



NEIL ABERCROMBIE  
Governor

MIKE MCCARTNEY  
President and  
Chief Executive Officer

# Hawai'i Tourism Authority

Hawai'i Convention Center, 1801 Kalākaua Avenue, Honolulu, Hawai'i 96815  
Website: [www.hawaii-tourism-authority.org](http://www.hawaii-tourism-authority.org)

Telephone: (808) 973-2255  
Fax: (808) 973-2253

## REGULAR BOARD MEETING HAWAI'I TOURISM AUTHORITY

October 21, 2011

Hawai'i Convention Center, Parking Level, Executive Board Room A  
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815

### MINUTES OF REGULAR BOARD MEETING

**MEMBERS PRESENT:** Ron Williams (Chair), Douglas Chang, Kelvin Bloom, Patricia Ewing, Michael Kobayashi, Aaron Salā, Cha Thompson, Sharon Weiner, Leon Yoshida

**MEMBERS NOT PRESENT:** Patrick Fitzgerald, Craig Nakamura

**HTA STAFF PRESENT:** Mike McCartney, Momi Akimseu, Jon Baron, Lynn Bautista, Minh-Chau Chun, Cy Feng, Grace Lee, Lawrence Liu, Daniel Nāho'opi'i, Winfred Pong, Roann Rakta, Angela Rodriguez, Michael Story, Marc Togashi, David Uchiyama, Keli'i Wilson

**GUESTS:** Wayne Arita, June Asato, Joe Davis, Dan Fenton, Kara Imai, Chris Kam, Noelle Liew, John Monahan, Neil Mullanaphy, Bobbie Okamoto, Nalani Paio, Randy Tanaka

**LEGAL COUNSEL:** Deputy Attorney General Gregg Kinkley

#### 1. Call to Order

Presiding Officer Ron Williams called the meeting to order at 9:38 a.m.

Mr. Salā offered a Pule in Hawaiian.

#### 2. Approval of Minutes

Ms. Ewing made a motion to approve the minutes of the meeting conducted on September 22, 2011. Mr. Kobayashi seconded the motion.

Mr. Chang commented that the meeting minutes do not appear to be as detailed as past meeting minutes and requested that going forward, the minutes also reflect the action items that come up in discussions between the board and the staff during the meeting. He mentioned a document that Mr. McCartney had handed out in a past meeting that was going to be used to keep track of discussions, action items, and other things that came up during the course of a meeting. He expressed concern that the minutes do not capture some of the questions and concerns that come up during the meetings. He cited a specific example from the last meeting where, under Agenda item no. 5, "Presentation of Visitor Statistics and/or Data," there was discussion regarding the definition of "Group" or "Group Traveler" and the board had requested that the information be presented by Major Market Area (MMA). He said that he did not see that discussion captured and that it was a much longer meeting than is reflected in the minutes.

There was mention that perhaps some of the items were discussed in Executive Session. Mr. Chang replied that the discussion to which he was referring was not discussed in Executive Session.

Mr. Williams said that we will take a look at the process of taking and transcribing the minutes and ensure that action items are noted and followed-up on. At that time, he asked if the board would like to amend the minutes or would they like to table approval of the minutes until the next board meeting.

Mr. Chang made mention of a previous discussion regarding minutes from executive sessions. He said that there needs to be some sort of protocol and consistency regarding the minutes from Executive Session because they are part of the whole meeting. He commented that not having the Executive Session minutes is difficult when the board is asked to approve the meeting minutes from the public session, but also made note that he is aware of the confidential nature of the Executive Session minutes.

Mr. Kinkley stated that the Sunshine Law requires that meeting minutes shall be made public within 30 calendar days.

Mr. Bloom asked if that meant that the minutes cannot be amended after the 30 days have passed.

Mr. Kinkley replied that there would be a question as to why there was a desire to amend them. He went on to explain that the statute does not provide a lot of parameters with regard to whether or not the minutes can be amended and also stated that the board may be opening itself up to an obligation that history is being changed. He asked if there is some reason that the board's policy guidance needs to be enshrined in minutes and not somewhere else. He explained that the board has the power to create all sorts of official documents.

Mr. Kinkley stated further that it makes sense to approve the minutes now, rather than tabling them for approval at a subsequent meeting and that it is appropriate to offer a supplement to the minutes, instead.

The minutes from the board meeting conducted on October 21, 2011 were unanimously approved without objection. Mr. Chang clarified that there will be a supplemental document produced that will reflect some of the discussions and actions that were discussed at the last meeting, which also may become the basis for a new format from which the board can work, going forward.

Mr. Pong responded that staff would go back to the tapes and do what would be called, "supplemental notes."

Mr. Chang posed the question that if the meeting minutes become official 30 days after the meeting, does the same hold true for Executive Session minutes and if so, does that also mean that without having reviewed those Executive Session minutes, they become an official document of the HTA?

Mr. Kinkley replied that the statute is less clear in that regard.

Mr. Bloom asked if there was a reason why the Executive Session minutes could not be distributed to the board. Ms. Ewing commented that the Executive Session minutes would have to be distributed in Executive Session. Mr. Kinkley added that Executive Session minutes should not be distributed to the board in the context of a public session, but that they could be emailed confidentially with blind copies to each board member or given to them in Executive Session for review in Executive Session, which is the board's right. He stated that his only concern about releasing them in a public session is ipso facto, they become public documents, so that would defeat the purpose.

Mr. McCartney suggested that in future, perhaps there could be an Agenda item for reviewing the Executive Session minutes.

Mr. Bloom said that since the board always receives emails prior to the board meeting, would it be possible to have the Executive Session minutes emailed as well?

Mr. Williams asked if the board members were comfortable with having Executive Session minutes emailed to them. There were no objections raised and Mr. Williams commented that we will look at revising that procedure.

Mr. Kinkley added that it is important that dissemination of the Executive Session minutes is done in such a manner that makes it impossible for people to cross-reference it and suggested that if emailed, all recipients should be blind copied.

Ms. Weiner commented that her secretary reads all of her emails, so it would not be exactly 100% confidential.

Mr. Williams expressed understanding for everyone's opinions and stated that we will work from there toward a more efficient process.

### **3. Report of the Chief Executive Officer Relating to the Implementation of the State Tourism Strategic Plan Initiatives**

Mr. McCartney provided an update to the "HTA Organizational Road Map," which documents the major projects on which staff is working. He also mentioned that Mr. Pong would be providing them with copies of a timeline of our budget processes, our brand experience events, and at what time during the year they would be occurring.

He reported that the marketing contracts awarded under the RFP process are in the process of being executed. He said that Mr. Pong would be sharing more detail later in the meeting, as it is an Agenda item.

He shared that Mr. Togashi is currently in the process of meeting with consultants and analyzing all available options regarding the new contract management system and how best to align it with the revised policies and procedures recommended by KMH.

With regard to the negotiation of terms and conditions for the North America Leisure contract, he noted that members from the Hawai'i Visitors and Convention Bureau (HVCB) were in attendance and would be presenting their Annual Tourism Marketing Plan later in the meeting. He also shared that discussions are ongoing regarding an extension to their current contract.

He mentioned the feasibility study for the future marketing and operations of the Hawai'i Convention Center to help develop the RFP and possible legislation and noted that it would be discussed at a later point in the meeting.

He said that Mr. Uchiyama would provide the board with an update regarding the Market Recovery program.

He also shared that the plan budget alignment for the FY 2012 HTA program budget has been completed.

He said that refined dashboards and KPIs for Brand Management Programs will be distributed to the board for review and comment and internal workshops with program managers and Tourism Research staff has been rescheduled.

He reported that we continue to have discussions with the Department of Budget and Finance (B&F) regarding the Hawaii Convention Center Debt Service and are currently discussing a revised repayment schedule and an extension of the payments from 2026 to 2027. He clarified that this means we are going to pay an extra \$52 million in 2026 and

2027, but we are also in discussions with B&F to lower our bond payments. He said that it is too early to report on what will happen with regard to that matter.

Mr. McCartney also distributed an update on APEC and copies of the APEC 2011 Hawai'i Cultural Training Program. He shared that approximately 1,200 people received training, while over 2,000 registered for it.

Mr. McCartney recognized Mr. Randy Tanaka and all of his efforts toward helping to ensure the success of APEC. Mr. Tanaka shared that this has been a great opportunity for the State and that we cannot imagine the reach that we will get from this.

Mr. McCartney shared a DVD from Mr. Pono Shim and Enterprise Honolulu, which he feels reflects who we are as a people, place, and culture and its alignment with what we are doing at the HTA. Ms. Thompson asked where it could be seen. Mr. McCartney replied that it can be viewed on YouTube and on 'Ōlelo.

#### **4. Action to Approve HTA's Financial Reports for August 2011**

Prior to presenting the HTA's financial reports for August 2011, Mr. Togashi provided a brief recap of the changes that have been made to the reports for the benefit of the board members who were unable to attend the last meeting.

He went on to present the financial reports for August 2011, explaining that the expenditure statement for prior year funds on page 1 reflects \$21 million in prior year encumbrances that have not yet been expended, and that the \$21 million is a function of the \$30,670,113.72 in prior year encumbrances, as opposed to the \$9,372,222.59 in the Year-to-Date Actuals column. Some of the major expenditures that were incurred related to prior year encumbrances, including \$1.1 million in North America leisure; \$400,000 for Japan leisure; and \$300,000 for Global Corporate Meetings and Incentives for the month of August 2011.

He went over the Income Statement for Current Year Appropriations on page 2 that reflects funding based upon \$69 million in TAT revenues and \$6 million in reserves, which represents the HTA's \$75 million FY 2012 budget. He pointed out that the significant activity that occurred in August 2011 consisted primarily of \$7.4 million in TAT revenues and approximately \$200,000 in G&A expenses.

He explained that the Budget Statement on page 3 is based on the HTA's \$75 million FY 2012 budget and it illustrates \$56 million in uncommitted funds. He pointed out that we are operating within budget – both individually within each program and in aggregate.

He shared that the Balance Sheet on page 4 illustrates that we have \$38 million in liquid assets, along with \$5 million in funds for Trust. He reported that we have \$10 million in unencumbered reserves, which includes \$6 million that is earmarked for the FY 2012

budget, as well as \$1.7 million that is earmarked for accrued vacation and post-employment liability.

He said that page 5 of the financial report reflects that we are capped at \$69 million in TAT revenues for FY 2012 and that it is anticipated that the full amount of that \$69 million will be received by May 2012. He shared that through August, we received \$14.9 million. For the board's information, he also shared that we received \$7.3 million in the month of September, in comparison to the \$6.76 million that was forecasted.

Mr. Chang referenced the Balance Sheet on page 4 and said that there was prior discussion regarding renaming the "Unencumbered Reserve" reference, as it is not really an unencumbered reserve. He said that those are monies that are either earmarked or encumbered and it stands out as an extremely large number that doesn't truly reflect what that number is.

Mr. Togashi responded and shared that he changed the "Unencumbered Reserve" reference for the Convention Center Enterprise Special Fund (CCESF) to another name, in consideration of the discussion he had with Mr. Chang. He said that he will do the same for the Tourism Special Fund as well.

Mr. Togashi continued by presenting the Income Statement for the CCESF. He reported a \$2.5 million operating loss, which is a function of the \$831,000 in Revenues, in comparison to the \$3.35 million in expenditures from Operations. He explained that this loss is approximately \$175,000 greater than originally budgeted, but also noted that in discussions with SMG, it was learned that SMG anticipates that actual results for the year to be in line with the original budget that anticipated a \$4.7 million loss for the fiscal year.

He said that the CCESF Budget Statement reflects that we are authorized to spend up to \$54 million, subject to availability of funds and that we are spending according to our budget.

With regard to the CCESF Balance Sheet, Mr. Togashi reported that we have \$7.9 million in liquid assets. Mr. Togashi also pointed out that something that is not reflected in these financial statements is that we have approximately \$12.3 million in cash with either SMG or the Department of Accounting and General Services (DAGS) that is earmarked for our construction fund. He said that of that \$12.3 million, approximately \$10.5 million is encumbered.

Mr. McCartney offered that a status sheet will be provided to the board of the projects that are aligned to the \$12.3 million dollars.

Mr. Bloom made a motion to approve the August 2011 financial statements. Ms. Ewing seconded the motion, which was unanimously approved without objection.

## **5. Presentation of Visitor Statistics and/or Data**

Mr. Nāho‘opi‘i explained that due to the timing of the board meeting, the final monthly visitors statistics would not be available until October 25<sup>th</sup>, but he distributed the dashboards for Key Performance Indicators for Visitor Statistics for the period of January to September 2011 and offered to answer any questions the board members may have. Mr. McCartney added that we want to make sure that the information is not released prematurely and prior to the actual release of the data.

Mr. Nāho‘opi‘i clarified that these are the statistics dashboards and besides this first set of indicators, there are also media and marketing indicators, which are the ones that are provided by Ms. Caroline Anderson and included in the CEO report. He explained that the last set of indicators is the program type of indicators, which measure our CPEP program and our other programs and festivals. He shared that he will be conducting an internal workshop to teach and how to understand the evaluation of programs so that staff can begin to set specific measures that tie back into the Strategic Plan. He further explained that from that point, dashboards would be created. That said, he pointed out that the dashboards for program measures will not be ready until early 2012.

Mr. Nāho‘opi‘i said that he is currently in the process of setting up the Tourism Research programs, and while most of it has been decided, he offered that if there are any other specific market issues that any of the board members want to see highlighted or investigated, to please let him know. He also said that any of the brand managers can be contacted as well if it is in a specific market, as it may have already been discussed.

## **6. Report on the Status of Request for Proposals for Tourism Marketing Management Services and Transition Plans in Europe, Oceania, Other Asia, and Japan**

Mr. Pong presented the status of the Request for Proposals for Tourism Marketing Management Services and Transition Plans in Europe, Oceania, Other Asia, and Japan.

He reported on the current status of RFP Solicitation No. 11-09, which covers the major market areas of Oceania, Other Asia, and Europe. He said that for the major market area of Oceania, two (2) proposals were received. The evaluation committee requested a Best and Final Offer (BAFO) from one (1) offeror and the award was issued to the current contractor, The Walshe Group. He explained that the contract term is for two (2) years and is currently in the process of being executed for a fixed price of \$1.1 million.

He shared that in the major market area of Other Asia, one (1) proposal was received and it was from the current contractor, AVIAREPS Marketing Garden (Holdings), Ltd. The contract is for a two (2)-year fixed term for \$1.9 million and is currently in the process of being executed. He explained that there will be no transition costs that will be incurred because they are the current contractor.

He said that five (5) proposals were received for the major market area of Europe and the evaluation committee requested BAFOs from two (2) offerors. He explained that after receiving the proposals and upon further review, the determination was made to cancel the procurement for the Europe major market area. He shared that the evaluation committee did not see that a contract being solicited from the offerors would result in a contract that would be most advantageous to the State of Hawai'i. As a result, it was decided that the current contract would be extended under general sales agent representation services. He noted that when the procurement was issued, it was not to solicit services as a general sales agent, so it was felt that the specifications for the major market area of Europe needed to be reviewed and that the HTA would maintain the current contract in Europe as a general sales agent for one (1) year until such time the RFP for the major market area of Europe can be re-evaluated.

He went on further to explain that staff is currently negotiating the scope of work for AVIAREPS Tourism for general sales agent services for CY 2012.

He reported that for the major market area of Japan, RFP No. 11-11, there were eight (8) proposals received. The evaluation committee asked for four (4) BAFOs and issued a Notice of Award to a.link LLC. He said that we are currently in the process of executing a contract for a two (2)-year term for \$6.8 million in CY 2012. Staff has been working with a.link by visiting Japan to ensure a smooth transition from the current contractor.

He concluded by reporting that staff is continuing in the evaluation process for the North America proposals.

Mr. Uchiyama provided updates on the market recovery strategy, meetings with various carriers, and projects within Brand Management. He mentioned that the board was provided with an overview of how we are transitioning from how we used to handle programs such as Product Development, CPEP, and Hawaiian Culture. He shared that the Brand Team has found that in merging some of the programs, efficiencies were discovered and subsequently, they put together an execution plan that they will present to the board. Mr. Uchiyama stated that he would be sending out a copy of the plan to the board members, but that the Brand Team would also be making a presentation at an upcoming board meeting.

In terms of airlift overall, he reported that an increase is being seen in the 4<sup>th</sup> quarter, finishing out the year. He explained that in terms of seat inventory, we will be about 1 percent above previous year, and the trend going into 2012 and right now in the 1<sup>st</sup> quarter, we are seeing a 5.5 percent increase in seat inventory, with the 2<sup>nd</sup> quarter showing about a 4 percent increase. He pointed out that the inventory is coming primarily from Asia, Canada, and Australia, where we are having huge gains. He stated that the area of concern is the US East, but recounted a previous presentation he made to the board where he mentioned that he thinks some of the discussions that have been conducted with carriers who will be coming into the picture down the road will help us in the East to West flow of traffic, then to Hawai'i.



He reported on three (3) key areas from his trip to Japan. While there, he attended the Japan-Hawai'i Tourism Council (JHTC) meeting and reported that it was "probably one of the best meetings we've had since we started this in 2008." He explained that the Japan service committee came up with a really defined plan, and he will be going back to Japan to meet with them to see how the action items can be put in place so that the execution of the plan can begin. He shared that the Governor's meetings with all the major tour operators and Japan airlines went very well, and that he was very well received at a function attended by all the industry partners.

He also reported that all of the transitional meetings that were conducted between a link and all of the major tour operators; the promotional committees that exist in Tokyo, Osaka, and Nagoya; and industry partners that are placed in Japan, such as the hotel and attraction representatives, went over very well. He shared that "everyone is very happy with the change" and with the direction to integrate the relationship and the marketing efforts versus just running ads and promoting the destination. He said that they feel we are going to be able to get much more out of the combined effort going forward. Mr. Uchiyama pointed out, however, that there is a seat inventory issue for Japan. He said that there are not enough seats, which means that we are going to have to work even harder with the carriers. He said that there are other carriers who are buying other origination points, as well as increasing service or increasing the size of aircraft on their current routes. He mentioned that as we see the momentum of seat inventory getting back to 2006-2007 levels, he thinks that Japan will come back. He reports that currently, we are almost flat in terms of year-over-year, but believes that going forward, that is going to come up.

Mr. Uchiyama reported that we are trending down in the US East because of losses out of Detroit and Minneapolis and that we are going to see some downsizing of service out of Chicago and Houston, which are issues that definitely need to be addressed. He reported further that we are currently trending 21 percent down out of US East, so this is an area on which we will really need to work. He shared that we are up 1.8 percent in the US West and said that number is going to increase because Allegiant is going to enter the market. He said that there are hopes that their entry into the market will stimulate some activity and with that, there will be an increase in demand and some additional seat inventory will result from it. He said that Allegiant will not go head-to-head with Legacy carriers because they are not coming out of the same origination points.

Mr. Chang asked if there is some indication as to load factors and if there is a way for us to look at that and predict areas of risk, given Mr. Uchiyama's report about where we are potentially losing capacity.

Mr. Uchiyama said that those reports can be pulled and explained that it is something that is monitored because we want to get ahead of the game in terms of addressing flights that aren't pulling their weight because we want to get to the carriers before they pull a flight. He also mentioned that we are closely monitoring load factors for China Eastern.

Mr. Chang queried whether that is information that can be reflected on the dashboards as well.

Mr. Uchiyama shared that with the shift in seat inventory, load factors are running “pretty healthy” and we will start to see airfares going up because of those load factors. He explained that it is going to make way for other carriers to enter the market, which will, hopefully, re-stimulate the market. He cited Korea as an example, with Asiana’s entry into the market. He also mentioned that something similar may occur in Australia, with Air Australia entering the market. He said that there is a partnership that has been formed between Virgin Australia and Hawaiian Airlines, which presents other opportunities for Hawaiian Airlines with regard to other origination points out of Australia. He also shared that this year, Oceania as a whole is up 25.7 percent and a lot of the activity is going to start happening in December and at the start of the year, so the growth there is going to go up even further. He said that Other Asia is up 86.1 percent because of Asiana’s entry and what may happen is that there will be a shift from charters to scheduled flights, as well as an increase in frequency.

Mr. Chang mentioned an item in the CEO report that referenced an “HTA Brand Sustainability Plan” and asked Mr. Uchiyama for details. Mr. Uchiyama replied that it is the Brand Experience Plan and explained that one of the things that is being emphasized as we are starting to build demand is the ability to provide experiences in the destination that will bring value to our visitors and that can be achieved through programs such as CPEP and Hawaiian Culture. He said that a more in-depth presentation would be given to the board and that he will be sending something out before that presentation to give the board members an opportunity to go through it. He said that he thinks the Brand Team has really assembled a very efficient plan that will help us build on the quality of the events we’re putting on. He cited the Hawai‘i Food and Wine Festival as an example. He shared that it went over very well and that after the event, he received calls from people, wanting to sponsor the event for next year, which he says is the first time he has experienced that. He went on to mention that American Savings has already indicated that they want to get more involved in that event. He explained that that is what we want to do – we want to raise the bar so that the community wants to come in and support it, and he feels that the plan the Brand Team has assembled will help to put us in that direction.

Ms. Weiner made a motion to go into Executive Session for the purpose of considering an evaluation of an employee and discussing information that must be kept confidential to protect Hawai‘i’s competitive advantage as a visitor destination.

The meeting was recessed to go into Executive Session at 10:58 a.m.  
The meeting was reconvened at 2:00 p.m.

**9. Discussion and/or Action to Establish a Meetings, Conventions, and Incentive Market Investigative Committee for the Purpose of Reevaluating the MCI Market's Strategic Goals, Objectives, Directives, and Key Performance Measures**

Mr. Bloom made a motion recommending the establishment of a Meetings, Conventions, and Incentive (MCI) Market Investigative Committee for the purpose of re-evaluating the MCI Market's strategic goals, objectives, directives, and key performance measures and whose members will be Mr. Chang, Ms. Thompson, Mr. Fitzgerald, Ms. Angela Vento, and Mr. Jon Conching.

Mr. Kobayashi seconded the motion, which was unanimously approved without objection.

The meeting was recessed to go into Executive Session at 2:02 p.m.

The meeting was reconvened at 3:22 p.m.

**10. Discussion and/or Action to Adopt the CY 2012 Annual Tourism Marketing Plan and Budget for Convention Center Sales and Marketing and the Major Market Areas for Europe and North America Leisure**

Mr. Bloom made a motion to approve the CY 2012 Hawai'i Convention Center Annual Tourism Marketing Plan and Sales and Marketing Budget in the amount of \$5,196,841.00, which was unanimously approved without objection.

**11. Adjournment**

The meeting was adjourned at 3:25 p.m.

Recorded:

  
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