaii's recent trends (Graph 1).

On the basis of that finding, this author proposes that Okinawa, after passing the 10-million-visitor mark, should aim to become the world's top tourist destination by developing new resort sites, particularly by leveraging the land of Camp Kinser in Urasoe that is scheduled to be returned to the prefecture's control.

Atkinson's four criteria for becoming a "tourism-oriented country," outlined in his book *Shin Kankou-rikkoku-ron* (A New Concept for Becoming a Tourism-oriented Country; Toyo Keizai, 2015), are to have appealing climate, nature, culture, and food. He argues that Japan, as one of the few countries that fulfills all four requirements, should aggressively promote inbound tourism. The sources that informed his selection of the four criteria were not cited in *Shin Kankou-rikkoku-ron*, but in a lecture given in Naha in February 2016, he said that he based his theory on research conducted for years by the University of London, Cornell University, and other top Western universities in tourism studies (*Kankou to Keizai*, No. 917, March 15, 2016).

Atkinson is a member of the Japanese government's Council for the Development of a Tourism Vision to Support the Future of Japan, and the government incorporated many of his insights in the "Tourism Vision to Support the Future of Japan" adopted in March 2016. Okinawa, without question, meets all four of his criteria for tourism-driven growth.

In 2015, 19.74 million international visitors came to Japan and spent ¥3,447.1 billion during their stay. The Vision seeks to use that success as a springboard to boost those numbers to 40 million visitors and ¥8 trillion in 2020, and 60 million visitors and ¥15 trillion in 2030.

The second new insight that this article adds is the three types of factors presented in UNWTO's *Handbook on Tourism Forecasting Methodologies* that positively or negatively impact tourism. Those factors are as follows.

- 1) Push factors: The tourist origin's population, income, education, age distribution, leisure time, family composition, and climate.
- 2) Pull factors: The presence of relatives/friends in the tourist destination, as well as the destination's climate, commercial connections, social/cultural ties, marketing, events, and amusements.
- 3) Barriers: Travel costs, outreach by competing destinations, travel distance/time, hidden taxes, airport taxes, and threats to safety.

Of these three categories, the pull factors are the only ones that Okinawa can fully take action on, but it can also strive to minimize some of the barriers. Push factors can be cultivated by supporting the origin's economic growth, but this approach falls mostly within the sphere of the Japanese government's development assistance, and is not feasibly an actionable area of policy for the prefecture. Still, push factors tend to grow along with the global economy, so going forward Okinawa will likely need to exploit those factors in diverse ways as part of its tourism promotion efforts.

### **3. Evolution of Okinawa infrastructure and hosting capabilities**

Okinawa's environment has changed radically over the years leading up to today, when the annual number of visitors is poised to surpass 10 million the first time ever. The prefecture now boasts an abundance of social capital, and Naha Airport is building a second runway. Concerns had been voiced about Okinawa not having enough water to host 10 million visitors, but the construction of dams for securing an adequate water supply is nearly complete. Water shortages and rationing, previously annual occurrences, have not plagued the prefecture since 1995. Okinawa is covered with a well-

developed road network. Naha port now has an exclusive berth for cruise ships, and cruise ships also visit the ports of Miyako, Ishigaki, Motobu, and Nakagusuku. Various port improvements are being made, including quay extensions and construction of new terminals.

From the tourism industry's perspective, all these changes represent infrastructural enhancements that add to the prefecture's ability to host 10 million visitors. Moreover, the improvements have helped to make the tourism industry an attractive target for investors—and in fact spurred increased investment. The synergy between infrastructural development and tourism has become indisputable. The process by which this synergy and interactions have worked is as follows.

Japanese travel agencies of all sizes have been able to fully sell the increasing number of guest rooms, and this has enabled them to expand their businesses as well. Airlines have carried out robust promotional campaigns that have created demand and boosted the number of travelers, and in so doing have fostered their own growth and that of tourist destinations.

The increase in inbound tourists has helped to strengthen and expand diverse enterprises—including tourism facilities, souvenirs such as traditional crafts and food, performing arts and other entertainment, dining, and transportation—and to enhance their quality, thus driving the evolution of the prefecture's hosting capabilities. This, in a nutshell, is how Okinawan tourism has grown.

The point made just now generally applies to other tourist destinations, both in Japan and abroad.

#### **4. Okinawa revises 2021 tourist target up to 12 million**

As part of its March 2017 interim review of the 5th Okinawa Tourism Promotion Plan, the prefectural government revised the inbound tourist target for 2021 from 10 million visitors to 12 million. A long-range forecast released by the Okinawa Convention & Visitors Bureau foresees 17.42 million tourists traveling to Okinawa in 2030.

This author, as mentioned earlier, believes that such a level of growth is possible, and has the potential to climb even higher, to around 25 million, judging from the data for Hawaii. As the ceiling on annual visitation is determined by hosting capacity, further expansion of Okinawa's hosting capacity through new developments—particularly on US military base land returned to the prefecture's control—would make it fully possible for Okinawa to host as many visitors as taken in by Hawaii, whose population is roughly the same size as that of Okinawa.

The annual number of visitors to Okinawa surpassed that of Hawaii for the first time ever in 2017, rising to 9.4 million versus Hawaii's 9.38 million. However, it should be noted that the average length of stay for tourists in Hawaii is approximately 9 days, which is two and a half times higher than the roughly 3.6 average for Okinawa, so when visitation is calculated as the number of visitors multiplied by the length of stay, Hawaii surpasses Okinawa by a factor of two to three.

This author arrived at the potential visitation figure of 25 million based on the assumption that the current average length of stay in Okinawa remains unchanged and Okinawa's maximum hosting capacity rises to the same level as Hawaii. Hence, to reach that number, Okinawa will need to carry out massive development on par with Waikiki.

#### **5. The potential of Urasoe's west coast**

A suitable approach to building up the sort of hosting capabilities described above would be to develop resort town-style centers featuring zoning and high-rises similar to those in Waikiki and other major tourist destinations. This approach has succeeded on a large scale in Miami and Australia’s Gold Coast, as well as Asian destinations such as Bali and Phuket. The traditional “one beach, one hotel” model is now seen as a luxurious ultra-high-end type of resort.

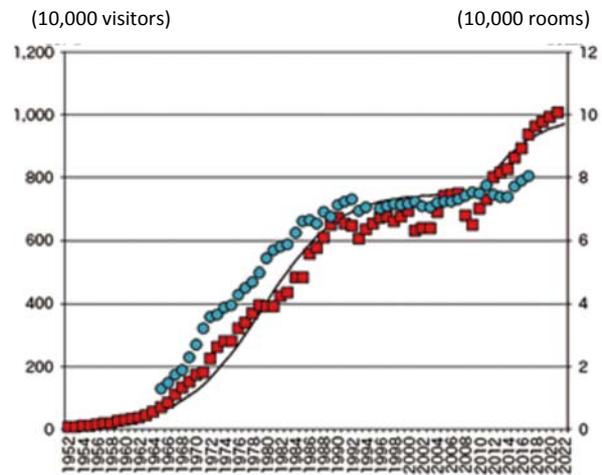
Around 1990, the prefectural government conceived a vision for developing Okinawa as a tropical resort that would form a “Golden Triangle” along with Hawaii and the Gold Coast. At the time, it was an astonishingly overly ambitious goal, but today, 30 years later, it no longer seems so far-fetched.

In the years from 1990 to 2005, Waikiki experienced a stall in tourism growth that this author has attributed to a lack of increase in the number of guest rooms during that period, as major hotel developments had come to an end. Using the logistic equation to express visitation growth that robustly increases for a while but levels off at a certain point, the author found that the equation’s solutions closely mirrored the actual tourism figures (*Shimatei*, No. 73). The number of tourists can grow until it reaches the destination’s capacity to accommodate them—namely, the number of hotel rooms—but thereafter it plateaus. The author visited Hawaii and observed that all hotels were fully booked and wages were on the rise.

The mid-1990s saw the launch of a massive development project to create a “second Waikiki” with four manmade beaches in Oahu’s Ko Olina district. Hotels began opening there in 2005, including a Disneyland hotel in 2009, marking a substantial increase in Hawaii’s hosting capabilities.

Let us see how Hawaii and Okinawa stack up in terms of long-term tourism trends. Graphs 1 and 2 show the growth in number of inbound tourists and number of guest rooms. The trajectory of the

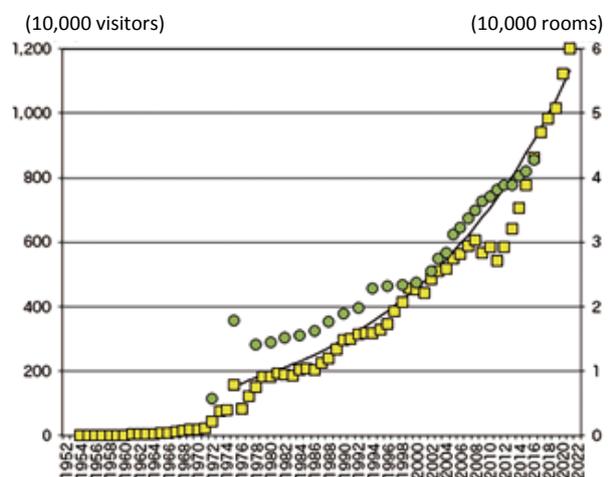
**Graph 1**  
Hawaii’s number of inbound tourists ■ & number of guest rooms ●, with trajectory of number of visitors plotted with maximum capacity of 7.5 million up through 2011, and of 10 million for 2012 onward (logistic equation solutions)



Source: Real number of tourists/rooms and projected number of tourists for 2018 onward are from the Hawaii Tourism Authority. Logistic curve was plotted according to logistic equation solutions by the author.

**Graph 2**

Okinawa’s number of inbound tourists ■ & number of guest rooms ●, with trajectory of number of visitors for 1975–2017 plotted based on average annual growth of 4.41% (exponential function)



Source: Okinawa Prefectural Government, “Tourism Handbook.” Projections for 2018 onward are from “Roadmap for Promoting Okinawa Tourism (Revised Edition).”

continuous curve for Hawaii represents the solutions of the logistic equation applied to the number of visitors. With the completion of major hotel developments in Waikiki, the growth in the number of visitors tapered off, slowly approaching the maximum hosting capacity of approximately 7.5 million people. The number of visitors to Okinawa, still far from the maximum hosting capacity, has been growing exponentially.

The global financial crisis that began in 2008 precipitated a downturn in the number of visitors to both Hawaii and Okinawa, and the number of hotel rooms in Hawaii also contracted as several major hotels partially or fully closed their rooms for renovations. Around 2010, the number of

visitors to Hawaii began rapidly rising again toward a new maximum as new hotels opened, surpassing the 9 million mark in 2017, and is projected to soar above 10 million in 2021, according to a forecast by the Hawaii Tourism Authority. This growth closely coincides with the trajectory of the logistic curve, which was plotted based on an increase in maximum hosting capacity at around 2010. It is evident that even if Okinawa's number of guest rooms reaches its maximum, it can, if necessary, be raised further through the implementation of new development projects.

Okinawa is currently rumored to have a labor shortage. If this is the case, Waikiki's condominiums may provide an answer for resolving this obstacle. Hotels account for 44,000 of Hawaii's 79,000 guest rooms, while the remainder is made up of 11,000 rooms at condo hotels—which, compared with full-service hotels specializing in provision of guest rooms, require very little service staff—plus 11,000 time-share units, 12,000 vacation rental units, and 1,000 other accommodation units. Nevertheless, hotel and restaurant owners are satisfied. Hawaii's unemployment rate in 2007, just before the global financial crisis, was around 2.6%, the lowest in the United States. It rose to slightly above 7.0% in 2009, but fell back to a notch above 2.0% in January 2018.

The construction of a second runway at Naha Airport will likely help Okinawa to avoid the sort of stalled growth that Hawaii experienced in the 1990s. Experts have pointed to the need to build a second passenger terminal following the completion of the second runway.

## 6. Let's aim to be the world's No. 1

Urasoe's west coast represents the most promising location for tourism development that could help Okinawa become the world's foremost tourist destination, hosting 2.5 million visitors each year. The NBC Association of Okinawa was a group of crew members who, prior to Okinawa's reversion, served aboard ships operated by National Bulk Carriers, a US-based company that was then the world's largest shipper. In the mid-

1980s, the association enlisted the company's backing to put together a land reclamation and development project on Urasoe's west coast that would construct a golf course, and a 2,000-room luxury hotel, and a quay large enough to accommodate the *Queen Elizabeth 2*. The then-mayor of



Photo 2: Waikiki (Google Earth)



Photo 3: Urasoe's west coast (Google Earth)



Photo 4: Water villas in the Maldives

Urasoe, Noboru Higa, and NBC Association of Okinawa leader Naoharu Tokumura traveled to NBC's headquarters in New York and met with Chairman Daniel Ludwig, who voiced his support for their plan. However, some people expressed concern that the proposed 2,000-room hotel's impact on the Okinawa tourism industry would be too heavy. Moreover, there was talk of relocating Naha Military Port to Urasoe's west coast. Barriers such as these prevented Higa from formally greenlighting the project before the deadline of one year from the meeting in New York. Not long afterwards, the mayor and Ludwig passed away. Yet, today, 2,000-room hotels are no longer a pipe dream for Okinawa, and years ago Naha Port hosted visits by the *Queen Elizabeth 2*. The land of Camp Kinser is scheduled to be returned to Okinawan administration, and the relocation of Naha Military Base is a focus of attention.

Okinawa's tourism industry has grown to a level where it indisputably has the potential to reach the top of the world, and the most promising stage for achieving that goal is Urasoe's west coast (Photo 1). A sufficient labor force can be drawn from the city and surrounding neighboring municipalities such as Ginowan and Naha.

Photos 2 and 3 on the preceding page are Google Earth images of Waikiki and Urasoe's west coast rendered at nearly the same scale. A new road has been recently opened on Urasoe's west coast. The land of Camp Kinser is slated to be returned, and land reclamation project for the port is in the works. Once these plans come to fruition, the west coast area will be large enough that world-class resort Waikiki could fit inside.

Any beaches developed there should face south so that their sand is not washed away by the Kuroshio Current. Canals could be carved out in the reclaimed land and filled with seawater to provide additional beachside environments. Also, the popular water villas (Photo 4) of tourist destinations such as the Maldives could be built over the canals. Resort hotels in new forms that were not possible before due to typhoon effects and development constraints could be constructed. And thus so could high-rise hotels.

Furthermore, during the months from December to March, the waste heat from the Okinawa Electric Power Company's nearby power plant could be used to heat the entire area enough that beachgoers would be comfortable in light attire even in the winter. Bringing together resort facilities that provide pleasure year-round would provide a magnet of activity and foster the creation of new businesses, making it possible to achieve sustainable growth. Driving along the road on the Urasoe west coast opens your eyes to the potential for this area to evolve into the world's premier resort.