

# Islands in Transition

A QUARTER-CENTURY OF  
PLANNING AND ECONOMIC DEVELOPMENT  
IN THE STATE OF HAWAII

1960-1985

By Cornelius D. Downes



DEPARTMENT OF PLANNING AND ECONOMIC DEVELOPMENT

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## EXECUTIVE CHAMBERS


HONOLULU

GEORGE R. ARIYOSHI  
GOVERNOR

### FOREWORD

The Department of Planning and Economic Development has been directly involved in many of the fundamental issues and programs affecting the economy of our State and the quality of life of our people. The Department has grown over the years, and its tasks have increased in complexity. To a considerable extent, the life and times of our State have been reflected in the life and times of the Department of Planning and Economic Development.

This informal history of the Department will give department employees and the general public a greater awareness of the issues and programs of the past, their continuity with the present, and their implications for the future. It will serve as a benchmark, a reference point, as the Department continues to strive to fulfill the goals and aspirations of the people of Hawaii. It will also help us to remember the dedication and excellent work of those who went before us, and laid the foundations for the opportunities we enjoy today.

  
George R. Ariyoshi







#### DIRECTOR'S FOREWORD

During the past two years, many individuals in the Department of Planning and Economic Development have come together to define the mission of the department; review and recommend the updating of department statutes; describe the values and expectations of the department's employees; and set forth policies and procedures consistent with those values and expectations. As these many activities were progressing, I asked Corny Downes if he would write about the Department, our past and present, history and traditions, problems and achievements. He agreed to do so.

Cornelius Downes is uniquely qualified to describe DPED. He joined the Department in 1967, and has served under all three Directors. As a journalist, and the Department's Information Officer, he has written countless reports, edited hundreds of documents, composed hundreds of speeches, drafted thousands of letters and answered tens of thousands of telephone calls about planning and economic development and the activities of our department. He has done so with craftsmanship, with wit and humor, and with great good sense. His dedication and the excellence of his work were recognized formally in 1984 when he was chosen as the DPED Employee of the Year, the highest award given by our Department.

This informal history of the Department is a treasure. It will help us and the general public to better understand and appreciate our role and the contribution we can make to improve the quality of life and economic conditions for all the people of Hawaii.

A handwritten signature in dark ink, reading 'Kent M. Keith' in a cursive style.

Kent M. Keith  
Director of Planning  
and Economic Development



## INTRODUCTION

"You can never plan the future by the past." (Edmund Burke)

"What's past is prologue." (William Shakespeare)

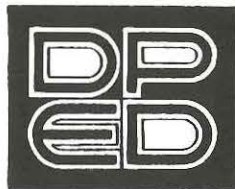
"We fret ourselves to reform life, in order that posterity may be happy, and posterity will say as usual: 'In the past it used to be better, the present is worse than the past'." (Anton Chekhov)

"It is pleasant to recall past troubles." (Cicero)

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This booklet is a short, informal history of the State of Hawaii Department of Planning and Economic Development. It is intended to give Department employees a remembrance of things past so they may gain that sense of continuity essential in their work for the people of Hawaii. Without an awareness of the work which went before them, they may re-invent the wheel and look in awe at their own accomplishment. This book is also a tribute to those dedicated government workers, many of them deceased, who built foundations. And it is a book of general reference for the public which is to be served by the Department. Opinions expressed are those of the author, not of the Department.

This is not a scholarly work, nor does it meet certain standards of professional report-writing. An attempt has been made to avoid bureaucratic jargon, professional bafflegab, data tables, footnotes and sources, illustrations, acronyms and a bibliography, all of which cause clutter. The intention has been to tell an interesting story fairly quickly. Cicero also wrote: "There is nothing in a history more attractive than clean and lucid brevity."





## FIRST THINGS FIRST: ORIGINS

Planning and economic development in the Hawaiian Islands can be traced back--if one generalizes about what planning and economic development are--to King Kamehameha the Great. He planned to conquer the Islands, assessed his resources to do so, made his decisions, and united all the Islands politically and militarily. With political control came resources control. After control came the hope for wise management and use of the resources to serve posterity. In all this give and take, conflict was inevitable, and in Hawaii's history there was great tragedy as well as achievement.

The years passed. The Hawaiian population was reduced drastically by disease and psychological disorientation. Immigrants of all sorts from East and West brought new ideas, cultures, systems. The population of Hawaii roller-coastered. There were perhaps 250,000 Hawaiians in 1778; in 1853, the all-Islands total population was down to 73,000; today (1986) it is above one million. Hawaii's history has included a series of monarchs, a Republic, a Territory, and Statehood from 1959. Hawaii went through its own mini-civil wars, the U.S. Civil War, the Spanish-American War, World War I, World War II, the Korean War and the Vietnam War.

Throughout this history there were citizens--patient, good and true--who yearned for peace, prosperity and an assured future for their children and their children's children. There were concerned with two basics: planning, and economic development.

"Planning" outside Hawaii goes back into the dim mists of history--to the Tower of Babel, whose planners didn't accomplish their goal but instead brought something new into the world; to the pyramids of Egypt; to the temples of the amazing Aztecs and the Temple of Jerusalem; to the Polynesian voyages of exploration; to Asian civilizations; to the poorly planned European Dark Ages; and on into our modern world. Today, governmental planning is a profession, an intellectual discipline taught at universities.

## PLANNING IN THE UNITED STATES

State planning in the United States of America is fairly new. In 1937--49 years ago--Hawaii's Territorial Legislature established a Territorial Planning Board. Its first big report had this bit of history:

"As a result of the depression which began in 1929, early work in state planning was developed by the States of Wisconsin and New York in 1931 and other states in the following year. It was being discovered that State self-knowledge was lacking. Stimulated by the activities of these States and the new National Planning Board, there came into existence during the years 1933 and 1934, forty-six State Planning Boards."

The report also contained five steps for a planning activity:

"1--Study and understanding of a problem--commonly called research.

"2--Creative conception of alternative solutions--a function unnamed, probably because it is so rare.

"3--Policy-making or choosing between alternatives--among these being the choice of doing nothing.

"4--Lay-out or design--planning the detailed execution of the chosen design.

"5--The execution and carrying out in practice of the chosen solution."

The report then went into more detail on what is called today the planning process. In discussing "a true master plan for a state" it also noted the following:

"In the sphere reserved to private initiative, as distinguished from public initiative, we are in a field where we can do little or no effective planning. Here the Price System and laissez faire control commerce, industry, finance, credit--and capitalism commands the field of planning. All that government can do in this sphere is to legislate against abuses."

One of the first major actions of the 1937 Territorial Planning Board was to gather basic, detailed information about the Territory. It obtained a Federal Works Progress Administration grant of \$24,000 and added some Territorial funds to finance a six-month project employing 50 persons--draftsmen, statisticians, clerks, typists and stenographers. The "vast" volume of information collected was published in February 1939 in the Board's above-mentioned report titled, First Progress Report: An Historic Inventory of the Physical, Social and Economic and Industrial Resources of the Territory of Hawaii.

The 322-page single volume contained numerous maps, charts, graphs, and statistical tables. It was hailed by the Honolulu Star-Bulletin as a compilation in which "for the first time is compressed and set forth graphically a vast amount of data about the Territory--data requisite for proper planning for the future."



## WAR AND STATEHOOD BROUGHT CHANGES

World War II came to the Pacific with the bombing of Pearl Harbor on December 7, 1941. The war and Statehood for Hawaii in 1959 brought major organizational changes.

The Territorial Legislature had allowed the Territorial Planning Board to expire in June 1941; it was revived briefly in 1954-55. In 1949, an Industrial Research Advisory Council was established. It was succeeded in 1955 by a new agency when the Legislature established the Economic Planning and Coordination Authority. Next, the Territorial Planning Office was established by the Legislature in 1957; it became with Statehood in 1959 the State Planning Office. The State Department of Planning and Research, established later in 1959, began its activities in 1961. Also established by the Legislature in 1959 was the State Department of Economic Development.

Finally, Act 2 of the Session laws of Hawaii 1963 provided for the merger of the Departments of Planning and Research, and Economic Development. Governor John A. Burns signed Executive Order 20 merging the two departments on May 16, 1963, and for the past 23 years it has been the State Department of Planning and Economic Development. Under Governors Burns and George R. Ariyoshi the Department has been headed successively by Dr. Shelley M. Mark, Hideto Kono, and the present State Director of Planning and Economic Development, Kent M. Keith.

## FEDERAL PLANNING LEGISLATION

New Federal legislation in the 1950's and 1960's stimulated State planning. The Federal Urban Planning Assistance Program--Section 701 of the Housing Act of 1954--produced guidelines for States seeking 701 planning assistance funds. In an applications guide book, the Department of Housing and Urban Development (DHUD) listed the tasks of State comprehensive planning:

- Articulate goals and objectives for State development.
- Analyze significant development problems and opportunities.
- Propose alternative actions to be taken by the State to solve the problems or realize the opportunities.

DHUD recommended that State planners emphasize coordination of functional planning activities conducted by various State agencies which have significant impacts on the social, economic and physical development of the State. Federal legislation increasingly focused on State governments as the level of government which could best attack the nation's urban and environmental problems. And Federal programs offering Federal funds required State functional

functional plans in certain areas. DPED Director Dr. Shelley M. Mark noted in an address to a Hawaii State Senate Seminar on planning in January 1973 that "DHUD administrators have often used Hawaii's work and experience in this field as a model for other States to follow in developing their own State planning philosophy and methods."

#### NATIONAL RECOGNITION FOR HAWAII

Throughout the history of planning in Hawaii, both the Territory and the State were recognized nationally as among the pioneers and leaders in Governmental planning. A 1963 report quoted the following statement by the American Institute of Planners:

"The Hawaii State Planning Office...is the only separate state planning agency in the United States which has a director with cabinet status. Second, it has the largest budget for state planning and perhaps the most comprehensive active state planning program in the United States. Its functions are broadly conceived as encompassing the areas of research, the formulation of long-range development objectives, including a general plan, the preparation of a capital improvements program, and provisions for technical planning assistance to local units of government."

State planning is closely linked to land use, since land use is basic to population growth or non-growth, economic expansion or non-expansion, and a host of other civic interests and functions. In 1961 the new State of Hawaii passed its historic State Land Use law which gained attention nationally. (The DPED's first Director, Dr. Shelley M. Mark, also served on the State Land Use Commission; the Commission was assigned to DPED for administrative purposes.)

In The Quiet Revolution in Land Use Control, a report prepared in 1971 for the U.S. Council on Environmental Quality, attorneys Fred Bosselman and David Callies wrote:

"It all began in Hawaii. The quiet revolution in land use control saw its first legislative success with the Hawaiian Legislature's passage of the Land Use Law in 1961...now as other states begin reform of their land regulatory systems, it is increasingly apparent that Hawaii's ten years of administering a system of statewide controls offers a valuable source of practical experience."

The October 1973 Reader's Digest condensed an article from the previous month's National Civic Review by James Nathan Miller titled, "Hawaii's 'Quiet Revolution' Hits the Mainland." It was a reference to Hawaii's historic Land Use Law passed in 1961. It called the law "an idea so new and far-reaching in its implications that it set in motion what has been called a 'quiet revolution'...Very simply, what Hawaii's law does is to take a concept that



has been sacred for 300 years of American history--the idea that privately owned land is a commodity--and superimpose on it a new concept: that privately owned land is also a public resource. It's an idea that could do more to save the face of the U.S. countryside than all the environmental laws yet passed....".

The Good Earth of America--Planning Our Land Use was published in September 1974 by Prentice-Hall. In it was a chapter titled "Land As a National Resource" written by Carl H. Madden, then Chief Economist for the U.S. Chamber of Commerce. He noted: "There are plenty of state land-use controls. By 1973, California, Colorado, Florida, Maine, and Vermont had asserted strong planning authority to directly control their land...Hawaii, Vermont and Maine had zoned all their land, possibly a harbinger of the future...".

A little earlier, in May 1974, the Council of State Governments had published The Land Use Puzzle. It discussed the history of land use and land zoning in the U.S., noting that "from 1906 to 1926 the legality of zoning by 'block' or 'residential area' was debated in the courts...From the tentative beginnings in 1906, fifty-five years passed before a State actually enacted a comprehensive statewide zoning plan to be administered by the State itself. In 1961, the Hawaii State Legislature enacted a State zoning program which divided the State into three classifications: agriculture, conservation, and urban. A rural district was added two years later."

The State Legislature in 1975, while recognizing Hawaii's national planning leadership, called for a still better plan and planning process. It passed, and Governor Ariyoshi signed into law, Act 189, which said in part:

"The State of Hawaii has been pointed to as a national leader in commitment to land use planning...substantial further steps are necessary...the purpose of this Act is to create a structure for policy plan formulation and program plan coordination which will order the action of all state and county agencies under the general policies and directions prescribed by the legislature through a state plan."

This legislative action led to the present Hawaii State Plan, the first long-range comprehensive State plan passed into law by any U.S. State, and to establishment of the State Policy Council. The Council is a high-level body with specific functions relating to monitoring and reviewing all State agency actions for conformity with the Hawaii State Plan.

On June 5, 1978, the Honolulu Star-Bulletin said in an editorial about the Hawaii State Plan: "All things considered...the writing and adoption of the State Plan is likely to have a significant effect on the future of Hawaii..." After listing five reasons for this prediction, the editorial noted: "It may be far too early to declare the State Plan all that its fondest backers hope. But it seems to us a significant base point from which to try to direct and shape Hawaii's future. It is one that can be revised as experience develops."



## PLANNING: THE WISE COMMUNITY SHAPES ITSELF

Archers shoot arrows.  
Planners build canals.  
The wise man molds himself.

-Gautama Buddha

The wise community molds itself.

The ability to plan distinguishes men and women from monkeys. Planning is an art. It is related to science. Planning means different things to different people. Ecologists, for example, may emphasize that planning is for the birds, and mean that literally, while some ordinary citizens will say planning is for the birds and mean something a lot different. Planning often appears to be just talk, talk, talk, but it can also mean radical, imaginative action for improvement. Planning is what governments do to prepare for the future. The future is hidden and mysterious, but planners plan anyway, on the assumption that the future will be somewhat like the past, only better. Planners seek to change things intelligently. Good planners are wise men and women who propose changes to those with the authority, power, ability and will to carry them out.

When wise planners and wise political leaders agree, good planning is implemented, and change for the better is accomplished in orderly fashion. The wise community molds itself.

## SOCIAL CHANGE AND PLANNING

A 1972 editorial in the Journal of the American Institute of Planners said that the planning profession had been "shaken to its deepest roots" by social changes of the previous decade. The Journal's editor wrote:

"...young planners disagree with old planners, black planners contend with white planners, big-city planners hold different credos than small-town planners, social planners challenge the methods of transportation planners, neighborhood planners differ with metropolitan or regional planners, and advocates of the environment clash with planners of economic development. In this turmoil a host of new specialists--health planners, mental health planners and, the latest arrival, law enforcement planners--have arrived on the scene in response to various government stimuli.

"This is not a situation of despair; a time of diversity, stress, and conflict can also be one of great promise...now the links of planning to political processes, to institutional structures, to forces of interest, and to man himself are beginning to surface for all to see. As a result, planning is emerging as more honest and less paternal; more open and substantially less naive; more varied while also more relevant."

An example of the honesty of the planning profession may be found in a report published in the early 1960s which analyzed the content of selected planning literature for a 16-year period, from 1950 to 1966. It found that "the planning profession, as represented by a selected portion of its literature, has given only marginal attention to natural environmental issues."

But all that has changed. In fact, planners have shown increasing interest in the complex and deep-rooted relationships between human behavior and the environment.

The Declaration of Independence says that governments are instituted among men for the purpose of securing certain unalienable rights, and that they derive their just powers from the consent of the governed. Government planning can contribute considerably to the practical work of securing those rights--life, liberty and the pursuit of happiness being prominently mentioned. But professional planners find themselves subordinated to the various forms government takes. Very often, government and the exigencies of the budgetary process tend to stifle, limit and thwart good planning. Planning of its very nature implies some imagination, dreaming and a soaring soul, as well as two feet on the ground and money in the bank. Government structures discourage soaring souls. Planning can only be as good and imaginative, on the government level, as the government which permits it, controls it, and carries it out. And government, in turn, can only be as good as those citizens who collectively give their consent to be governed.

#### HAWAII THE ACHIEVER

The Graduate Planning Program of the Georgia Institute of Technology issued in May of 1972 an interesting document called, "Testing of an Emerging Model of State Planning: A Report Card." The Report Card showed that, based on the emerging model, the State of Hawaii was the highest achiever in State Government planning in the United States for the period from 1967 to 1972. The report was prepared by Dr. Anthony J. Catanese, Professor of Planning at Georgia Tech. It noted that the emerging model "is the result of thousands of hours of research and debate." Official State planning programs in all 50 States were examined. Extensive use was made of surveys conducted by the Institute of State Programming for the 70's. The report called these surveys "the most extensive made since the work of the Natural Resources Planning Board in the 1930's."

In the Georgia Tech "report card," each State was given one of three grades in nine separate elements of planning. Each grade was awarded on the basis of four criteria. Hawaii received the top grade in all nine elements, and was the only State to achieve this ranking.



## PLANNING INVOLVES PEOPLE

What has emerged in Hawaii--which, to repeat, is looked upon as one of the leaders in State planning--is a planning process that goes beyond traditional methods of setting State goals, measuring resources, choosing from alternatives, deciding actions, establishing budgets and monitoring the action as it is carried out. Planning in Hawaii isn't left to ivory-tower professionals. Planning in Hawaii is a living process of academic, social, economic, scientific, environmental and political action. It involves thousands of citizens in a wide variety of activities. They have as their common goal orderly, systematic, guided improvement.

Plans and documents are not the planning process; they are guides issuing from it and related to it. The far more important product of the planning process is the changing of minds and hearts and opinions of a lot of citizens so that they might agree on unified action leading to betterment, and carry out such action. Increasingly, more citizens are getting involved in such activities.

Comprehensive, long-range Statewide planning has been humorously defined as an orderly attempt to move a hippopotamus in one direction by tying a thousand and one ribbons of different hues to all parts of the animal, and then inviting all citizens to join in tugging the creature toward a golden goal. Getting the hippopotamus to move is one thing; getting it to move in a straight line, in the right direction, willingly, at a moderate pace, is something else.

In the 1960s there were two schools of thought concerning how State planners should operate. One approach was to be "professional" and aloof from conflict. The other was to be engaged dynamically in community controversy. Back in 1968 Philip V. Maher, then executive director of the Institute of State Programming for the 70's at the University of North Carolina, wrote:

"Planning...must relate to action...By its very nature, government, a political institution, deals in issues, problems and controversy. If planning is to serve government--and that is its only rationale--it must operate within this context. There is far too much mere reporting and commentating in state planning and far too much inventorying today...Planning today needs people who advocate causes and press for solutions....".

In the 1970's the League of Women Voters of Hawaii prepared an excellent 25-page publication, "State Planning in Hawaii--a Primer" which helped many citizens understand State planning activities and the work of DPED.

## PLANNING IS A PROCESS: SOME HAWAII LANDMARKS

Planning is a process: it flows from one decade to the next, with each decade offering greater refinement. There have been at least eight landmarks in Hawaii's planning history: the 1937 establishment of the Territorial Planning Board; the 1959 establishment of the Territorial (later State) Planning Office; the 1961 State General Plan; the 1961 State Land Use Law; the 1963 establishment of the State Department of Planning and Economic Development; the 1967 General Plan Revision Program; the 1978 Hawaii State Plan law; and the 1984 amendment of the Hawaii State Planning Act to further clarify its purposes.

The 1967 General Plan Revision Program's Prospectus referred to the 1961 State General Plan as a "worthy conceptual effort" but one which "did not convey a sufficiently clear exposition of who would do the planning, what would be planned, and for whom the planning would be undertaken. It fell far short of expectations."

The 1967 General Plan Revision Program itself also fell short of legislative expectations and it was not enacted into law. But its Prospectus said it did "reflect a fundamental change in the concept of State planning...." It emphasized the need for incorporating the then-new Planning-Programming-Budgeting System in the planning process. It recognized the essentialness of wide public involvement in fashioning State goals and objectives. It also recognized the age of computers and of economic models. It stressed that planning was a process and not simply the preparation of a static land use and facilities-placement plan.

Today, the Hawaii State Plan--called by Governor George R. Ariyoshi second in importance only to the State Constitution--is law. It guides State agencies in all their activities, and the Counties and private sector also may use it as their guide. It was fashioned with widespread public input: a series of State hearings and surveys obtained the opinions and desires of Hawaii's residents on many issues, to insure that this State planning process follows the expressed will of the people.

## THE GOVERNOR'S ASSESSMENT

Governor Ariyoshi in 1978 wrote of the plan: "The Hawaii State Plan was drafted with utmost concern for the wishes and diverse needs of Hawaii's people, and with a proper respect for the State's limited resources. Hawaii--our people and land, our surrounding waters and air--is a unique place on the globe. It is a very fragile island community in which great care must be taken to protect priceless values...The aspirations of the people of Hawaii are mirrored in the Hawaii State Plan...Active participation by hundreds of our citizens has marked the three-year development of this document...It is this spirit of generous public participation and cooperation which must continue as the Hawaii State Plan is implemented. In this way, we all will share in the privilege of working together for a better future for our State."



## HOW CONFLICTS ARE RESOLVED

Statewide comprehensive long-range planning inevitably involves conflict. In establishing in law the Hawaii State Plan, State legislators wisely recognized that a mechanism was needed to resolve conflicts. It established such a mechanism in the form of a State Policy Council. The Council represents Hawaii's people in a unique way. It consists of nine public members, 13 designated State agency representatives, and four County Planning Department representatives. The Governor appoints the nine public members from no fewer than three nominations made by each of the Mayors of the four Counties with the advice and consent of the County Councils. The Policy Council thus formed is a high-level body representing varied State, County and public interests.

The Policy Council advises the Legislature on the administration, amendment, and review of the Hawaii State Plan law. Among its duties are: to discuss and make recommendations on conflicts regarding the Hawaii State Plan, the State Functional Plans (which are more detailed plans required by the State Plan), County General Plans, Development Plans and programs; to review the Functional Plans and to prepare an annual review and report to the Legislature. The State Department of Planning and Economic Development is designated by law as the primary agency to assist the Policy Council in its work, and its Director chairs the Council.

The Honolulu Star-Bulletin on June 5, 1978, said editorially of the Hawaii State Plan:

"The State Plan is apt to have a force beyond the force of law. It will be recognized as a document tested in dozens of meetings, many hearings, and finally by legislative enactment...a compilation of the goals and aspirations that the people of Hawaii agree on."

### SO MUCH FOR PLANNING...

"The two great disasters in Hawaii County during 1960...changed the course of planning events...The Kapoho area, with Warm Springs and ocean frontages as the focal points, was being planned for a major tourist destination area when lava completely covered it...The Plan for the Waiakea Peninsula in Hilo...had been approved in principle as a resort complex when the tsunami destroyed large portions of the Hilo waterfront."

--State and County Planning During 1960:  
First Annual Summary--State Department  
of Planning and Research, March 10, 1961.

## PLANNING THE PLANNING: WHICH WAY IS BEST?

Ever since DPED was established by the signature of Governor John A. Burns in 1963, the Legislature, the Governor's Office, DPED, and the Department of Budget and Finance (DB&F) sought better ways to handle the complexities of the State's planning, budgeting and related processes. Defining what those words meant, figuring out which departments logically should do what, explaining to hundreds of State employees how things should work, and training them for their specific tasks--all these were formidable problems in the last two decades.

Throughout the nation, too, new management concepts were touted, toyed with, sometimes adopted and sometimes also dropped. "Systems Analysis"; "management by objectives"; "zero-base budgeting"; "planning-programming-budgeting" (which Hawaii adopted and modified); "comprehensive planning"; and "strategic planning"--all these terms reflected a desire to better understand, organize and simplify the myriad complexities of government operations.

During the 1960's, the State's operating budget and its capital improvements budget were prepared separately as Parts I and II of the State budget, with DPED preparing the CIP portion and an economic overview. But Act 185 of the 1970 Legislature changed all that. It required that all State activities be grouped into various "program areas" (rather than by Departments as previously). The "Multi-Year Program and Financial Plan and Executive Budget" became the chief product of an improved version of the planning-programming-budget concept. In this process, DB&F was assigned the task of preparing the total budget for the Governor.

In 1978, the Hawaii State Plan--Act 100 of the 1978 Legislature --further refined the governmental planning process. A State Policy Council and DPED were assigned primary responsibility for coordinated implementation of the State Plan. In regard to CIP matters, the State Plan law now reads (Section 226-52(b)(2)(B)):

"The appropriation of funds for major plans and projects under the capital improvements program shall be in conformance with the overall theme, goals, objectives, and policies, and shall utilize as guidelines the priority guidelines contained within this chapter, and the State functional plans adopted pursuant to this chapter."

As mentioned earlier in this narrative, the Hawaii State Plan law provided for the resolution of conflicts which invariably arise among government agencies and the private sector. It established a State Policy Council representing the State, the four Counties, and the general public, as a group to "provide a forum for the discussion of conflicts..." which involve State and County plans and programs. Among 11 duties spelled out in the law for DPED, the Department is required to "review State capital improvement projects for consistency with this chapter and report findings and



recommendations to the Governor prior to allocation of funds." And DPED also is required to "provide recommendations to the Policy Council" on the conflicts mentioned above.

CIP and State Plan responsibilities in the DPED are handled by the Planning Division's Capital Improvements Program Branch and State Plan Branch.

#### STREAMLINING GOVERNMENT...

"The massive size of the budget and its related documents--amounting to more than 8,000 pages--imposes a great burden...In particular, the 14 volumes and 6,800 pages of the Program and Financial Plan provide a mountain of details which get in the way of rational resource allocation."

--Evaluation of PPB in Hawaii: Act 185, SLH 1970, and Its Implementation, (March 15, 1974). (Prepared for State Department of Budget and Finance by Consultant Allen Schick.)

#### THE COMPLEMENTARINESS OF PLANNING AND ECONOMIC DEVELOPMENT

A 1938 organizational chart of the government of the Territory of Hawaii showed 109 boxes for various departments, boards, agencies, bureaus, councils, commissions, authorities and other organizational categories.

A simplified 1984 chart titled "State Government in Hawaii" shows only eight boxes. Yet the State government in the 1980's is bigger than that of Territorial days. The difference in the number of boxes may reflect a deep-rooted desire to simplify government as it grows.

When Hawaii became a State, the Hawaii State Government Reorganization Act of 1959 (Act 1 of the Second Special Session of 1959), established the State Department of Planning and Research, and the State Department of Economic Development. But they weren't separate departments very long. Act 2, Session Laws of Hawaii 1963, provided for the merger of these two departments into a single agency. It was, and still is, one of the smallest of the State's Executive Branch Departments.

On May 16, 1963, then-Governor John A. Burns signed Executive Order 20, merging the two departments into the present State Department of Planning and Economic Development. Before and long after the merger, the question of whether the numerous functions involved belonged in one or two departments was debated. It's been a lingering political potato, never really hot, but long-lived.

The Legislative Reference Bureau studied the question in depth in 1962 and published its findings in January 1963 in a report written by Mildred Terauchi, Research Assistant. It noted that not only was Hawaii a new State, but the functions of planning and economic development were relatively new to State governments generally. The arguments for a merger boiled down to two (apart from the small sizes of the then-two separate departments):

1--Planning becomes an "ivory-tower" exercise with little power to change the real world when it is not closely linked with economic development.

2--Economic development alone can go wild in encouraging scattered, uncoordinated industrial and commercial activities, with little thought given to comprehensive, long-range, statewide growth management which should protect and enhance the social, economic and environmental climates in accordance with the wishes of Hawaii's people.

"Business types"--a term used disparagingly--were said to favor a dynamic Economic Development Department unfettered by the constraints of land use planners who were said to understand little about the difficulties of earning a dollar in the competitive world of commerce. Planners in turn were believed to deplore the alleged greed and callousness of industrialists who would use beaches, prime agricultural lands, scenic peaks and lush forests for private commercial gain. The issue has been political as well as philosophical, with the two major parties routinely disagreeing on the accomplishments or non-accomplishments of the merged-departments idea since 1962.

The Legislative Reference Bureau report analyzed the arguments. It noted that some believed planning was essentially a staff function which should be assigned to the Governor's Office where it would be unencumbered by industrial development activities. Advocates of the merged-departments proposal envisioned better coordination of the State's capital improvement investments with private developments and State general planning decisions.

The LRB report noted that "seldom is a good planner equally adept at promoting an investment venture, and a promoter at formulating long-range economic plans. The training and experience of the two professional groups are different." It noted a fear that with merged departments, one of the two primary functions--planning or economic development--would dominate the department to the harm of the other. Another interesting point raised was that the then-separate Department of Economic Development could be considered as serving a business constituency as the Department of Labor served workers, but with a merger this advocacy might be watered down. Still another point, favoring a merger, was the potential for greater efficiency in the combining of research, economic analysis, and information dissemination activities.

In that year 1962, the research report concluded:

"It is difficult to predict specific consequences of a merger of the present (Department of Planning and Research) and (Department of Economic Development). It is also not easy to determine which of the above arguments for and against a merger are real and which are fancied...Much of the success of the planning and development



endeavors will be contingent upon executive and legislative interest and support, working relationships within the administration and with county and federal officials, and the rapport established with private organizations and individuals interested in statewide planning and the development of business, agriculture and tourism."

That was written more than 20 years ago. Meanwhile, Hawaii has received rave reviews (as raving as professional planning commentators ever get) on its planning successes, and Hawaii's Gross State Product increased (in current dollars) from \$1.6 billion in 1959 to \$14.2 billion in 1983. With a merged State Department of Planning and Economic Development.

#### JUST WHAT IS GOVERNMENT'S ROLE IN ECONOMIC DEVELOPMENT?

Previously mentioned in this narrative was a 1937 report of the Territorial Planning Board. This report of nearly half a century ago said that "in the sphere reserved to private initiative, as distinguished from public initiative, we are in a field where we can do little or no effective planning. Here the Price System and laissez faire control commerce, industry, finance, credit--and capitalism commands the field of planning. All that government can do in this sphere is to legislate against abuses."

After Statehood in 1959, the new State of Hawaii produced its first General Plan. This 1961 work was the first State general plan in the nation. Partly due to a changing political climate, it was not enacted by the Legislature.

One of the professional consultants who guided the plan to completion was John F. Child, Jr. He submitted in December of 1960--to DPED's predecessor agency, the State Planning Office--a condensed version of the State General Plan's economic studies. He listed seven specific activities as examples of those which the State could engage in to foster economic growth. He also wrote:

"This role for the State is at variance with history, for under this concept the State does not wait for economic change to take place before taking action, but instead assumes a leadership role, takes the initiative, and encourages and channels private economic activity in a predetermined direction...In a free economy, government action is not a substitute for private enterprise and private initiative. Government can stimulate, government can regulate, government can provide a favorable climate for growth. But decisions by persons acting individually or in their capacity as corporate, hui, union, trade organization or civic leaders will be the primary determinants of Hawaii's future."

### WHAT DO HAWAII'S PEOPLE WANT?

Today--1986--four clear cries are heard throughout the land:

"Get government off my back!"

"The government should do something!"

"Just what is government supposed to do?"

"What is government actually doing?"

Well, America is a nation of laws, and Hawaii's people have decided through their Legislature just what the Department of Planning and Economic Development should be doing. Section 26-18, Hawaii Revised Statutes, 1984 Supplement, contains this mandate:

"The department of planning and economic development shall be headed by a single executive to be known as the director of planning and economic development.

"The department shall undertake statewide planning and economic development activities, undertake energy development and management, provide economic research and analysis, plan for the use of Hawaii's ocean resources, and encourage the development and promotion of industry and international commerce through programs established by law."

Actually, the above is only a small portion of numerous statutes relating to DPED activities. Most are found under Title 13 of the Hawaii Revised Statutes. These are the "programs established by law." They range from operating a foreign-trade zone to administering the Hawaii Visitors Bureau contract, to energy conservation, to loans to businesses, to promoting sales of Island products, to periodically revising the Hawaii State Plan, and to many other activities.

The best way to find out what DPED does is to read its most recent departmental annual reports. Which brings us now to one special activity of DPED...

### THE CAPITAL IMPROVEMENTS PROGRAM

On Page 17 of the 1985 DPED Annual Report there are about a dozen lines devoted to the expenditure of \$165 million by the State for "capital improvements." The State's Capital Improvements Program (CIP) is the way the State puts its money where its economic development mouth is. The CIP is a major means the State uses when (in John Child's words), it "assumes a leadership role, takes the initiative, and encourages and channels private economic activity in a predetermined direction..."



Capital improvements are the land purchases, schools, hospitals, harbors, highways, airports, comfort stations, industrial and agricultural parks, stadiums, public housing, water lines and wells, parks, bridges, rifle ranges, university buildings, foreign-trade zone security systems, and innumerable other physical structures and facilities the State acquires, builds, repairs, replaces, or adds to in its role of taking the initiative to "encourage and channel private economic activity in a predetermined direction."

CIP projects fill public needs, social and economic. Most are responsive to more obvious "people needs" such as for a hospital or school. Others are chancier--designed to stimulate economic enterprise by the private sector and eventually produce more jobs and more State income; an agricultural park or a new highway would be in this category. The totality of the State's capital improvements forms its infrastructure, which invites new private initiatives because of the number and quality of the facilities and services it provides.

In today's State planning and budgeting process, capital improvements are not just "things to be built." They are closely linked to State programs which carry out a multitude of activities for various public purposes.

The DPED's role in the Capital Improvements Program is to review, comment on, and make recommendations to the Governor on each CIP project passed by the Legislature. The Department of Budget and Finance (DB&F) has a parallel prior-review function related to the budgetary process. DB&F prepares the State's Multi-Year Program and Financial Plan and Executive Budget to which all Departments contribute. This Budget includes both operating and capital improvement projects funding.

The CIP process is long-term, continuous, step by step, and generates a steady stream of paperwork. After the Governor signs the budget bill, DPED assesses how each project fits in with the Hawaii State Plan and its 12 functional plans, with other State policies and projects, and how each relates to Hawaii's comprehensive, long-range planning and economic development goals, strategies and expectations. There are hundreds of CIP projects being processed at any one time, in an orderly passage from one deadline to another. In 1985, DPED handled 665 requests.

The State Department of Accounting and General Services is the actual expending agency for most capital improvements projects. It plans, organizes, directs, and controls the expenditure of funds. It awards design and construction contracts and provides architectural and engineering consultative services to agencies, performs technical planning and design work, and inspects construction for adherence to contract documents.

## THE CIP PROCESS

CIP projects generally begin with a State agency's discernment of a public need. (The discernment can be hastened by community, legislative, or Governor's Office prodding.) Departmental CIP project budget proposals are submitted to and reviewed by DB&F which in due time sends its observations and recommendations to the Governor. The Governor decides which will be included in his budget and then formally transmits that budget to the Legislature. Legislators then review, hold hearings on, accept, modify, or reject, and eventually determine the funding amount--if any--for each project. (Legislators quite logically like to see projects in their home districts move ahead, and can introduce their own projects into the budget bill, or as separate bills, for consideration.)

The budget bill is passed and goes to the Governor who may "item-veto" any portion which appropriates funds. After the Governor signs the budget bill, he then determines, through a continuing allotment-advice procedure, the timing of actual release of funds for any CIP project. Thus the Governor can, to some degree, help a slow-business construction industry get more jobs earlier, or--if business is booming and produces bids that are too high--he can delay CIP projects somewhat.

As part of its CIP role, DPED publishes each year a Financial and Construction Status Report in two large, technical volumes. In addition, DPED publishes the monthly CIP Newsletter which gives the public the titles of, and Governor's actions taken on, CIP projects as they move along from land purchase, project design, release of funds for construction or equipment, and authorization to agencies to call for bids by private firms to get the job done.

It is through the type, size, extent and quality of public projects--again, the infrastructure--that Hawaii's reputation as a State committed to orderly economic development is perceived. CIP projects can stimulate or complement private economic development projects: a new or repaved highway leads to a growing mountain-peak astronomy complex; a new harbor serves to anchor new or expanding industrial enterprises; a State-built research laboratory invites high-technology firms to invest in and eventually commercialize aquaculture breakthroughs; a new State park serves both residents and the tourism industry; a new well provides water for a new hotel and related housing development; a new agricultural park permits local farmers with limited profit potential to use State-owned farm plots at reasonable lease terms.





## FROM THE SEAS TO THE STARS

John A. Burns became Governor of Hawaii on December 3, 1962. Five months later he signed his Executive Order 20 establishing the State Department of Planning and Economic Development. Burns didn't have a college degree, but he was well aware of the importance to Hawaii of science and technology and Government-fostered research. In 1969 he dedicated a third antenna for the new Paumalu, Oahu, Earth Station for satellite communications. He said then:

"As long ago as 1915, Hawaii was the center of technical attention in communications, paralleling the attention it receives today. In that year, Hawaii and San Francisco had 'sister towers' for wireless telegraphic communication. The towers were 608 feet high, made of wood, and were the highest wooden structures in the world at that time. Only three New York skyscrapers were higher, and the Eiffel Tower in Paris was the only comparable structure in design and height."

Governor Burns had convened major Hawaii scientific conferences in January and September/October of 1965, a major fisheries conference in February and March of 1966, and an oceanography conference in June of 1969. The pattern: invite the best minds in science to Hawaii, obtain their ideas and share with them Hawaii's desire to be an important Pacific center for science and technology.

DPED was in the forefront in organizing such conferences. Well understood was the economic diversification factor. Science and technology were expanding and increasing in complexity with great speed. There would be immense benefits for mankind, and of local interest, potential jobs and new income for Hawaii. The DPED guided the State into paths and patterns which at times may have seemed blue-sky or nebulous. And it followed or joined with other agencies much larger than DPED in seeking to keep up with and use science and technology for the benefit of the Islands. The logo identifying DPED during this period had an atom-nucleus motif to let the world know DPED was well into science and technology.

Science programs developed rapidly in the 1960's and 1970's. Long before, Hawaii had achieved a worldwide reputation for excellence in agricultural science and volcanology. Next to come were astronomy, ocean science, aerospace, geothermal and other alternate energy resources, and other fields of scientific study, development and commercialization, including biotechnology.

Governor Burns had envisioned what was coming and said as early as 1963: "In the R&D business, the older considerations such as proximity to markets, power and raw materials, have lost their decisiveness. What attracts these industries is atmosphere--an atmosphere at once both pleasant for relaxed living, and stimulating for intellectual and cultural pursuits."

Legislation passed in the 1965 Session created the DPED's program of promotion of research and development and science-oriented industry. The DPED published its first Directory of Hawaii's Scientific Resources in January 1965. In a relatively short time, the State had welcomed to the Islands many new research and development firms and new governmental research agencies and projects. The University of Hawaii was a key center for scientific advances during the decade. Maui's Haleakala and the Big Island's Mauna Kea saw the beginning of "science cities" in astronomy and astrophysics.

In early 1965, Hawaii was elated to learn that it had won a \$100 million project--the National Science Foundation's "Project Mohole" to drill into the earth's mantle. The State's case had been ably presented by the University of Hawaii's Geophysics Institute, with DPED supplying the logistical case for a site off Maui. Unfortunately, this Federal project was canceled later for various reasons, but it was a significant lesson in the potential for Hawaii as a very practical site for ocean-related research. (In January 1986, Hawaii's Senator Spark M. Matsunaga proposed reactivation of Project Mohole off the coast of Maui.)

In the early '60s, Oahu's Sea Life Park and the Oceanic Institute were established at Waimanalo, where today, whales, seals and porpoises contribute to both ocean science and entertainment. An oceanographic research center was started in 1964 at Kewalo Basin. In 1965, the National Aeronautics and Space Administration announced a \$7 million expansion of facilities at Kokee on Kauai in preparation for the Apollo (men-on-the-moon) Project. Kokee became a major link in the Apollo network.

On Coconut Island in Kaneohe Bay, the University's Hawaii Marine Laboratory was expanded to study inshore reef and bottom fisheries resources. The DPED published a number of reports on the potential of tuna fishing in Hawaii's economy.

Recognizing the link between science and technology and higher education, the University of Hawaii--with approval and funding from the Legislature--began plans for establishing five community colleges serving the major Islands. Two professional chairs in science--one called the Captain James Cook Chair in Oceanography, the other first held by the 1961 Nobel Prize winner in medicine and physiology--were endowed by Island business firms. The Pacific Biomedical Research Center was established by the University to provide a regional center for basic biomedical research in the Pacific. And in 1965, the Legislature created the Research Corporation of the University of Hawaii to assist public and private agencies in promoting scientific, educational and economic development "with great flexibility." (The DPED Director serves as a member of the Board of Directors.)

In 1962, the University of Hawaii received a total of about \$5 million in research grants. In 1965, the total was \$14.8 million.



In February 1966, the Scripps Institution of Oceanography's floating instrument platform--called the Flip Ship because it was used in both a horizontal and vertical position--spent seven months in Hawaiian waters studying sound waves. The unusual ship--355 feet long--when flipped reached a depth of 305 feet with the crew's ferris-wheel type living quarters in the top portion of the "floating pencil." And by 1967, Hawaii enjoyed space-age communication, with regular telephone, teletype and television communication by satellite between Hawaii, the Mainland and Japan. The Pacific satellite, Lani Bird II, made it possible.

On May 18, 1971, Governor Burns and Shinobu Ichikawa, vice-president of Japan's Federation of Economic Organizations in Tokyo, completed the first international videophone call via satellite, arranged locally by Hawaiian Telephone Company. The call was "loud and clear--and in sharp focus."

In 1967, two Iowa firms formed a joint venture to raise hybrid seed corn on Molokai. Their Hawaiian Research, Ltd., negotiated a 25-year lease for 300 acres near Kaunakakai. On Mauna Kea on the Big Island, ground was broken for an 88-inch telescope to be operated by the University of Hawaii's Institute for Astronomy. DPED sponsored--under its State Technical Services Program, a Federally funded program--nine seminars in April 1968 on "Computer Technology for the Businessmen of Hawaii."

The DPED's 1968 Directory of Hawaii's Scientific Resources listed 17 companies and 12 government agencies directly engaged in oceanography in the Islands, with a total employment of 1,900.

In January 1969, the U.S. Commission on Marine Science, Engineering and Resources published the findings of its two-year study, "Our Nation and the Sea," noting that "the time had arrived for this country to give serious and systematic attention to our marine environment and to the potential resources of the oceans." In September of 1969, the DPED published Hawaii and the Sea, a report of the Governor's Task Force on Oceanography which was the quickest response-in-kind in the nation to the U.S. Commission's report. A second, updated report, also titled Hawaii and the Sea, was published in 1974.

#### THE SCIENCE DECADE: THE 1960's

As noted, the decade in which the DPED was established (1963) was one of intensive interest in and promotion of science in Hawaii. The new State welcomed the following science-related activities during those 10 years (year shown is date of establishment in Hawaii); this is only a partial listing of selected agencies and companies.



Atomic Energy Commission's Pacific Area Field Office (1962); National Aeronautics and Space Administration's Kokee Tracking Station (1961); Hawaii Fruit Laboratory, U.S. Department of Agriculture (1963); Institute for Telecommunication Sciences and Aeronomy, National Oceanic and Atmospheric Administration (1966); National Heart Institute's Honolulu Heart Program (1964); National Institute of Allergy and Infectious Diseases, Pacific Research Section (1962); Regional Medical Program of Hawaii (1966); Hawaii Cooperative Fishery Unit, U.S. Bureau of Sport Fisheries and Wildlife (1966); Honolulu Satellite Communications Station, U.S. Naval Communications Station (1967); U.S. Naval Undersea Research and Development Center (1968); U.S. Navy Fleet Operational Readiness Accuracy Check Site (1965); U.S. Navy Pacific Missile Range Facility, Barking Sands (1966).

Hawaii Development Irradiator (1967); Cloud Physics Observatory, Hawaii Institute of Geophysics (1965); Center for Engineering Research, University of Hawaii (1961); Institute for Astronomy, University of Hawaii (1967); Joint Tsunami Research Effort, NOAA, University of Hawaii (1965); Laboratory of Sensory Sciences, University of Hawaii (1965); Pacific and Asian Linguistics Institute, University of Hawaii (1965).

Center for Cultural and Technical Interchange Between East and West, Inc. (1960); Pacific Biomedical Research Center, University of Hawaii (1962); Research Corporation of the University of Hawaii (1965); Water Resources Research Center, University of Hawaii (1964); University of Hawaii School of Travel Industry Management (1967); U.S. Energy Research and Development Administration's Pacific Area Support Office (1962); High-Energy Nuclear Physics Group, University of Hawaii (1963); James K. K. Look Laboratory of Oceanographic Engineering (1964); Population Genetics Laboratory, University of Hawaii (1968); Control Data Corporation (1964); Wang Laboratories, Inc. (1969); Communications Satellite Corporation (1966); Camwil Inc. (1965); Hawaiian Research, Ltd. (1967); Grumman Aerospace Corp. (1967); Northrop Corporation Pacific Area Office (1964).

#### DEPARTMENTAL ORGANIZATIONAL FORMS

The Department of Planning and Economic Development in the past 25 years has had various organizational forms for carrying out the State's commitment to science and technology development. Governor Burns in 1963 had called for encouragement of "think industries" for the State. This led to a DPED ad hoc Committee on Research and Development, which blossomed into the Governor's Advisory Committee on Science and Technology. This committee sponsored the science conferences in the 1960's which helped Hawaii gain national attention, valuable contacts, and increased Federal funding.

The DPED established the Hawaii Technological Information Center and later merged its work with that of the DPED's State Center for Science Policy and Technology Assessment. This Science Policy Center was funded initially by a National Science Foundation three-year grant from June 1971 to August 1974.



The international energy crisis of 1973-1974 resulted in establishment by the Legislature of the function of State Energy Resources Coordinator, a task and title assigned to the DPED Director. The DPED at about the same time established its State Energy Office to deal with fuel supply problems, energy conservation and alternate energy resources development. The State Energy Office became in 1981 the DPED Energy Division, a permanent part of the Department, while the State Center for Science Policy and Technology Assessment was phased out, with the Department's Science and Technology Officer assigned to the Office of the Director, and more recently to the Business and Industry Development Division.

An Aquaculture Development Program was established in DPED in 1978. After completing the State's Aquaculture Development Plan, the program and its staff were assigned for plan implementation to the Department of Land and Natural Resources in 1981. Act 213 of the 1979 legislative session formalized the structure for the Natural Energy Laboratory of Hawaii at Keahole Point on the Island of Hawaii, and placed it in DPED for administrative purposes. The functions of the Office of Marine Affairs Coordinator, established in 1971, were transferred to DPED in 1981. On August 13, 1984, Governor George R. Ariyoshi approved the consolidation of five economic development programs in the Department into one new Division, and the Ocean Resources Branch became a permanent part of that Business and Industry Development Division. The Branch had earlier been established as the Ocean Resources Office. The consolidation of the five programs was a major streamlining of the Department by Director Kent M. Keith.

The National Coastal Zone Management Act was passed in 1972. It was "a catalyst for strengthening Hawaii's legislative requirements for the protection and development of the State's coastal resources." In 1977, the Legislature enacted Act 188 which established objectives and policies to guide State agencies and the four County Governments in actions affecting the coastal zone. (DPED was designated the lead agency for this work.) It was a "shared management approach" supported by a legislative finding that the State's coastal zone was overregulated and undermanaged. Other State agencies also play a key role in Coastal Zone Management activities. The authority to approve or deny applications for major development or other permits is vested in the four County Governments. From 1974 through 1982, a total of 812 major permits and 2,145 minor ones were issued by the Counties, thus insuring appropriate use of the coastal zone areas involved. A report published by DPED in 1984 reviewed and assessed the Coastal Zone Management Law implementation.

Seventeen years ago, DPED's 1969 report, Hawaii and the Sea, noted that "manganese nodules may constitute one of the major mineral resources of the deep-sea floor. In the future these might be expected to supply a major part of the world's requirements for copper, cobalt, chromium, manganese and iron...some of the richest deposits lying to the north and southwest of the Hawaiian Islands." Manganese nodules had been known to the world since the 1870's but there was a surge of interest during the 1970's. DPED and the University of Hawaii were in the forefront of activity in this field. The



Department published Manganese Nodule Deposits in the Pacific in 1972; The Feasibility and Potential Impact of Manganese Nodule Processing in Hawaii in 1978; The Feasibility and Potential Impact of Manganese Nodule Processing in the Puna and Kohala Districts of Hawaii in 1981; and the 538-page Bibliography and Index to Literature on Manganese Nodules (1861-1979) in 1981. By 1980, the technical feasibility of mining or gathering the nodules had been tested successfully, and interest was growing in the potential of mining manganese crusts, located closer to our shores with the Department's Ocean Resources Branch involved in this continuing work. 'Marine Mining: A New Beginning' was the title of a major conference held in Hilo in July 1982; the published Proceedings of the conference form a major addition to the knowledge base in this field.

### ECONOMIC AND INDUSTRIAL DEVELOPMENT

Hawaii is so far away from the U.S. Mainland--2,400 miles from San Francisco--that the distance was a major obstacle ("non-contiguity") to the attainment of Statehood. But with great persistence and determined logic the Statehood cause was won.

Distance from the Mainland also has always been a major obstacle to Hawaii's desire to expand and diversify its economy. The Territory and then the State tried just about everything in the past 50 years to increase exports, promote tourism, encourage military defense activities, diversify Island products and services, develop new industries, increase jobs and tax revenues, and become a major Pacific center for international trade and educational, cultural and scientific interchange. Obviously, the Islands have had substantial growth during the past half-century. Sugar and pineapple held fairly firm despite enormous competition and other pressures. Tourism and Federal spending grew remarkably as major sources of jobs for Hawaii's people. And small businesses increased.

In the First Progress Report - February 1939 of the Territorial Planning Board, a relatively short chapter on "Industry" noted:

"The principal industries of the Territory are based on agriculture. This condition has resulted largely from an absence of ores and other minerals; the natural resources consisting mainly of land, water, sunshine and a 365-day growing season....As a result of the extensive agricultural development, other supplementary industries have come into being. Hawaii is more than 2,000 miles from the nearest industrial center and consequently has come to be much more dependent on her own resources than are the agricultural States on the Mainland."

After discussing sugar and pineapple, the 1939 report briefly summarized miscellaneous industries in the Islands:

"Although Hawaii is not an industrial territory, favored with a world-wide commercial background, many large specialized industries

have been established here. Products range from lauhala hats and housewares to foodstuffs and woodcarvings. One organization (Honolulu Iron Works) is equipped to manufacture complete sugar mills and does an extensive business outside the territory as well as with local industries. A steamship company has a drydock in Honolulu Harbor with complete ship-repair facilities. A fertilizer company...in 1934 sold 124,583 tons of fertilizer in the Islands and 31,169 tons in California."

The 1939 report cited U.S. Department of Commerce data on the volume and value of products shipped from the Territory to the Mainland in 1937: sugar and its by-products, \$65 million; pineapple and by-products, \$60 million; canned fish, \$417,000; cotton wearing apparel, \$265,000; and sake, \$114,000. Other exports listed, all below \$100,000 in value, were papaya juice, preserved fruits, other beverages, drugs and dyes, beeswax, wood and manufactures, and \$391 worth of musical instruments. Canec, a sugarcane bagasse wallboard, was manufactured in Hilo and accounted for \$848,000 in exports, while exported molasses totaled \$782,000.

In a section on "Hawaii's Tourist Business," the report said: "One of Hawaii's major sources of revenue is the tourist business which ranks third, with agriculture first, and Army-Navy expenditures second. Over a period of active promotion by the Hawaii Tourist Bureau for more than thirty-five years, this tourist business has grown from a mere dribble to a ten-million-dollar-a-year gross income for Hawaii."

The approach of World War II and the war itself from 1941 to 1945 brought an immense influx of dollars, personnel, construction (and destruction), new ideas and cultural interchange. Those four years changed life in the Islands radically; from a rural and isolated community, Hawaii became a prime candidate for Statehood and modern industrial development and expansion.

#### STATEHOOD AND JET PLANES

With Statehood and the concurrent start of jet plane service to Hawaii in 1959, tremendous changes again occurred in the Islands. From 1956 to 1959, the relatively small Economic Planning and Coordination Authority had issued many publications, helped new business prospects and projects, sent an industrial promotion task force to six Mainland cities and carried out other projects designed to promote business investment in the Islands.

Statehood itself generated a great amount of free national and international publicity on the new State's overall economy and investment potentials. Commercial advertising by hotels, airlines and travel agencies added to the focusing of world attention on Hawaii--something especially valuable for the tourism industry.



In 1960, the U.S. Congress established in Hawaii the Center for Cultural and Technical Interchange Between East and West (now known as the "East West Center"). In DPED, an application was prepared in 1963 seeking Federal approval to establish a Hawaii Foreign-Trade Zone, a task accomplished when FTZ No. 9--the ninth Zone in the U.S.--opened at Pier 39 in Honolulu in June of 1966. In October 1985 there were 114 Trade Zones and 70 Subzones in 46 U.S. locations. And in 1967, DPED established its Hawaii International Services Agency (now the International Services Branch) to locate overseas markets, promote Hawaii's products and services overseas, attract investment, monitor foreign investments in the Islands, promote Hawaii as a regional center, and participate in international tourism development and economic cooperation. DPED's Economic Development Division handled industrial promotion through a variety of programs.

During the 1960's studies and reports on industrial and economic development potentials proliferated. They reflected the new State's desire to find one or more ideal industries or businesses to promote. Sometimes the broad and diffuse language of these reports disappointed those who sought instant answers and dynamic action. For example, a 1967 consultant's report on industrial opportunities in Hawaii noted:

"Given the variety of growth experiences and regional circumstances, different growth sequences are possible. In the case of Hawaii, which can be characterized as a region with good access to local inputs and markets only but with poor access to basic inputs from external sources and with poor access to external markets, growth would most likely be restricted to the internal evolution of specialization and to the growth of the home market. Hawaii might be characterized as having these attributes. This recognition, coupled with the understanding that the attraction of industry is clearly a competitive matter, should provide us with a realistic general frame of reference in attempting to pinpoint new industrial opportunities for Hawaii."

Despite such language, the 1967 report managed to come up with four potential industries "targeted for immediate attention" and six targeted for future development. The four: bagasse-based products, aluminum extrusion manufacturing, hardwood furniture production, and fertilizer production. The six: glass container manufacturing, molasses-based chemical production, liquefied natural gas-based chemical production, pleasure boat manufacturing, forest products, and an expanded pink coral jewelry industry.

### THREE BASICS OF ECONOMIC DEVELOPMENT

The DPED's economic development activities in the past quarter-century have consisted largely of three basics: promoting investment in Hawaii and promoting sales of Island products and services; providing accurate, timely, detailed and voluminous information about Hawaii; and providing loans and general guidance to small businesses. Included in the promotion work is administration of the DPED's contract with the public/private Hawaii Visitors Bureau, the promotion arm for the industry heavily funded by the State.

That wonderful all-purpose word "promotion" includes marketing and advertising campaigns; literature development and distribution; technical studies of potentials for new products and industries; overseas sales missions; industrial development and investment conferences; food, fashion, business, and travel writers' invitational tours of Hawaii; Mainland department store and shopping center promotions; and other activities.

These activities usually involve the DPED staff in organizing the various ventures in cooperation with many other State, County and private agencies and businesses. They included agricultural product promotion until 1981, when this work was assigned by the Legislature to the Department of Agriculture. DPED's aquaculture development program planning, when completed, also was "spun off" to the Department of Land and Natural Resources for implementation through industry assistance and development. DPED also carried out tuna fishing industry studies and industry development planning. DPED continued in the 1980's to administer two fishing vessel loan programs and the highly successful Hawaii Capital Loan Program as part of its business and industry development work.

The Department's Hawaii Film Office--now the Film Industry Branch--was established July 6, 1978, in response to the growth of the film industry in the Islands. This industry has become one of the State's most promising potentials, bringing millions of dollars and hundreds of jobs to the Islands. And a major bonus from filming in Hawaii has been the free--and usually favorable--publicity and promotion the State receives each time a Hawaii-produced film is shown in a movie house or on television screens.





## DPED: A PUBLISHING HOUSE

DPED's status as a major source of information about Hawaii was established in two ways: by printing and distribution of hundreds of publications of many types, and by staff responses to thousands of inquiries annually. DPED publications have ranged from a great variety of planning documents--some of which involved a year or two of work--to statistical reports, promotional brochures and scientific studies. Many publications were prepared by consultants under DPED contract and guidance. The following list of titles, randomly selected and listed, indicate the variety of DPED interests, functions, and responsibilities.

The State Data Book (1962 edition, 128 pages; 1985 edition, 662 pages).

The General Plan Revision Program (eight volumes).

Hawaii: Prime Investment Market.

Hawaii the Aloha State.

Hawaii's Unique Foreign-Trade Zone No. 9.

State and County Facts (five brochures annually).

The Hawaii State Plan (numerous publications on this subject).

Starting a Business in Hawaii.

Hawaii's Business Regulations: A Summary.

Hawaii and Energy.

Hawaii, Gateway to the New Pacific.

Bring Your Business Imagination to Hawaii.

Hawaii: Heart of the Pacific Family of Nations.

Directory of Hawaii Map Sources.

Hawaii's Scientific Resources.

Directories of Hawaii.

Doing Business With the People's Republic of China.

Hawaii Business Abroad.

Hawaii's Foreign Trade.

Hawaii: The Natural Environment.

The Economy of Hawaii (annual).

Profit Potentials in Hawaii's Guava.

Expanding Hawaii's Electronics Industry.

Industrial Parks and Areas in Hawaii.

DPED Annual Report.  
State Energy Resources Coordinator Annual Report.  
Hawaii's Washington Place.  
Quality of Life in the State of Hawaii.  
Aquaculture Development for Hawaii.  
Forestry Potentials for Hawaii.  
Potentials for Shark Meat as Food.  
Journalists View Hawaii's Economy.  
Mullet and Milkfish Culture in Hawaii.  
A Register of Government Permits Required for Development.  
State Tourism Plan (numerous documents).  
The Neighbor Islands--The Other Hawaii.  
Puna Oranges and Tangerines.  
Hawaii: Regional Center of the Pacific.  
Hawaii: Gateway to Hydrospace.  
Central Oahu Planning Study.  
Hawaii and the Sea (1969 and 1974).  
Garment Manufacturing in Hawaii.  
The DPED: Your Partner in Economic Development  
The DPED: Help in Getting Government Permits.  
The New Pacific (Map).  
Hawaii Integrated Energy Assessment (six volumes).  
The Hawaii Coastal Zone Management Program (numerous documents).  
Hawaii's Sugar Industry.  
Hawaii Population and Economic Projection and Simulation Model.  
Proposed Inter-Island Ferry Systems.  
Economic Development on the Island of Hawaii: Issues and Options.  
Foreign Investment in Hawaii.  
Hydroelectric Power in Hawaii.  
Bibliography and Index to Literature on Manganese Nodules (1861-1979).  
Hawaii High Technology Development Plan.

A primary economic development information and promotional publication, the Hawaii Economic Review, was inaugurated in 1963 and published through the summer of 1977, initially as a quarterly and later bi-monthly. Each issue was a tabloid-size, coated-stock report of both planning and economic development advances in the State. Bound volumes now in State libraries serve as a popular economic history of the period.

Planning Division volumes were sometimes heavy reading, reflecting the broad and difficult nature of the subjects covered. Under Governor William F. Quinn, the nation's first State General Plan had been published in several volumes in 1961 by the old State Planning Office, before the DPED was established. In 1967, the General Plan Revision Program's first five of eight volumes were published. In 1978, the Hawaii State Plan--first State plan passed into law in the U.S.--was published, and revisions were approved by the 1986 Legislature.

The Research and Economic Analysis Division prepared and issued a steady stream of statistical reports (by early 1986 more than 185 issues); census area reports; statistical memoranda; special research reports; statistical boundaries reports; the Administration's annual economic report to the Legislature; and an annual The Economy of Hawaii. A major work is the Division's exquisitely detailed and comprehensive Hawaii's Income and Expenditure Accounts, which tells how Hawaii's residents earn their income, what goods and services they buy, what investments (by categories) are made in the Islands, what--and in what quantities--Hawaii imports and exports, what taxes are collected, how Hawaii's public funds are spent, and other data. Another big book, the annual State of Hawaii Data Book, is welcomed each year by government agencies, the news media, and various organizations and business firms, for its wealth of statistics and narrative summaries.

#### WHERE WERE WE?

The Department of Planning and Economic Development has had three Honolulu locations since it was established in 1963:

The Kapuaiwa Building, 425 Queen Street, from 1963 to 1968.

The State Capitol, Fourth Level, in 1968-1969.

The Kamamalu Building, 250 South King Street, 1969 to present.

Other Honolulu buildings, notably the Old Federal Building at 335 Merchant Street, have housed various DPED offices, programs and affiliated agencies. The Department's Foreign-Trade Zone No. 9 occupied Pier 39 from June 1966 to November 1982, when it moved to its present location at Pier 2.



## ENERGY: GREAT PROBLEMS AND GREAT PROMISE

The 12 months of 1974 were troubled ones for the State of Hawaii and DPED. Governor John A. Burns was seriously ill (he died April 5, 1975). Acting Governor George R. Ariyoshi was burdened with the double duties of Governor and Lieutenant Governor--and Chief Election Officer--in a major election year. The year began with an intensification of the 1973 international and national fuel supply and energy crisis. This immediately placed considerable pressure on the State's economy and businesses, and particularly on DPED, where the Director--then Dr. Shelley M. Mark--was also named State Energy Resources Coordinator.

In November 1973, Governor's Memorandum No. 21 had directed "every Department and Agency of the State" to take "practical steps now to curb energy use." The actions requested included raising air conditioning temperatures to 75 degrees; non-use of air conditioners during overtime work and on weekends and holidays; purchase of small cars only; speed limit of 50 miles per hour for State vehicles; encouraging of car pooling and bus use; discouraging use of elevators to travel only one or two stories; elimination of outdoor lighting and electric-powered fountains in plans for new buildings; and other measures.

The fuel allocation program mandated by Federal law, and Hawaii's own GASPLAN, were administered to help hundreds of thousands of motorists, transportation agencies, farmers, construction firms, and others. Unemployment increased: it averaged 7.2 percent in 1973, 7.9 percent in 1974, 8.3 percent in 1975, and 9.8 percent in 1976.

The fuel crisis in the early months of 1974 brought a very heavy workload to DPED with little additional staff help. Two DPED staff offices--the State Energy Office and the Center for Science Policy and Technology Assessment--assisted the DPED Director in energy matters.

## THE CRISIS EXPLAINED

Act 237 of the 1974 Legislature created the position of State Energy Resources Coordinator in the Office of the Governor, and the Governor assigned this task of coordination to the DPED Director. The legislation explained the nature of the crisis:

"There is widespread shortage of petroleum and its derivatives which has caused severe economic hardships throughout the State and which threatens to impair the public health, safety and welfare.

"The current energy crisis is caused by a global energy shortage which will worsen throughout the remainder of this decade and may continue to the end of this century. The State of Hawaii, with its total dependence for energy on imported fossil fuel, is particularly

vulnerable to dislocations in the global energy market. This is an anomalous situation, as there are few places in the world so generously endowed with natural energy: geothermal, solar radiation, ocean temperature differential, wind, waves, and currents--all potential non-polluting power sources..."

The DPED's chief role in the crisis was as the agency housing the Office of the State Energy Coordinator. It had responsibilities for administering the mandated Statewide Federal Petroleum Allocation Regulations, a complex and often-changed set of rules which affected nearly every citizen. The DPED Director became State Petroleum Allocation Officer under the 1973 Federal Emergency Petroleum Allocation Act.

In the first few months of the crisis, more than 3,000 persons applied to DPED for "hardship fuel set-aside allocations." The staff responded efficiently. Procedures and forms were quickly prepared and kept to a minimum to avoid further red tape. There was continuing communication with Federal officials in Washington and in the Western Energy Region. The Department supplied staff support for the State Advisory Task Force on Energy Policy, which established GASPLAN--the mandatory but relatively simple system for orderly, emergency gasoline and diesel fuel distribution based on odd-even license-plate digits.

During the crisis period, DPED published the State of Hawaii Energy Policies Plan. It also carried out an information program designed to encourage every citizen to adopt "Hawaii's Conservation Ethic" as a way of life, expressed in four slogans: "Cut Down"; "Use Less"; "Don't Waste"; "Save Hawaii's Energy." A total of 1.5 million energy stamps with these slogans were distributed through schools and other organizations; 75,000 mini-posters with the same message were distributed Statewide by Boy Scouts; bus placards and brochures were used to "spread the word."

The State Energy Office (SEO), assigned for administrative purposes to DPED, was established in 1975 and continued until December 1981 when it was incorporated into the newly authorized Energy Division. The SEO staff administered several major Federal fuel and energy conservation programs, maintained contingency plans for energy shortages, and continued efforts to have part of the nation's Strategic Petroleum Reserve located in Hawaii. Through SEO efforts, Hawaii in 1979 doubled its energy savings over the previous years and trimmed its bill for imported oil by \$50 million.

#### NEW LEGISLATION

The State Legislature passed nine energy-related measures in the 1974 Session, including Act 235 establishing the Hawaii Natural Energy Institute at the University of Hawaii, and Act 236, establishing the Natural Energy Laboratory of Hawaii at Keahole Point on the Island of Hawaii, now assigned to DPED for administrative purposes.



More energy-related legislation followed in 1975, including granting of emergency powers to the Governor in the event of another fuel shortage. DPED was requested by Resolution to coordinate a State agency effort to decrease energy consumption by 5 percent over the 1975-1977 biennium. In the decade of the 70s, millions of dollars were appropriated by the Legislature for a wide variety of energy-related programs and projects under two basic headings: energy conservation, and alternate energy resources research, development and demonstration. By December 1981, energy had become a permanent part of the State government structure with the establishment in DPED of the Energy Division, with an Alternate Energy Branch, an Energy Conservation Branch, and an Energy Data Services section.

In 1984 the Department published, in conjunction with the State Plan Policy Council and the Energy Functional Plan Advisory Committee, the State Energy Functional Plan, one of 12 functional plans mandated by the Hawaii State Plan law. The Plan contains 43 implementing actions, with DPED as the sole lead agency for 19, joint lead agency for two, and assisting agency for 14.

Also in 1984, Governor Ariyoshi signed into law what became Act 238, a State fuel-hardship set-aside system for fuel emergencies. In 1984, Hawaii spent around \$1.3 billion for imported oil, approximately 10 percent of the Gross State Product. Petroleum now accounts for about 90 percent of Hawaii's total energy supplies, far above the national average of 45 percent.

Emphasis on developing alternate energy resources has continued, and Hawaii has been pioneering in a number of fields.

### ENERGY PIONEERING

Hawaii in 1979 became first in the world to produce net electricity from an at-sea, closed-cycle ocean thermal energy conversion (OTEC) system. OTEC uses the temperature differential between warm surface waters and deep, cold ocean waters to turn a turbine. Subsequent plans have been developed for construction of a 50-megawatt OTEC pilot plant at Kahe Point, Oahu.

Hawaii also was the second State in the nation to produce on-line electricity from geothermal steam. And DPED has helped fund a study by technical consultants of the feasibility of undersea electrical cables of unprecedented length and weight to permit power from geothermal and other renewable energy resources to be transmitted between the Islands of the State.

The DPED's continuing educational campaign to promote energy conservation, along with similar work by others, has seen a great proliferation of solar water heaters, heat pumps, and other energy conservation devices and methods throughout the State. The Department's Energy Division has collaborated closely with other State agencies, and Federal and County agencies, in a variety of projects and programs designed to bring about a long-term major reduction in Hawaii's dependency on imported petroleum for its energy needs.



The Department has prepared many energy publications to keep the public informed of developments. Its 24-panel brochure Hawaii and Energy provides a comprehensive yet succinct overview of the State's basic energy problems, and reviews the potentials of geothermal power, photovoltaic cells, solar ponds, OTEC, wind, biomass, urban wastes, hydroelectric power, coal, hydrogen and alcohol fuels, and energy storage systems. A large part of the brochure offers practical advice to consumers on energy conservation and related money saving techniques.

A major technical study, the 1978-1981 Federally funded Hawaii Integrated Energy Assessment, was a joint project of DPED and the U.S. Department of Energy. Its seven volumes provide a forecast for energy supply and demand to the year 2005, and serve as a major energy planning tool.

Each year, the Annual Report of the State Energy Resources Coordinator provides details of the State's considerable progress in conservation and alternate energy resources development.

Wind energy systems have advanced remarkably in the Islands. Nearly 200 wind machines have been installed at Kahua Ranch on the Island of Hawaii. Other machines have been erected or are planned for South Point on the Big Island, on Maui, and on Oahu. What may be the world's largest wind machine has been planned as a demonstration project in the Kahuku area of Oahu by the U.S. Department of Energy and Boeing Aerospace Company, to feed power to the Hawaiian Electric Company system. The span of the machine's blade or "propellor" is equal to the height of a 32-story building.

Today, Hawaii is believed to have the highest per capita use of solar water heating systems in the nation. By 1986 there were an estimated 39,000 households in the State with solar water heating systems and 37,500 residential units served by heat pumps.

Following years of planning and construction, the geothermal wellhead generator plant in the Big Island's Puna District has been steadily producing an average of 2.6 megawatts, enough to serve the electricity needs of about 2,600 residential customers of the Hawaii Electric Light Company. Further geothermal exploration on the Big Island and Maui has shown the considerable potential of this form of energy. In 1986, the Big Island utility awarded a contract to a private company for the production in two stages of 25 megawatts of electricity from the geothermal resource. The Puna Geothermal Research Center was dedicated in 1985 to research direct-use applications for geothermal by-products such as silica.

The use of biomass materials--primarily bagasse from sugarcane, but also wood chips, hay, and macadamia nut shells--for the production of electricity has been encouraged by DPED. On some of the Neighbor Islands as much as 43 percent of the electricity produced is derived from biomass. Pioneering research on biomass production and its use for the production of liquid fuels is being supported by DPED.



By no means was DPED the sole or even primary agency for every energy development in the State during the past busy decade. At times it served as a catalyst to get energy projects organized and moving. It has served, through its Energy Division, as a channel for millions of dollars in Federal funds for research, for energy conservation programs, and for alternate energy resources development. The DPED's Energy Extension Service brought practical advice and assistance to many thousands on the Neighbor Islands. Energy Awareness Week observed in 1984 and 1985 focused attention on the varied programs for energy conservation and resources development. The 1979 'Mini-OTEC' project, mentioned earlier, was a joint effort of the DPED, Lockheed, Alfa-Laval, and Dillingham Corporation. By 1986, the Natural Energy Laboratory of Hawaii at Keahole Point had become the world's foremost test facility for OTEC-related projects.

As stated earlier, the primary goal of the State's energy work is to reduce Hawaii's 90 percent dependency on imported petroleum for its energy. The sun, the ocean, the wind, and earth's heat are all available in the Islands. The task has been to harness them efficiently and economically. A related task is to be prepared for sudden energy supply shortages.

It was estimated that in 1984, the State's economy saved \$100 million through conservation and renewable energy substitution. In 1970 few people discussed energy in Hawaii, but by 1974, everyone was talking about it. Thus do times change, and crises bring opportunities.



### LOOKING AHEAD...

"Progressive planning by the Hawaiian Electric Company indicates that atomic reactors will become an additional means of generating electrical power. A number of company employees are now undergoing training at an atomic generating plant near Philadelphia. The site for a plant is being acquired through eminent domain proceedings. This site is almost unique in that it lies in a sparsely populated Oahu area, is protected on three sides by high hills and on the fourth side by the sea. Plans are now underway for the ultimate construction of an atomic power plant which will supplement existing generating capacity."

"In the Hawaiian Islands, it is unlikely that solar energy will, in the near future, become completely competitive with conventional fuels, but its possibility as a supplement to them should be considered, especially in view of Hawaii's climatic conditions."

--A Study of the Economic Potential of the  
Hawaiian Islands, Vol. II--January 25, 1960.

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"Highlights of the year included the dedication of 180 more wind machines at the wind farm at Kahua Ranch...and the announcement by Hawaiian Electric Industries, Inc. (HEI) that they would be purchasing 15 Westinghouse 600-kW wind turbines to be installed at Kahuku, Oahu, in 1985. HEI also entered into an agreement with the U.S. DOE to install what is deemed the largest wind machine in the world at Kahuku."

--State Energy Resources Coordinator  
Annual Report 1984.



## CONCLUSION

This DPED history could go on and on with myriad details of operations, personnel, programs, projects, goals, objectives and accomplishments. It's best to end it simply with a few closing observations.

As mentioned, the Department has had (through mid-1986) only three Directors, under two Governors. A new Governor and Administration will start in December 1986, with opportunities for changes in Hawaii's direction.

Departmental personnel increased from about 50 to 175 in the past quarter century. The 175 include personnel of DPED's five affiliated (for administrative purposes) agencies: the Natural Energy Laboratory of Hawaii, the High Technology Development Corporation, the Hawaii Community Development Authority, the State Land Use Commission, and the Aloha Tower Development Corporation. The good work of these five agencies is not included in this history.

The Department now has many word processors and computers and is well into economic modeling and other sophisticated methodologies. Its annual State Data Book is one of the best in the West, and compares well with that of Sweden and the United States Statistical Abstract itself.

Quietly and effectively keeping things running smoothly has been the always-small staff of the Administrative Services Office. It cannot be praised highly enough. All paychecks and promotions are processed therein, and in the past few years, employee education and training have been stressed for mutual benefit of employer and employee.

Anyone wanting further details of DPED history will find useful summaries in the annual Reports of the Department starting in 1963, and in hundreds of other publications and reports properly filed in the busy DPED Library.

A few oldtimers from the 1960's are still with the Department, and there are many in the community and some overseas who are DPED graduates. May God bless all who have gone on to greater accomplishments, all who have passed away, and all who will continue with the Department as it prepares for the Third Millenium just 14 years from now.



