



Hawai'i Convention Center  
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815  
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**David Y. Ige**  
*Governor*

**Chris Tatum**  
*President and Chief Executive Officer*

**HĀLĀWAI PAPA ALAKA'Ī KŪMAU  
KE'ENA KULEANA HO'OKIPA O HAWAII'**

**REGULAR BOARD MEETING  
HAWAII'Ī TOURISM AUTHORITY**

***Po'ahā, lā 27 o Kēkēmapa 2018, 9:30a.m.***  
**Thursday, December 27, 2018 at 9:30 a.m.**

***Kikowaena Hālāwai O Hawai'i  
Lumi Papa Ho'okō A  
1801 Alaākea Kalākaua  
Honolulu, Hawai'i 96815***

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

***Papa Kumumana'o***  
**AGENDA**

1. *Ho'omaka A Pule*  
Call to Order and Pule
2. *'Āpono I Ka Mo'o'ōlelo Hālāwai*  
Approval of Minutes of the November 29, 2018 Board Meeting
3. *Hō'ike Lālā*  
Report of Permitted Interactions at an Informational Meeting or Presentation Not Organized by the Board Under HRS section 92-2.5(c)
4. *Hō'ike A Ka Luna Ho'okele No Ka Ho'okō Papahana HTA Ma Nowemapa 2018*  
Report of the CEO Relating to Staff's Implementation of HTA's Programs During November 2018
5. *Hō'ike 'Ikepili Noi'i 'Oihana Ho'omāka'ika'i*  
Presentation and Discussion of Current Market Insights and Conditions in Key Major Hawai'i Tourism Markets
6. *Hō'ike, Kūkākūkā a Ho'oholo No Nā Mo'okālā*  
Presentation, Discussion and Action on HTA's Financial Reports for October and November 2018



7. *Hō'ike No Ka Papahana Ho'oponopono*  
Update on the Status of the 2018 Audit Action Plan
8. *Hō'ike Hanana Kikowaena Hālāwai O Hawai'i*  
Presentation by AEG Regarding an Update of Hawai'i Convention Center Recent Operational Activities and Sales Initiatives
9. *Hō'ike o ke Kōmike Hō'oiā No Nā Mo'okālā I Hō'oiā 'Ia*  
Report of the Audit Standing Committee on the Financial Audit for Fiscal Year 2018
10. *Ho'oku'u*  
Adjournment

*\*\*\* 'Aha Ho'okō: Ua hiki i ka Papa Alaka'i ke mālama i kekahi hālāwai kūhelu i kū i ka Hawai'i Revised Statutes (HRS) § 92-4. E mālama 'ia kēia hālāwai kūhelu nei ma lalo o ka § 92-5 (a)(4), § 92-5 (a)(8) and §201B-4(a)(2) no ka pono o ko ka Papa Alaka'i kūkā a ho'oholo 'ana i nā nīnūnē a nīnau i pili i ko ka Papa Alaka'i kuleana me ko ka Papa Alaka'i loio. He hālāwai kūhelu kēia i 'ole paulele 'ia ka 'ikepili a i mea ho'i e mālama kūpono ai ko Hawai'i 'ano, he wahi i kipa mau 'ia e nā malihini.*

**\*\*\* Executive Session:** The Board may conduct an executive session closed to the public pursuant to Hawai'i Revised Statutes (HRS) § 92-4. The executive session will be conducted pursuant to § 92-5 (a)(4), § 92-5 (a)(8) and §201B-4(a)(2) for the purpose of consulting with the board's attorney on questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities; and to discuss information that must be kept confidential to protect Hawai'i's competitive advantage as a visitor destination.

*Kono 'ia ka lehulehu i ka hālāwai no ka ho'olohe a hāpai mana'o waha paha no nā kumuhana i helu 'ia ma ka papa kumumana'o. Inā hoihoi i ka hāpai mana'o kākau, hiki ke ho'ouna 'ia i ke Ke'ena Kuleana Ho'okipa O Hawai'i ma mua o ka hālāwai ma o ka leka uila iā carole@gohta.net; ma o ka leka i ka helu wahi o luna; a i 'ole ma o ke kelepa'i i ka helu o luna. Inā pono ke kōkua ma muli o kekahi kīnānā, e ho'omaopopo aku iā Carole Hagihara (973-2255 a i 'ole carole@@gohta.net), he 'ekolu lā ma mua o ka hālāwai ka lohi loa.*

Members of the public are invited to attend the public meeting and provide oral testimony on any agenda item. Written testimony may also be provided by submitting the testimony prior to the meeting to by email to Carole@gohta.net; by mail at the above address; or by facsimile transmission. Any person requiring an auxiliary aid/service or other accommodation due to a disability, please contact Carole Hagihara (973-2255) no later than 3 days prior to the meeting so arrangements can be made.



# **Agenda Item**

## **2**

**Approval of Minutes of the  
November 29, 2018 Board  
Meeting**



**REGULAR BOARD MEETING**  
**HAWAII TOURISM AUTHORITY**  
**Thursday, November 29, 2018**  
**Hawai'i Convention Center**  
**1801 Kalākaua Avenue, Honolulu, Hawai'i 96815**

**MINUTES OF REGULAR BOARD MEETING**

**MEMBERS PRESENT:**

Rick Fried (Chair), David Arakawa, Fred Atkins, Sean Dee, George Kam, Kyoko Kimura, Ku'uipo Kumukahi, Sherry Menor-McNamara, Craig Nakamura

**MEMBER NOT PRESENT:**

Micah Alameda, Benjamin Rafter, Kelly Sanders

**HTA STAFF PRESENT:**

Marc Togashi, Charlene Chan, Kalani Ka'anā'anā, Carole Hagihara, Caroline Anderson, Laci Goshi, Chika Miyauchi, Chris Sadayasu, Jadie Goo, Jennifer Chun, Lawrence Liu, Adrian Hanner, Chael Kekona, Maile Carvalho, Minh-Chau Chun, Isabella Dance, Noriko Sloan, Joseph Patoskie, Talon Kishi, Ronald Rodriguez

**GUESTS:**

Representative Richard Onishi, Mayor-Elect Michael Victorino, Teri Orton, Mari Tait, Noelle Liew, Lee Conching, Helene Feagaimaalii, Priscilla Texeira, Kevin Nakata, Katie Murar, Allison Shaefers, Patrick Dugan, Erin Khan, Jennifer Nakayama, Darlene Morikawa,

**LEGAL COUNSEL:**

Gregg Kinkley

## **1. Call to Order and Pule**

Presiding Officer Rick Fried called the meeting to order at 9:36 a.m.

Kalani Ka'anā'anā offered a pule to open the meeting.

## **2. Approval of the Minutes of the October 25, 2018 Board Meeting**

Chair Fried asked for a motion to approve the minutes of the October 25, 2018 Board Meeting. George Kam made the motion, and Craig Nakamura seconded the motion, which was unanimously approved by all the Board members present.

## **3. Report of Permitted Interactions at an Informational Meeting or Presentation Not Organized by the Board Under HRS § 92-2.5(c)**

Chair Fried asked the Board whether there were any permitted interactions to report. There were no reports of any permitted interactions between Board members since the last Board meeting.

## **4. Report Relating to Staff's Implementation of HTA's Programs During October 2018**

Chair Fried recognized Marc Togashi to provide a report on the Staff's Implementation of HTA's Programs During October 2018. Mr. Togashi stated that on October 26, 2018, HTA staff met with Senators Glenn Wakai, Laura Thielen and Brian Taniguchi from the Senate Committee on Economic Development, Tourism, and Technology, and staff from the Senate Ways and Means Committee. Mr. Togashi reported that the parties to the meeting reviewed HTA's budget in preparation for the upcoming 2019 Legislative Session.

Mr. Togashi announced that, through an RFP process, HTA will provide funding support to 130 non-profits and community organization state-wide, through the Kukulu Ola, Aloha Aina, and Community Enrichment programs.

Hawai'i sponsored the Ironman Event in October and the Maui Jim Invitational Basketball Tournament in November. Both events generated widespread exposure. HTA will also sponsor the following upcoming events: 1) the Hawaii Open Tennis Tournament from December 21-23, 2018, 2) the Hawai'i Bowl on December 22, 2018 and 3) the Hawaiian Airlines Diamond Head Classic from December 23-25, 2018.

Chair Fried recognized Representative Richard Onishi and thanked him for attending the November 18, 2018 Marketing Committee Meeting. Chair Fried also recognized the Mayor-Elect of Maui, Michael Victorino, and thanked him for attending.

Fred Atkins noted that during the confirmation process for some of the current Board members,

the legislature had raised major concerns. Mr. Atkins asked whether the legislators that attended the October 26 meeting with HTA staff had expressed major concerns or if they now have a better understanding of where HTA stands on those issues. Mr. Togashi replied that he believed that the legislators had a better understanding and he stated that they expressed appreciation for progress made by HTA, particularly shifts in budgets to strengthen communities and manage the destination. Mr. Togashi stated that he could provide more detail offline.

David Arakawa asked which HTA staff members attended the meeting and Mr. Togashi responded that attendance had included Charlene Chan, Kalani Ka'anā'anā, Jadie Good, and Chris Sadayasu. Mr. Arakawa asked whether any Board members had attended and Mr. Togashi replied in the negative. Mr. Arakawa noted that the Board has a Legislative Committee and suggested that members of that committee should be invited to any follow-up legislative meetings. He also asked whether the legislators identified any upcoming issues or concerns that the Board should prepare for and whether major issues like Airbnb were discussed. Mr. Togashi responded that the discussion had been about HTA's general involvement with the legislature and what its positions would be. He stated that the legislators did not discuss their position on Airbnb but Mr. Togashi added that it was obviously an important topic.

Mr. Arakawa asked whether the legislators had discussed issues like the Transient Accommodations Tax (TAT). Mr. Togashi replied that they had not discussed anything specific about the TAT except that Senator Glenn Wakai had recommended that HTA advocate, if it was their position, for other departments and counties to receive their share of TAT. Mr. Ka'anā'anā noted that the majority of the discussion with the legislators consisted of program-specific questions regarding what was on the budget. Ms. Chan added that not all the members of the Senate Committee on Economic Development, Tourism, and Technology were present and that there will be a legislative informational briefing in January 2019. Mr. Arakawa noted that the "camera issue" is a county issue, asked whether the legislators talked about TAT funding to the counties, and asked whether the legislators provided positive or negative sentiment in that regard. Mr. Togashi responded that there was no negative feedback on that issue.

Mr. Fried noted that he had discussed with Mr. Togashi whether it was appropriate for him to attend the meeting and they had decided that he should not. He added that it makes sense that up to two members from the legislative committee attend future meetings.

Representative Onishi stated that he was not at the meeting, but he cautioned the Board that allocation of the TAT is a legislative issue, and that if HTA encourages allocations for the counties the question may arise of where that money should come from. Chair Fried noted that Representative Onishi's committee is expanding and will now be known as the Tourism, International Affairs, Arts, and Culture Committee.

Mr. Arakawa asked whether the Senate Committee understood that the Board approved the cancellation of the Southeast Asian Marketing Office within the budget. Mr. Togashi responded that it did and that HTA had articulated that there was Board discussion and approval on that point.

## **5. Presentation and Discussion of Current Market Insights and Conditions in Key Major Hawai'i Tourism Markets**

Chair Fried acknowledged Jennifer Chun to provide an update on current market insights. Ms. Chun directed the Board to the report in the Board Packet, which included both September and October information. She noted that October visitor stats showed a decrease in visitor spending of 0.7% even though arrivals increased by 4.4%. Europe, Oceania, Other Asia MMA (including China, Korea, and Taiwan) were down for both spending and arrivals. There was an increase from the mainland U.S. to O'ahu due, in part, to the American Dental Association (ADA) Conference.

Ms. Chun noted that earlier that week, HTA had released visitor satisfaction statistics for the first two quarters of 2018. The statistics now include island-specific information like what attractions and regions of the islands visitors are going to. Hotel statistics were published the prior week. Hotel occupancy in October was 76.4% for the state which represents a decrease of approximately 2.5 percentage points.

Mr. Atkins asked whether the decrease was across the state. Ms. Chun stated that O'ahu was down slightly and the island of Hawai'i was down significantly, but there was growth on Maui and Kauai. Sherry Menor-McNamara asked whether Ms. Chun knew why the numbers were down. Teri Orton stated that she believed it could be due in part to displacement from the ADA Conference. Ms. Chun posited that it could be due to the impact of natural disasters in Japan earlier in the year. Jadie Goo noted that there were approximately 4,400 fewer air seats from China (due to Hawaiian Airlines suspending service to Beijing, and Chinese carriers' aircraft issues) so fewer Chinese were able to visit, but that the decrease with Chinese carriers' was only for October, and would resume going forward. Mr. Atkins requested a report from HTA's major market areas if there is a continued downward trend. Mr. Kam requested that the report also include strategies for addressing the downturn. Mr. Dee stated that he would also like to know what is driving the drop in hotel occupancy rates and asked whether alternative accommodations could be included in the research.

Ms. Chun noted that in October, Maui's revenue per available room (RevPAR) was down for the first time since January 2016, mostly in Ka'anapali (because Wailea was up). She stated that HTA does a study on individually marketed vacation rentals every year, and the next one will be published in December 2018.

The Board recognized Mayor-Elect Victorino who offered his input on the downturn in RevPAR on Maui. He stated that Ka'anapali was adversely affected from recent hurricanes, fire, and flooding, as well as significant traffic issues. He expressed concern that measures to address a potential downturn in tourism should not be reactive. He also explained that his office will have a hospitality liaison and expressed a hope that the rest of the counties would work together to address a potential future downturn.

Ms. Kimura added that the impacts of the hotel workers' strike should also be examined. Ms. Chun responded that they are not able to see specific hotel data to determine the impact of the strike.

Mr. Atkins asked whether Airbnb voluntarily reports the number of room nights they sell. Ms. Chun responded that the alternative accommodation websites do not voluntarily provide that data but it is within HTA's budget to do that research and she has been researching potential capabilities, and is putting out an RFP to that effect.

Mr. Arakawa noted that one of the important takeaways from Mayor-Elect Victorino's and Ms. Kimura's comments is that HTA can talk to the counties to help interpret data. Ms. Chun expressed her appreciation for neighbor island support. Mayor-Elect Victorino stated that fire is still impacting the island, and there is flooding in the areas that usually offset the traffic in Ka'anapali.

## **6. Presentation, Discussion, and Action on HTA's Financial Reports for September and October 2018**

Chair Fried acknowledged Marc Togashi for a presentation and discussion on HTA's financial reports. Mr. Togashi stated that the financial reports were included in their Board packets, including an executive summary of the report. He stated that there was nothing significant to report. Chair Fried asked for a motion to approve the September and October 2018 budgets. Mr. Kam made a motion and Mr. Atkins seconded the motion. The motion was approved by the Board.

## **7. Update on Status of the 2018 Audit Action Plan**

Chair Fried asked Mr. Togashi to provide an update on the 2018 Audit Action Plan. Mr. Togashi directed the Board to information provided in the Board packet. Mr. Arakawa asked whether HTA has a procurement policy, whether it has been reviewed by the state procurement officer, and whether there were any objections to working with the State procurement officer on the procurement policies. Mr. Togashi responded that he believes that that is a question for the Chief Administrative Officer and the new leadership team, but that the auditor is aware that HTA has a procurement policy and that it was reviewed as part of the audit. He added that HTA is always looking for ways to improve and that it has no objections to working with the procurement office.

Chair Fried asked whether the procurement policy was discussed at the legislative meeting or whether mostly budget was discussed. Mr. Togashi responded that mostly budget was discussed.

## **8. Presentation by AEG Regarding an Update of Hawai'i Convention Center Recent Operational Activities and Sales Initiatives**

Chair Fried recognized Teri Orton to give a presentation on Hawai'i Convention Center (HCC)

operational activities and sales initiatives. Ms. Orton began by presenting HCC's new "sizzle video" for the Ho'omaluo campaign.

Ms. Orton presented the Hawai'i Convention Center sales updates. She reported that the American Dental Association meeting was held in October, with 16,000 delegates, \$100M in spending, and \$11M in state tax revenue. The American Dental Association meeting, the Global Tourism Summit, the Hawai'i Food and Wine Festival, and 18 other events rounded out a very busy month. HCC grossed \$1.8M in revenue.

Turning to HCC's reforecast numbers, Ms. Orton stated that they are now projected to close the year at approximately 30% occupancy, gross revenue at \$13.5M, and gross expenses at \$15.9M. Ms. Orton noted that the losses this year are due to cancellations and rescheduling.

Ms. Orton provided an update on HCC's Food and Beverage department. HCC is expecting to close the year at \$8.4M which is approximately \$1.8M less than what was anticipated. Ms. Orton stated that the downturn in revenue is attributed to the groups that either rescheduled to 2019 or 2020, or that chose another city. Chair Fried asked what percentage chose another city as opposed to rescheduling. Ms. Orton estimated that about half chose another city. Chair Fried asked what a possible reason for that was and Ms. Orton responded that the reason was probably price, including airfare, exhibit costs, and hotel room rates. She added that these are corporate events that book on a shorter timeline.

Mr. Dee noted that 2017 was a strong year with approximately 50% flow through, and asked what Ms. Orton sees for the future and what is driving the erosion of flow through. Ms. Orton responded that it is driven by the type of business being brought in. She stated that last year there was more corporate business, which spends more in general because they are incentive groups. Next year is anticipated to be a stronger year because there are more corporate pieces than on this year. Ms. Orton also noted that availability next year is low, and there are very few dates available because of the high number of bookings already on the books. The team is now focusing on 2022 to 2026, because there is not as much business on the books during those years. A considerable loss of business was due to high hotel rates and inventory. There is more competition from other cities including secondary cities and "up-and-coming" cities that have new facilities. HCC is working on creative offers to differentiate Hawai'i and make it more affordable and palatable to planners.

Chair Fried asked how HCC was doing in regards to the use of the sports courts. Ms. Orton stated that that market segment is a "slam dunk" and noted that a futsal tournament, the first year of a four-year agreement, was beginning that weekend. A majority of teams participating in the tournament are international teams. She noted that one of the goals of the four-year agreement is to use some of HCC's marketing dollars to grow participation in Asia.

Mr. Kam asked about how the sporting events do in terms of food and beverage. Ms. Orton stated that food and beverage for sporting events is mainly concessions. HCC has opened an additional pop-up lobby kiosk concession stand which is helping to increase revenue. During the first week of the American Dental Association conference, the additional pop-up concession



helped HCC gross \$25,000 in revenue out of the lobby kiosk.

Chair Fried asked whether futsal was a derivation of soccer. Ms. Orton stated that it is five-on-five indoor soccer, and the tournament has five courts set up. Ms. Orton then discussed HCC's return on investment. For October, HCC's return on investment for every dollar spent was \$21.269 to the State.

Ms. Orton recognized Lee Conching to provide an update on HCC's sales. Mr. Conching stated that the sales team is focusing on closing business for the remainder of the year. He noted that there is tentative business on the books and the current focus is to get that business signed by the end of December 2018. Mr. Conching added that the "Million Miles" promotion is gaining traction and is helping to incentivize planners to sign contracts by the end of the year. Mr. Conching recently attended a conference in Bangkok, Thailand, of meeting planners in the Asia Pacific region. He stated that he believes there is opportunity in this region, and some of the planners he met there are already in talks for booking business in the future.

Ms. Orton provided an update on HCC's initiatives to open communication among stakeholders: the Customer Advisory Board and the General Managers' Forum. The next General Managers' meeting is scheduled for February 22, 2019 and Ms. Orton invited Board members to attend. Ms. Orton stated that the agenda will include updates on the markets and information on the groups that HCC is bidding. Mr. Conching discussed the Customer Advisory Board Meeting, which is scheduled to be held from February 20 to 22, 2019. The Customer Advisory Board is made up of approximately 20 of HCC's top clients. The board is invited to visit, share their insights, and provide feedback about what HCC is doing well and what could be improved. He stated that one of the biggest clients is American Dental Association, who is represented by Jim Goodman. He added that the hotel strike caused some anxiety with Mr. Goodman because he felt the strike targeted the ADA meeting. This February's meeting will be attended by about about twelve Advisory Board members. Mr. Conching invited HTA Board members to attend the Advisory Board meeting, and Ms. Orton stated that she would send out invitations. Ms. Orton added that three to four Advisory Board members are also invited to the General Managers' meeting to provide direct feedback to the general managers.

Mr. Dee offered an observation that HTA is considering major repair and maintenance expenditures so it would be important for the legislature to hear the concerns of the Customer Advisory Board. Ms. Orton agreed and stated that that information can be shared with subcommittee members. Craig Nakamura noted that HTA has a convention center committee, a permitted interaction group, that has met to focus on repair and maintenance projects. Included in attendance was a consultant who was involved in the original design and construction of the convention center. He added that he hopes that that consultant can attend the next board meeting to provide background on some of the issues that HCC is currently having.

Ms. Menor-McNamara asked what Ms. Orton believed HCC's strengths and weaknesses are based on the comments that she has received. Ms. Orton responded that she has heard, from Jim Goodman for example, that the building is beginning to look "tired," and that it is time to

change the chairs, carpet, and curtains. She noted that hotels refresh every 4-5 years and HCC is competing more and more with new and refurbished convention centers.

Mr. Arakawa asked what the criteria are for the Customer Advisory Board. Mr. Conching responded that they receive recommendations from their hotel partners and sales team. He stated that they try to ensure that it is a diverse group made up of members from across the country as well as different markets. Mr. Arakawa asked if there were a certain number of attendees from an organization's event that flagged its consideration for membership on the Customer Advisory Board. Mr. Conching stated that HCC aims at having at least 12 members able to attend each Customer Advisory Board meeting, which requires approximately 25 total members. Mr. Arakawa asked whether HCC pays for the members to attend. Mr. Conching stated that HCC pays for economy airfare and HCC's hotel partners put the members up.

At 10:49 a.m. Chair Fried recessed the meeting for a break. Chair Fried resumed the meeting at 11:04 a.m.

## **9. Report of, Discussion and Request for Funding Approval of Programs Recommended by the Marketing Standing Committee**

Chair Fried recognized Mr. Dee to report on various funding approvals for programs recommended by the standing committee. Mr. Dee provided a brief recap of the previous day's Marketing Committee meeting. He noted that there had been public testimony by the National Scuba Association which gave a presentation and a GoHawaii.com.

Mr. Dee stated that there had been an update regarding the LA Rams program, and that the Marketing Committee approved the contract with the Rams contract several meetings ago on the condition that it was concurrent with the Rams' Aloha Stadium contract. The Rams' Aloha Stadium agreement was executed on or about November 9, 2018. On November 11, the Rams executed their first "Hawai'i Day," which announced the preseason game to be played in 2019.

Mr. Dee stated that the Marketing Committee also discussed the LA Clippers agreement, noting that the Clippers have asked for consideration for a change in the date and opponent for one of the preseason games, with more details to be provided at a later date. He noted that the consideration would not constitute a budget change. Mr. Dee thanked the HTA team for negotiating the LA Clippers agreement, which added approximately \$200,000 to the media program at no additional cost to the state.

Mr. Dee stated the committee briefly went into executive session, noting that HTA's contract with sports marketing consultants Ascendent has expired and the staff recommendation is to wait until the new leadership team comes on board to make a decision on a new sports marketing consultant contract.

Ms. Kimura added that the committee also asked staff to confirm whether HTA had ownership of the relevant international "Go Hawai'i" domain names.

Mr. Arakawa stated that recently he had received an email from Senator Wakai regarding an upcoming Florida Central University (FCU) football game to support their recently-injured quarterback from Hawai'i, McKenzie Milton. He asked whether the Marketing Committee had plans to do anything for either the FCU game or for the Hawai'i Bowl. Mr. Dee responded that he is meeting with HTA staff after the Board meeting to discuss what can be done for the FCU game given the short notice. He also stated that HTA is a sponsor of the Hawai'i Bowl. Chris Sadayasu added that HTA awarded two of ESPN's signature events through RFP, the Hawai'i Bowl and the Diamond Head Classic.

#### **10. Discussion and Action on the Recommendation of the CEO Search Committee, Reported to the Board at its September 27, 2018 Meeting, on the Selection of a New CEO for the Hawai'i Tourism Authority**

Chair Fried discussed the selection process for the CEO and the selected candidate's qualifications and professional background. Chair Fried announced that the selection for the new CEO is Chris Tatum, and that he is anticipated to be on staff by the next HTA Board meeting. Mr. Tatum is the area general manager for the Marriot and has been with the organization for 37 years. Mr. Arakawa noted that Mr. Tatum is a graduate of Radford High School. Chair Fried requested a motion to approve Mr. Tatum as the new CEO. Mr. Kam made the motion and Mr. Arakawa seconded it. The motion was approved by the Board.

#### **11. Discussion and Action to Appoint an Interim CEO for the Hawai'i Tourism Authority, to Serve Until the New CEO Commences Employment**

Chair Fried announced that, because of the hotel strike, Mr. Tatum would need to remain at the Marriot a little longer and HTA would require an interim CEO in the meantime. Chair Fried requested a motion to appoint Mr. Togashi as interim CEO. Mr. Arakawa made a motion and Mr. Kam seconded it. Mr. Arakawa noted that, normally, there would be a concern because as acting CEO Mr. Togashi would be hiring the Chief Administrative Officer (CAO) and then, when Mr. Tatum begins as CEO/President, Mr. Togashi would return to his former role and would technically be under the supervision of the person that he hired as CAO. However, in this situation, the CAO will be recommended by the Board and a selection subcommittee. Mr. Kinkley, in his role as legal counsel, agreed with Mr. Arakawa's assessment. The Board voted unanimously to appoint Mr. Togashi as the interim CEO until the day Mr. Tatum starts as CEO.

#### **12. Discussion and Approval of the Board Ratifying Any and All Documents Signed by HTA's Vice President, Finance and Director of Communications from November 1, 2018 through November 28, 2018**

Chair Fried also asked for the Board's approval to ratify all documents signed by HTA's VP of Finance from November 1 through November 28, 2018. Mr. Kam made the motion and Mr. Craig seconded the motion. Mr. Arakawa asked whether there was a list of contracts and their amounts. Mr. Togashi responded that he had not distributed a list but that he could do so,

and that all the expenditures were in accordance with HTA's budget. The motion was approved.

**13. Report of the Search Committee for HTA's Chief Administrative Officer and HTA Vice President of Marketing and Product Development**

Chair Fried thanked the members of the search committees, especially Ms. Menor-McNamara, Ms. Kimura, and Mr. Dee, for their work in vetting and selecting candidates. He stated that the selections are currently being vetted by Mr. Tatum and, because the vetting process is still underway, he cannot disclose the selections. He noted that there were more than 100 candidates for VP of Marketing and more than 80 candidates for CAO. Mr. Arakawa stated that the selections were recommended unanimously, but that there was robust discussion during the selection process. Mr. Kinkley stated that the selection committee is a permitted interaction group (PIG), and the Board can take action at the third meeting of the PIG. Mr. Kinkley clarified that this agenda item constituted an update.

Mr. Dee acknowledged Chair Fried's work, patience and leadership during the selection process.

**14. Adjournment**

Chair Fried asked for a motion to adjourn the Board meeting. Ku'uipo Kumukahi motioned and Mr. Dee seconded the motion, which was approved by all Board members present.

The meeting was adjourned at 11:29 a.m.

Respectfully submitted

---

Janjeera Hail  
Recorder

# **Agenda Item**

## **4**

**Report of the CEO Relating  
to Staff's Implementation of  
HTA's Programs During  
November 2018**



**MEMORANDUM**

TO: HTA Board of Directors  
FROM: Chris Tatum, President and CEO  
DATE: December 27, 2018  
RE: Report of the CEO

The following narrative utilizes the 2019 Brand Management Plan's four core areas (Awareness, Conviction & Access; Unique & Memorable Experiences; Knowledge & Collaboration; and Strategic Oversight & Governance) to outline the various matters the staff is currently working on or has completed since the last CEO Report dated November 29, 2018. The narrative also describes the actions conducted by the staff to implement the Hawai'i Tourism Authority (HTA) budget previously approved by the Board.

**I. AWARENESS, CONVICTION AND ACCESS**

**A. Access**

**Honolulu Harbor Master Plan – Cruise & Excursion Operations Sub-Committee Meeting**

HTA participated in a meeting with the Department of Transportation Harbors Division and its various consultants and stakeholders on the Honolulu Harbor Master Plan Update's Cruise & Excursion Operations Technical Advisory Sub-Committee to identify needs and opportunities to improve maritime and landside infrastructure and operations in order to accommodate emerging trends and future demands in the cruise industry.

**II. UNIQUE AND MEMORABLE EXPERIENCES**

**A. Hawaiian Culture Initiative**

**Kūkulu Ola Program**

HTA continues to work with its 2017 awardees to close out their work and complete the final evaluations. A few programs were granted no-cost contract extensions for extenuating circumstances. HTA staff is continuing to work with its 2018 awardees on their work for this year. The HTA staff and evaluation committee have scored 51 proposals for work to be performed in 2019, with requests for funding totaling \$2,703,389.50. Projects awarded were notified in September by HTA staff. A news release announcing HTA's support of the 2019 awardees was issued on November 27.

Kūkulu Ola's 2019 program includes 28 awardees across the state at a total of \$1.223 million in funding. Contracts were distributed on December 12<sup>th</sup> and 13<sup>th</sup>.

## **Strategic Partnerships (Hawaiian Culture Initiative)**

HTA and the Native Hawaiian Hospitality Association continue to build stronger ties between the Hawaiian community and tourism industry. A primary change in this year's contract was bolstering support of Hawaiian culture training within the industry.

The Kālaïmoku Group organized the 'Aha Mele concert series this year. The series was revamped to hold four larger concerts in O'ahu's resort areas and featured a stronger list of performers. This resulted in savings in logistical costs for sound, lights, tents, etc. The series also partnered with two organizations for collaborative projects at 'Onipa'a Celebrations at 'Iolani Palace and The Gabby Pahinui Music Festival in Waimānalo, O'ahu.

HTA staff and Hawaii Investment Ready are exploring a possible contract extension to support a cohort of 12 social enterprises that are focused on tourism and previously received funding through the Community Enrichment, Kūkulu Ola, or Aloha 'Āina programs to build capacity. The intent is to elevate these social enterprises to seek other forms of capital to enhance and improve their programs. Hawai'i Investment Ready has completed the first four modules, which cover individual enterprise assessments, theory of change and social business model canvas. Modules 5-8 are being completed.

## **B. Natural Resources**

### **Aloha 'Āina (Natural Resources) Program**

HTA continues to work with its 2017 awardees to close out their work and complete the final evaluations. A few programs were granted no-cost contract extensions for extenuating circumstances. HTA staff is continuing to work with its 2018 awardees on their work for this year. The HTA staff and evaluation committee have scored 47 proposals for work to be performed in 2019, with requests for funding totaling \$2,654,798.52. Projects awarded were notified in September by HTA staff. A news release announcing HTA's support of the 2019 awardees was issued on November 27.

Aloha 'Āina's 2019 program includes 28 awardees across the state at a total of \$1.124 million in funding. Contracts were distributed on December 12<sup>th</sup> and 13<sup>th</sup>.

### **Hawai'i Ecotourism Association**

The Hawai'i Ecotourism Association (HEA) has executed a contract for services in 2018. The primary focus of this work will continue to focus on the training of certified tour operators statewide and enhancing their training capacity. In addition, HEA will provide trainings that can be accessed via the internet and YouTube.

### **Hawai'i Green Business Program**

HTA staff is finalizing a Memorandum of Agreement with the Hawai'i Green Business Program. The primary focus of this work is to assist and recognize businesses that operate in an environmentally, culturally and socially responsible manner. The program has a proven record of reducing energy consumption, water usage and waste, which are three key metrics of HTA's strategic plan.



### **C. Safety and Security**

Visitor Assistance Program (VAP). Programs in all four counties are ongoing. Contracts for 2019 programs are in execution.

Lifeguard Support Program. Contracts with the ocean safety departments in all four counties are in execution.

Waikīkī Camera Program. A contract with the City and County of Honolulu is in execution.

## **III. KNOWLEDGE AND COLLABORATION**

### **A. Communication and Outreach: November 2018**

#### **News Releases/Statements**

- News Release: Los Angeles Rams and Hawai'i Tourism Authority Team Up to Promote the Hawaiian Islands (November 11)
- News Release: Hawai'i Tourism Authority Releases Hawai'i Hotel Performance Report for October 2018 (November 20)
- News Release: Hawai'i Tourism Authority Publishes 2017 Annual Visitor Research Report (November 21)
- News Release: Hawai'i Tourism Authority Publishes Visitor Satisfaction Report of the Hawaiian Islands for First and Second Quarter of 2018 (November 26)
- News Release: Hawai'i Tourism Authority Awarding \$3.56 Million to Support 130 Hawaiian Culture, Natural Resources and Community Programs in 2019 (November 27)
- News Release: Hawai'i Visitor Statistics Released for October 2018 (November 29)
- News Release: Hawai'i Tourism Authority Appoints Chris Tatum as President and CEO (November 29)

#### **Media Relations**

- **Media Interviews:** Coordinated and/or assisted with the following interviews:
  - KHPR: Jennifer Chun (JC) with reporter Casey Harlow about the results of the visitor satisfaction survey for the first and second quarter of 2018 (November 27).
  - KHPR: JC with reporter Casey Harlow about the visitor statistics results for October 2018 (November 29).
  - New HTA President and CEO: Received interview requests of Chris Tatum (CT) from the following, which have been deferred until he starts at HTA (November 29):
    - Allison Schaefer, Honolulu Star-Advertiser
    - Pacific Business News

- Hawaii News Now, “Sunrise” Morning Show
- Catherine Cruz, KHPR “The Conversation”
- Brigette Namata, KHON
- Jon Trager, USAE News
- **Publicity Support:** Provided the following information and/or assistance:
  - Maui Jim Maui Invitational: Assisted Charlene Chan (CC) with revisions to the public address announcement acknowledging HTA’s support of the event (November 2).
  - Hawaii Open Tennis Tournament: Assisted CC in collaborating with organizers on planning for an opening press conference and other publicity elements to support charities during the tournament, December 21-23 (November 8).
  - Rapid ‘Ōhi‘a Death: Assisted Kalani Ka‘anā‘anā (KK) with revising a quote for a news release about biosanitation training being provided to tour operators to help raise awareness and prevent the spread of rapid ‘ōhi‘a death (November 9).
  - Los Angeles Rams: Assisted CC with the following to announce HTA’s marketing partnership with the team:
    - Collaborated with the Rams on a plan to publicize the announcement during the game on Sunday, November 11 (November 6).
    - Reviewed the news release drafted by the Rams and provided a quote from Rick Fried (RF) on behalf of HTA (November 9).
    - Confirmed on-site support to provide video and photos of the Hawai‘i brand components during the November 11 game (November 9).
    - Coordinated on-field access during the November 11 game for the videographer and photographer retained by HTA (November 9).
    - Provided shot list for video and photos to be taken during the November 11 game (November 10).
    - Reviewed, provided input and approved the final video and photos taken during the Rams game to be shared with HTA’s distribution list (November 11).
    - Issued the news release announcing the marketing partnership with the Rams, accompanied by video and photos from the November 11 game at the Los Angeles Coliseum, to HTA’s distribution list of media and tourism stakeholders (November 11).
    - Provided visual assets of HTA’s marketing partnership with the Rams to Hawaii News Now in response to their coverage of the November marketing committee meeting (November 28).
  - The Maui News: JC responded to questions from editor Brian Perry of The Maui News regarding the decrease in revenue per available room (RevPAR) for Maui County hotels in October (November 20).

- Pacific Business News: Assisted JC and Ross Birch (RB) of the Island of Hawai'i Visitors Bureau with providing written responses to questions e-mailed from reporter Katie Murar regarding the status of the island of Hawai'i's ongoing recovery from the Kīlauea volcano eruption (November 20).
- Los Angeles Clippers: Confirmed information to Hawaii News Now provided during the November marketing committee meeting that the contract to have the team return to Honolulu for training camp and pre-season games for the 2019-2020 season was in progress and the proposed opponent is the Houston Rockets (November 28).
- Hawaii News Now: JC responded to questions from reporter Mary Sorvino of Hawaii News Now about the decline in visitors to Korea during October (November 29).
- Honolulu Magazine: JC responded to inquiry from editor Robbie Dingeman of Honolulu Magazine regarding visitor statistics and information for Kailua (November 29).
- Civil Beat: Provided reporter Will McGough with contact information for John Defries, executive director of the Native Hawaiian Hospitality Association, and Frank Haas, instructor of Hospitality and Tourism Education at Kapi'olani Community College, to be interviewed for a story about the "Unreal" exhibit at Bishop Museum about how Hawai'i was portrayed in advertising in the past compared to today (November 30).
- The Maui News: Assisted JC and Sherry Duong of the Maui Visitors and Convention Bureau with providing written responses to questions emailed from Lee Imada of The Maui News (November 30).
- Pacific Business News: Provided questions e-mailed from reporter Katie Murar about Hawai'i's economic forecast for 2019 to CT via CC for consideration. Deadline for responses is December 7. Declined to respond, as CT starts work after the deadline (November 30).

### **Public Outreach**

- Cruise Line Industry Association: Assisted CC in drafting a quote from RF about Disney Cruise Line re-starting Hawai'i service in 2020 for an article being published in the Cruise Line Industry Association newsletter (November 21).
- E-Bulletin Newsletter: Assisted CC with drafting, editing and finalizing the content and distribution of the November E-Bulletin (November 30).

### **Brand Management**

- Capitol Connection Newsletter: Assisted CC with drafting two top accomplishments of HTA during 2018 to include in the January 2019 Capitol Connection newsletter to be issued by the office of Governor David Ige (November 20).
- Global Tourism Summit: Provided Madeleine Noa, sales manager for Roberts Hawaii, with the link to access the presentation slides (November 20).

- HTA Executive Search: Assisted CC with preparing talking points for RF to reference in responding to inquiries about the appointment of CT as president and CEO and the status in the search for the new chief administrative officer and vice president of marketing and product development (November 29).
- 2018 Annual Report:
  - Finalized the initial layout of the 60-page annual report for review by HTA (November 24).

### **International News Bureau**

- **Media Assistance:** Assisted the Global Marketing Team and provided other support, as noted:
  - **Hawai'i Tourism Oceania**
    - Reviewed and forwarded a request by Sussan Mourad of Dundas Media to Chris Sadayasu (November 12).
  - **Hawai'i Tourism Europe**
    - Reviewed and forwarded a request by Melissa Williams of Atlantic Productions Limited to Caroline Anderson (CA) (November 5).
    - Reviewed and forwarded a request by German filmmaker Christopher Jahn of Paule Porter Cinematography to CA (November 13).
    - Reviewed and forwarded a request by Maria Ventura of Pilot Productions to CA (November 20).
  - **Hawai'i Tourism China**
    - Reviewed and forwarded a request by Camilo Cadena of design company Design Overlay to Jadie Goo (JG) (November 14).
  - **Hawai'i Tourism United States**
    - Reviewed and forwarded a request by Mike Thompson of Paul Allen's Vulcan Arts + Entertainment and the Seattle Art Fair to HTUSA (November 15).
    - Reviewed and forwarded a request by Taylor Robinette of Cox Media in San Diego to HTUSA (November 19).
    - Reviewed and forwarded a bridal and wedding show request by Gordon Sulcer on behalf of American Consumer Shows to HTUSA (November 26).
  - **Miscellaneous**
    - Reviewed and forwarded a request by Hillary Buckman of The Great Southern Route Superyacht Guide to Laci Goshi (November 26).
    - Reviewed and forwarded a request by Vladimir Amper from GMA News TV in the Philippines to JG (November 27).

## **Social Media**

- **Facebook Posts:**
  - Post on Los Angeles Rams partnership. **Total Reach** 621 | **Total Reactions** 37 (November 13).
  - Post on October Hawai'i Hotel Performance report. **Total Reach** 441 | **Total Reactions** 18 (November 21).
  - Post on Q1 and Q2 Visitor Satisfaction and Activity report. **Total Reach** 473 | **Total Reactions** 22 (November 26).
  - Post on 2019 Kūkulu Ola, Aloha 'Āina and Community Enrichment program recipients. **Total Reach** 813 | **Total Reactions** 89 (November 27).
  - Post on October Visitor Statistics. **Total Reach** 616 | **Total Reactions** 35 (November 29).
  - Post on Chris Tatum appointment to HTA president and CEO. **Total Reach** 879 | **Total Reactions** 78 (November 29).
  
- **Twitter Posts:**
  - Post on Los Angeles Rams partnership (November 13).
  - Post on October Hawai'i Hotel Performance report (November 21).
  - Post on Q1 and Q2 Visitor Satisfaction and Activity report (November 26).
  - Post on 2019 Kūkulu Ola, Aloha 'Āina and Community Enrichment program recipients (November 27).
  - Post on October Visitor Statistics (November 29).
  - Post on Chris Tatum appointment to HTA president and CEO (November 29).
  
- **Instagram Posts:**
  - Post on Los Angeles Rams partnership (November 13).
  - Post on training sessions being offered to prevent the spread of Rapid 'Ōhi'a Death (November 14).

## **B. Research and Planning**

The Tourism Research Division (TRD) issued the October 2018 visitor statistics on November 29, including arrivals by country, category expenditures for major markets, and visitor characteristics for each major market area.

TRD posted the Air Seat Outlook data tables for December 2018 through February 2018 to the Infrastructure Research Section of the HTA website.

State, major market, and island fact sheets were updated with the October 2018 data and posted to the Board site. State and market fact sheets were published on the website.

TRD issued the October Hawai'i Hotel Performance Report on November 20. The report and related October 2018 data tables were posted to the Infrastructure Research section of the HTA website. The Hawai'i Hotel Performance Report is produced using hotel survey data compiled by STR, Inc., the largest survey of its kind in Hawai'i.

TRD issued the Q1 and Q2 2018 Visitor Satisfaction & Activity Reports on November 26. The report and related infographics were posted to the Visitor Satisfaction and Activity section of the HTA website.

TRD continued to work with the State Attorney General's office to analyze visitor data related to the impacts of the national travel ban on inbound travel from seven affected countries.

TRD is participating in the redesign process for the HawaiiTourismAuthority.org website.

TRD hosted a Pacific Islands Tourism Professional Fellow from Vanuatu, October 16-November 8. The program is sponsored by the U.S. State Department and administered by the East-West Center. The purpose of the Fellowship placement is to provide non-U.S. Fellows with a professional development program that includes direct experience with the day-to-day workings of a U.S. workplace and the opportunity to form professional relationships with American colleagues.

Jennifer Chun participated on a tourism panel for EMERGE: Hawai'i's Premiere Student Leadership Conference at the Hilton Hawaiian Village Waikiki Beach Resort on November 6. The event was attended by high school students from across the state.

Jennifer Chun was interviewed by Hawaii Public Radio (KHPR) on November 27 regarding Q1 and Q2 VSAT and on November 29 regarding the visitor statistics results for October and year-to-date.

TRD continues to reply to requests for information from HTA global marketing team, industry, media, and the general public. Data requests completed include:

- Additional detailed visitor statistic data for UHERO and DBEDT/READ for their databases, and the monthly data requests
- Responded to research inquiries routed through DBEDT.
- Average daily census statistics by island, for Star Advertiser.
- Rental car data, for Wayfarer Journey.
- Characteristics data of visitors from New York City, Boston and Detroit, for HVCB Market Research.
- Load factors for Scoot and Air AsiaX.

### **C. Career Development**

Department of Education Career & Technical Education (DOECTE). HTA staff met with DOECTE and LEI Program organizer to discuss 2019 plan for partnership and collaboration.

## **IV. STRATEGIC OVERSIGHT AND GOVERNANCE**

**Contracts List.** A list of contracts executed in the month of November is attached.

## Hawai'i Tourism United States Monthly Marketing Report November 2018

October saw Hawai'i's visitor growth continue, with U.S. arrivals increasing +8.7 percent, while expenditures also grew +6.5 percent. The *#LetHawaiiHappen* campaign continues to garner recognition and keep the destination top of mind for U.S. travelers.

### Leisure

#### **SUMMARY OF MARKET INTELLIGENCE/MARKET CONDITIONS**

Last month, the U.S. goods and services trade deficit grew even further, expanding +1.3 percent to \$54 billion. Both imports and exports grew +1.5 percent in September, with imports hitting \$266.6 billion—an all-time high. Exports hit \$212.6 billion in September.

“A bigger [trade deficit] reflects the stark reality that the American manufacturing sector is not as dominant globally as it once was,” said *MarketWatch*'s Jeffrey Bartash.

Travel exports expanded to \$21.36 billion, while travel imports expanded to \$15.66 billion in September. Without the \$5.7 billion surplus provided by travel, the \$54 billion overall September trade deficit would have been +11 percent higher.

#### Leisure Travel

Buoyed by +3.2 percent growth in total U.S. travel this October, the U.S. Travel Association is predicting continued growth in U.S. tourism through April next year, albeit cautiously. Key to their hesitation is the continual decline in growth of international visitation. Influenced by weakening global economic conditions, increasing trade tensions, and the growing strength of the dollar, growth in international visitors is expected to slow to a trickle.

At the same time, other entities are likely predicting positive if modest growth in tourism throughout 2019. CBRE hotels research arm has forecasted an increase in total average occupancy to 66.2 percent, fueled by a +2.1 percent increase in demand versus a +1.9 increase in supply. If realized, this would make 2019 the tenth straight year of occupancy growth for U.S. hotels.

#### **Economy**

The Conference Board *Consumer Confidence Index*<sup>®</sup> declined in November, following an improvement in October. The Index now stands at 135.7 (1985=100), down from 137.9 in October.

Despite a small decline in November, Consumer Confidence remains at historically strong levels. Expectations, on the other hand, weakened somewhat in November, primarily due to a less optimistic view of future business conditions and personal income prospects. Overall, consumers are still quite confident that economic growth will continue at a solid pace into early 2019. However, if expectations soften further in the coming months, the pace of growth is likely to begin moderating.

#### **Airlift**

A relatively modest +2.1 percent growth in air seat capacity is expected between December 2018 and February 2019 as compared to the same three-month period the year prior.



Capacity from the U.S. West market will remain relatively strong at +2.7 percent, driven by capacity growth in Anchorage (+17.8%), Denver (+10.9%), San Diego (+34.3%), Sacramento (+17.0%) and Portland (+19.9%). These gains offset some of the more troubling declines in capacity from major gateways like Phoenix (-5.2%) and Los Angeles (-6.1% %), though some of the latter can be explained by the resumption of flights out of nearby Long Beach.

Meanwhile, capacity from the U.S. East market continues to decline, shedding a full -2.1 percent of air seats on a year-over-year basis. The greatest declines are seen in seats flown from Minneapolis (-27.5%) and Dallas (-7.4%), though other gateways like Chicago (+12.5%) will still see healthy growth. The resumption of the American flight from Chicago increased seats, whereas the reduction of Delta from Minneapolis and the reduction from a double daily DFW-HNL on American contributed to the decline from Dallas.

## **LEISURE ACTIVITIES**

### **Consumer**

#### **On-line**

October firmwide digital campaign estimates: Central 14 million impressions; KVB 5.3 million impressions; OVB 3.8 million impressions; MVCB 2.9 million impressions; LVB 964,000 impressions; DMVB 827,000 impressions; IHVB 6.2 million impressions.

- Social Media

In November, HTUSA continued Episode 9 of the *Hawai'i Rooted* video series which featured cultural practitioner Greg Solatorio through an adapted *Facebook* mini-story, as well as *Instagram* teaser ads.

- Print. Firmwide print programs have been negotiated to deliver the *#LetHawaiiHappen* campaign's influencer content messaging in print, as well as additional added value media exposure throughout the year. In the month of November, HTUSA ran consumer brand ads in the following publication:

- Two-page IHVB island of Hawai'i spread ad (full-page brand ad adjacent to a full-page influencer advertorial) in *Travel + Leisure* (circ. 950,000).

### **Travel Trade**

HTUSA supported Liberty Travel by attending the opening of their new storefront in West Hartford, CT, Nov. 3, sharing marketing collateral with seven agency staff and managers and fielding questions about the Hawaiian Islands.

The team addressed 45 agents in partnership with Pleasant Holidays Nov. 6-7 for a AAA training in Rye Brook, NY. The training was an interactive seminar on customizing Hawai'i itineraries with unique experiences in addition to Hawai'i's top attractions.

CruiseWorld was held in Ft. Lauderdale, FL, from Nov. 6-9 drawing 700 attendees. In addition, HTUSA's sponsorship included a two-hour certification program attended by 107 travel advisors who also attended general sessions and networking events.

HTUSA went to Scotia, NY, on Nov. 7 for the Working in Travel Services (WITS) trade show and dinner. In addition to briefly addressing the crowd at the dinner, HTUSA presented a seminar for 10 agents. Participating Hawai'i partners included The Mark Travel Corporation and Travel Impressions.

HTUSA teamed up with Pleasant Holidays in Western Washington, Nov. 7-8, to conduct a sales blitz promoting the Hawaiian Islands, with a special emphasis on the island of Hawai'i. Visits were made to ten top-producing agencies with a total of 38 agents being provided updated information.

HTUSA coordinated an HDS training in Davenport, IA, on Nov. 13 and trained 13 agents from the Quad Cities area.

HTUSA participated in The Mark Travel Corporation's Fall Hawai'i events in Denver, CO, and Salt Lake City, UT, from Nov. 13-14. All-island updates were presented as well as information on the new Southwest Airlines Hawai'i routes. There were 40 travel advisors present at each venue. Participating Hawai'i partners included Aulani, A Disney Resort & Spa, and Outrigger Hotels and Resorts.

HTUSA was a sponsor at the MAST Sales Sensation in Chicago, IL, on Nov. 15 and presented to 350 agents in addition to participating in the trade show. Participating Hawai'i partners included All About Tours, Classic Vacations, Norwegian Cruise Line and Pleasant Holidays.

Norwegian Cruise Line invited HTUSA to present a virtual Hawai'i webinar on Nov. 26 to 45 members of their sales team. The webinar covered an overview of each island and its top attractions.

HTUSA participated in the Cruise Planners Annual Convention in Hollywood, FL, from Nov. 27-28. HTUSA partnered with Classic Vacations during a seminar attended by 95 agents. HTUSA also participated in the Preferred Partner Trade Show with live Hawaiian entertainment including two *hula* dancers and a musician to attract the crowd. Participating Hawai'i partners included Classic Vacations, Delta Vacations, Funjet Vacations, Pleasant Holidays, Norwegian Cruise Line, Shore Trips and Travel Impressions.

Signature Travel Network hosted their annual conference in Las Vegas, NV, from Nov. 27-30 which drew nearly 1,200 travel advisors. HTUSA and the Island Chapters were event sponsors. The conference included a pre-event supplier showcase, three days of trade shows and one-on-one appointments reaching approximately 200 advisors. In addition, two destination workshops reached 200 advisors, and a lunch sponsorship addressed all 1,200 attendees. Participating Hawai'i partners included Kāhala Hotel & Resort, Hyatt Hotels & Resorts, Marriott Hotels & Resorts, Turtle Bay, Mauna Kea Beach Hotel, Koa Kea Hotel & Resort at Po'ipū Beach, Outrigger Hotels and Resorts, Halekūlani, Grand Wailea, A Waldorf Astoria Resort, Classic Vacations, Pleasant Holidays/Journese, Delta Vacations and Disney Destinations.

### **Public Relations**

As a result of HTUSA's Hawai'i Food & Wine Festival Press Trip, Josh Ocampo's published story on *Mic.com* "How malasada, a Portuguese sugar donut, became Hawaii's favorite dessert" focused on the history of the popular dessert. Another story titled "Maui's Filipino food scene doesn't get attention it deserves—that's about to change" highlighted Sheldon Simeon's new restaurant, Lineage, and focused on the diversity of Sheldon's dishes and Maui's rich Filipino food culture.

ABC 7 KGO "Aloha Friday" segment integration with Hawaiian Airlines aired Nov. 8 and featured Koko Head Café's island style brunch and resulted in 11 different activities and partners covering culture, soft adventure and cuisine. The segments will continue to appear on either KGO-SF news (243,000 household (HH) impressions) or KABC-LA's "Eye on LA" (182,000 HH impressions) in the coming months, and video content will be repurposed for the stations' social media channels.

Christopher Elliott, travel columnist for USA Today and *The Washington Post*, is visiting the island of Hawai'i (Nov. 6-Dec. 6) and O'ahu (Dec. 6-Jan. 6). His extended stay will generate considerable destination coverage in *Away is Home*, his weekly national syndicated column for *USA Today Network*. Since his arrival, the PR team has connected Chris with Ross Birch, HAVO and Paradise Helicopters for his Kilauea follow-up story while on the island of Hawai'i. During his visit to O'ahu, the journalist will meet with HTUSA's Senior Director of Market Insights, Jeffery Eslinger, to discuss tourism trends.

As part of island of Hawai'i recovery efforts, HTUSA and IHVB coordinated and executed a media blitz in Los Angeles from Nov. 5-9. Rob Pacheco of Hawai'i Forest & Trail and a PR representative shared newsworthy destination updates and discussed editorial angles during one-on-one appointments and group dinners with nearly 20 national and regional media representing outlets including the *Los Angeles Times*, *Goop*, *UPROXX LIFE*, *Travel + Leisure*, *National Geographic Traveler*, *WestJet Magazine* and *CNN.com*.

KVB. Kaua'i was featured eight times online resulting in an estimated 1.8 million unique visitors per month (uvpm) and ten times in print for an estimated circulation of 37.6 million.

OVB. O'ahu was featured twice online resulting in 35.8 million in estimated uvpm and twice in print for an estimated circulation of 797,000.

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- MVCB. Maui was featured seven times online resulting in an estimated 164.7 million uvpm.

IHVB. The Island of Hawai'i was featured once online for an estimated total of 29.7 million uvpm and once in print, estimated circulation 66,000.

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- In November, HTUSA generated:
  - 27.6 million social media impressions (*Facebook, Instagram*)
  - November impressions and publicity values for articles that included Hawai'i:
    - o 37.6 million print impressions
    - o 24.9 billion online impressions
    - o 63 million broadcast impressions

### **Sales Activities – See Travel Trade above**

### **“COMING ATTRACTIONS” FOR LEISURE MARKET**

Golf Channel - *Aloha Season* Promotion. The 2019 *Aloha Season* program with Golf Channel will begin with pre-promotion in December and continue with promotional elements throughout the month of January during the following Hawai'i tournaments: Sentry Tournament of Champions, Sony Open in Hawai'i, Mitsubishi Electric Championship at Hualālai.

Thirty-second golf commercials will run featuring four different PGA TOUR players, with each professional engaging in an activity that he enjoys seeing/experiencing in the destination:

- Wesley Bryan – water raft/snorkel (Maui)
- Jon Rahm – helicopter (Maui)
- Bryson DeChambeau – zipline (Maui)
- Jhonattan Vegas – sunset sail/whale watch (Maui)

The travel trade team will participate in Hawaiian Airlines & Pleasant Holidays Training, Boston, MA, Dec. 4; Grandview Travel HDS Training, Columbus, OH, Dec. 5; Provident Travel Hawai'i Training, Cincinnati, OH, Dec. 6; webinar with KHM Travel, Virtual, Dec. 11, AAA HDS & Phoenix Sales Calls, Phoenix, AZ, Dec. 11-12; Travel Savers Supplier Luncheon, New York, NY, Dec. 13; Travel Weekly Readers' Choice Awards, New York, NY, Dec. 13; PNW 'Ohana Holiday Blitz, Western, WA, Dec. 14; Family Travel Advisor Forum, Ocho Rios, Jamaica, Jan. 7-11; HTUSA U.S. East Leisure Sales Blitz in Boston, MA; Garden City/Long Island, NY; West Orange, NJ; Philadelphia, PA; Baltimore, MD, Jan. 28-Feb. 1; sales calls and AAA training with Pleasant Holidays, Utica, NY, Jan. 4; sales calls and training with The Mark Travel Corporation, Buffalo and Rochester, NY, Jan. 8; Classic Vacations Partner Appreciation Nights, Newport Beach and Sacramento, CA Jan. 10 and Jan. 16; sales calls and training with Pleasant Holidays, Washington D.C. and VA, Jan. 15-18.

HTUSA PR Team is coordinating upcoming media visits with freelance writers Shane Mitchell (*Saveur*, *Food52*, *Travel + Leisure*), Andrea Bartz (*Psychology Today*, *Travel + Leisure*, *Sherman's Travel*), Holly Johnson (*U.S. News & World Report*, *Fodor's*, *TravelPulse*) and a mini-press trip focused on the island of Hawai'i with Jun Harada and other media from *Condé Nast*.

## Hawai'i Tourism Japan Monthly Marketing Report November 2018

### SUMMARY OF MARKET INTELLIGENCE/ MARKET CONDITIONS

#### Economy

- The Organization for Economic Cooperation and Development (OECD) lowered 2019 global economic growth projections to 3.5%. Main factors contributing to this are the slowing growth in the US and China as trade disputes continue, and global expansion likely to be peaking. The OECD views that although labor market conditions are improving, investments and trade have exhibited slower than originally anticipated amounts of growth. Japan's growth projections have also been lowered through 2020, as the 2019 consumption tax hike may shunt demand.
- Although Japanese citizens feel better about recent economic conditions, many remain wary of future economic outlook. As automation becomes widespread in Japan, many worry that it may lead to joblessness and income inequality.

#### Outbound Travel Market

- JATA Outbound Travel Committee Mr. J. Kikuma reaffirmed goals for achieving 2 million outbound Japanese travelers by 2020. Although the closure of Kansai International Airport and the earthquake in Hokkaido had been causes for worry, September YTD outbound travelers finished at +4.4%. In 2020, the Tokyo Olympics may reduce numbers for outbound travelers; with this, they reaffirmed intents to achieve 2 million outbound travelers by 2019.
- JATA announced that initiatives for increasing millennial travelers will be crucial for the travel industry. In efforts to boost demand, a special campaign for 200 millennials to experience travels began. Through such initiatives, JATA ultimately hopes to grow passport holder rates amongst the millennials.
- HIS announced their most popular outbound destination for the year-end holiday season (12/22 – 1/3) to be Honolulu for seven consecutive years. Although Hawaii remains as the most popular, competitive destinations such as Korea and Taipei have been rapidly rising in popularity, following at second and third places respectively.

#### Competitive Environment

- Final statistic numbers published by HTA revealed that Hawaii attracted more visitors than Okinawa in 2017. This prompted Visit Okinawa to change promotions to appeal similarities to Hawaii, with similar popularity. Growth in 2017 for Okinawa however remains greater than that of Hawaii, indicating the potential for popularity to surpass Hawaii.
- The Hong Kong – Zhuhai – Macau Bridge, connecting three major cities opened on October 24, prompting the Hong Kong Tourism Board to organize a seminar and reception event for 150 travel industry members in Tokyo. At the seminar, their new promotion of the "Greater Bay Area" was explained to representatives, highlighting the importance of tourism to Japan and Hong Kong. As such developments increase accessibility and convenience, HTJ will continue to monitor further growth to the region.
- New Caledonia's Tourism Authority held a destination seminar in Tokyo and Osaka, together with Aircalin, the national airline. Representatives showcased their appeals and attractions for visitors of all age groups. The seminar also showcased their three neighbor islands of Lifou, Mare and Ouvea, along with the direct flights offered by Aircalin.

### **Consumer Trends**

- As November 11 is dubbed as the Single Person's day in China, Japanese travel agency Club Tourism dubbed the day as the day for traveling alone and conducted surveys on consumers in their 40s, 50s and 60s, relating to activities done alone. Studies suggested that people partaking in solo travels, had tendencies for a higher quality of life, as they spent time on activities they value. Such studies suggest the potential rise of new markets which may boost travels.
- Trends for solo travels may be beneficial for Hawaii as popularity for solo travels to Hawaii rapidly grows according to KAYAK. Hawaii is currently the second most popular destination for solo travels, with an astonishing 281% growth in search queries. Because consumers tend to visit Hawaii with families, many consumers are beginning to find new interest in solo travels to Hawaii to make new discoveries. The diverse holiday season sales also provide appealing factors for visitors.

### **Travel Trends**

- On November 14, TripAdvisor unveiled their new app, which incorporates "social" features to expand their community to include brands, influencers, publishers and friends for users to follow and connect with content creators to obtain relevant information. When members log into the Tripadvisor app, they will be greeted with a personal "travel feed", which assists in planning travels, to ultimately become a one stop platform for consumers for travels.
- The digitalization of the travel industry has been rapidly developing, greatly improving convenience and efficiency. JTB formed alliances with Agoda and Airbnb to strengthen presence in web sales while tapping into new markets in efforts to develop new traveling experiences.
- Expedia Japan performed market studies on Japanese consumers' opinions on the 10-day golden week holiday. Only roughly half of the respondents were pleased with the holiday, while the other half opposed the holiday. Although roughly 60% of respondents stated intents to travel for the holiday, many raised concerns for price hikes and congestion. Expedia's study found that Hawaii was the most popular destination for travels during the holiday. (Cinq Report)

### **Media & Online Trends**

- Nikkei Newspaper launched a new app aimed at enhancing reading experience, called "Nikkei AR". For example, the app can be used to scan articles to view detailed videos on contents. This function will be implemented on the December issue of their weekly finance and investment paper, "Nikkei Veritas". Readers will be able to access 3D videos, market information and moving graphs which accompany the contents.
- As various media companies including newspapers begin implementing technological developments, Sankei newspaper announced the withdrawal of service to various regional areas of Japan by 2020. Sankei is one of five of the biggest newspaper companies in Japan, and has been a major newspaper, serving all of Japan. This shift insinuates the shift of the industry to online based mediums as major players change strategies.

### **Airlift**

- Significant changes in airlift for the Kansai market are expected for 2019. Along with the cessation of services by Scoot to Hawaii, JAL also announced the end of their second daily service. Both services may return on a seasonal basis for peak travel seasons. HTJ will continue to monitor changes to the Kansai market and adapt strategies accordingly.
- The closure of Kansai Airport for 2 weeks in September has made it difficult for the major wholesalers to obtain new bookings for November and December. Effects were greatest for

- the LCCs, as they did not offer regular relief service during the closure. Seats blocked by wholesalers are starting to become burdens as they struggle to fill seats.
- **Scoot:** Scoot has announced the discontinuation of their Kansai – Honolulu service starting June 2019. Reasons are attributed to the rising costs of fuel, along with the oversupply of airlift from Kansai. With fares going as low as 25,000 yen on their website, many had become wary of the continuation of service, as revenues likely declined.
  - **ANA:** ANA announced the date for the start of services of the Airbus A380 on November 27, at an inauguratory event. With special guests such as popular actress Ms. Haruka Ayase and Governor of the State of Hawaii Mr. David Ige also in attendance, ANA announced the launch for May 24, 2019. Another inauguratory event in Hawaii is also planned for January 2019, with expectations for ad campaigns to greatly increase as the date nears.
  - **JAL:** Difficulties ensue for the direct flight service to Kona, as full recovery from the volcanic activity is yet to be achieved. In addition to the negative imagery generated by the volcano, the rising fuel surcharge costs are making it difficult for wholesalers to promote the route. Although ad campaigns by JAL are currently relatively minimal, it is expected that this will increase as ANA begins ad campaigns for their Airbus A380.
  - **Hawaiian:** Struggles for the direct flight service to Kona has prompted Hawaiian Airlines to begin planning a special plan offered to travel industry partners, whereby various stakeholders will be offered a plan to experience first-hand, the Island of Hawaii at a special rate. As the Sapporo – Honolulu route has been exhibiting strong performance, plans for promotional campaigns with the government of Hokkaido have also begun. For their service from Kansai, bookings made by agents have been reduced, but much of this has been filled with the group and FIT markets.

## **LEISURE ACTIVITIES**

### **Hawaii Island Response**

- The three phased Island of Recovery Plan has entered phase 3 of initiatives, which entails increased travel trade co-ops with airlines and wholesalers, resulting in wholesaler partners greatly strengthening advertisements for the Island of Hawaii. Companies such as HIS have begun sales of a five-day package to the Island which includes tours of Kilauea for under 100,000 yen and have recorded strong sales on the product. Hankyu Travel has also began reoffering their previously highly successful product for the Island at a similar competitive price. Many wholesalers are also planning to increase exposure on TVs in 2019, greatly raising awareness of products for the Island amongst consumers. Many hope for near full recovery by Spring of 2019.
- An article promoting the Island of Hawaii was published by the attending travel industry media reporter from Travel Journal, for the Post GTS Island of Hawaii FAM Tour. Travel Journal is a well renowned industry media in Japan with many readers from the Japanese travel industry. The article accurately highlighted the current situation of the Island and provided a significant opportunity for promoting within the industry.
- HIS arranged an Island of Hawaii Event on November 3 at the Kaila Café & Terrace Dining store in Shibuya for roughly 40 consumers, included many elements for appealing the Island of Hawaii. HTJ supported the event by introducing the various attractions on the Island at the event. Other participating entities included the Kona Brewing Company and Fairmont Orchid Hotel, both utilizing their products for introducing the various offerings on the Island.
- HTJ worked with local free magazine “alohastreet” for a media tie-up to spread information on the recent developments of the Island of Hawaii. The article covers a brief history of the Island



and provides insight into the recent developments ranging from the overblown media reports to the partial reopening of Volcanoes National Park.

### **Aloha Program / Responsible Tourism**

- The Aloha Program conducted the 2<sup>nd</sup> annual “Aloha Program Week in Hawaii” as a benefit for Hawaii Specialists and to encourage other members to take the Specialist Exams. Over 10 specialists participated in the 2018 event, held on the Island of Hawaii and Maui, with support from 15 local stakeholders. Participants were able to deepen their knowledge of Hawaiian history and culture along with the history of Japanese immigrants in the islands. Concurrently, Hawaii Specialists were provided an opportunity to network amongst each other and discuss Hawaii related contents.
- Meetings were held with Bishop Museum and Roberts Hawaii regarding the creation of special benefits and promotions for intermediate and advanced level Hawaii Specialists to encourage visits and enhance the activity of Aloha Program members. As a result, Bishop Museum will begin offering Kamaaina rates to specialists, while Roberts Hawaii and HTJ are currently creating a promotional website together.
- The Waikiki and Downtown Historic Guidebook production was finalized in November. With support from NaHHA, HTJ was able to include lineage charts of the royal families, to provide readers with special contents that can be used on their visit to Hawaii.
- The special campaign launched on October 1 to increase the number of Aloha Program members ended on November 30. Through the special campaign which enticed consumers to join by explaining the benefits of membership along with various Hawaii themed prizes, 1,645 new Specialists were obtained.
- A webinar titled, “Traditional Hawaiian Food part 2” was conducted for Hawaii Specialists with Aloha Program Curator, Ms. S. Roberts as the instructor. 78 specialists attended the webinar and learned about the culture and history surrounding Hawaiian cuisine, along with current food trends.
- The Aloha Program arranged a Hawaii Specialist beginner level seminar and ukulele workshop at the Chigasaki “Local Style Festival” explained in the following section. A total of 52 consumers attended the seminar and workshop to raise their affinity with Hawaii.
- A special 2019 Aloha Program calendar with images and senryu poems relating to Hawaii collected from advance level specialists was created. The calendar also includes basic information of Hawaii, a signature events list, as well as simple Hawaiian language lessons.
- Aloha Program delivered 4 email blasts with an average click through rate of 7.80%.
- Aloha Program site statistics: Unique users at 28,154; Page Views at 436,124; Average Browse Time at 8:52.
- Aloha Program members totaled 484 youth, 10,354 beginners, 5,359 intermediate and 5,670 advanced members for a total of 21,867 specialists. (Total of 36,154 Aloha Program Members)

### **Hawaii Camera Girls**

- 3,734 women joined the Hawaii Camera Girls as of November 30.
- HTJ created a 2019 calendar using photos uploaded on social media with the hashtag, #hawaiicameragirls. ‘Instagenic’ photos from Oahu, the Island of Hawaii, etc. were selected. The calendars were made to encourage consumers to upload more photos on their trips to Hawaii in efforts to diffuse photogenic images of Hawaii throughout Japan.

### **Travel Trade**

- HTJ participated in the Chigasaki “Local Style Festival” from November 23 – 25 in the city of Chigasaki, a sister-city to Honolulu. On November 23, HTJ’s Aloha Program (AP) provided two informational seminars to deepen consumers’ understanding of Hawaii, with AP Curator Mr. D. Asanuma as the instructor for 52 participants. On November 25, HTJ arranged for Ukulele performers, Jody and Honoka to provide a ukulele workshop for attendees and perform a concert at the Municipal Hall for the local residents to become better acquainted with Hawaii. After the festival on November 26, HTJ visited local primary and junior high schools with Jody and Honoka, to provide cultural exchange opportunities to a total of 387 students through the ukulele.
- Confirmations were made by the Japanese Government regarding the rumors for the 2019 “Golden Week” season being a 10-day holiday in May. Wholesalers have already begun sales for products for the season with popular departure dates already being sold out. The industry also speculates that charter flight products will increase during the season.
- The Japan Association of Travel Agents (JATA) Outbound Committee’s Hawaii Division held a conference on November 9, regarding the possibility for creating further diversity of “all Japan” products, whereby the major wholesalers will work together to produce products. Some examples of potential collaborative products discussed are as follows: 1) Honolulu Marathon, 2) Optional marine activity tours and 3) “Transfers” on the less traveled islands of Maui and Kauai. Moving forward, wholesalers agreed to continue holding meetings to implement ideas with potential.
- HTJ conducted a webinar explaining the recent developments on the Island of Hawaii on November 27. Contents focused on the current situation of Kilauea and the reopening of Volcanoes National Park. Over 60 agents participated in the webinar to learn about the current condition of the Island.

### **Public Relations**

- HTJ generated a total of 38 exposures, 602,789,570 impressions, and \$3,052,926 ad value in November.
- HTJ distributed a press release on the #sharealoha SNS campaign.
- A media event was arranged for Japanese media and Hawaii partners to exchange opinions and pitch various stories to have Hawaii featured more frequently within industry media. Additionally, HTJ also presented on marketing initiatives carried out and sustainable / responsible tourism along with recent developments in Hawaii to suggest story ideas for the media to feature. Workshops and a discussion session were arranged for the Hawaii partners to participate in to deepen their understanding and advance their PR initiatives to the Japanese market. 10 local partner entities from Hawaii attended the event, along with 117 representatives from the Japanese media industry.

### **Sales Activities** – HTJ conducted 32 sales calls and met with 62 agents to promote Hawaii.

- Wholesalers continue struggling to confirm sales of package products to Hawaii. For the Island of Hawaii, although there was a slight bump in bookings shortly after the partial reopening of Volcanoes National Park, full recovery of sales to the Island will take longer.
- Conversely, online travel agents (OTA) have been performing exceptionally well, with strong growth in bookings made. Growth from Expedia and Rakuten has been exceptionally strong, prompting other wholesalers to strengthen initiatives for the online market.
- Wholesalers state that the hotel worker strikes continuing for longer than anticipated has not directly impacted bookings currently. They have noticed however, that consumers who have more spare time have been more inclined to delay their trips to a later time.

### JTB

- **Global Destination Campaign (GDC):** HTJ continued meetings with JTB regarding the 2019 GDC on a biweekly basis to establish detailed support methods and KPIs by the end of 2018.
- **Initiatives:** Package products continue to exhibit lackluster growth with particular difficulties in the Kansai market, as JTB had been slow in incorporating LCCs into products. Performance for the 2019 Golden Weeks season has been exceptional, with some customers already in the waiting list. To leverage upon this, JTB is considering implementing products utilizing charter flights for the season. JTB will be strengthening advertisements in public transportation to raise awareness of all products. As part of initiatives to combat the rising popularity of OTAs, plans are being made to add activities for customers to enjoy, which OTAs cannot offer.
  - Activities (at an additional price)
    - JTB has bought out reservations for tours to the Kaneohe Sandbar (140 participants). This tour is one of JTB's most popular optional tour products, allowing for greater ease of sales for these products.
    - Private JTB mini sunset cruise
    - Private JTB Royal Hawaiian "Ocean Front Dinner Plan"
  - Free Activities
    - 2 new routes for the Oli Oli Footwork routes outside of urban areas; 1) Oli Oli Shuttle East Coast view point tours (Hanauma Bay route + Makapuu Trail Route) and 2) a cross Oahu tour utilizing a new eco-friendly bus.

### HIS

- **Performance:** The issue surrounding the Crouching Lion Chapel and cancellation of reservations for some guests have subsided, and HIS has resumed the publication of advertisements with a focus for the Island of Hawaii. While overall difficulties to finalize sales for Hawaii remain, HIS has been able to revitalize performance to levels near 2017.
- **Initiatives:** Together with the resumption of advertisements, HIS has been hosting Hawaii seminars at their Hawaii Specialty Stores (Shinjuku and Yokohama) for agents to better sell the destination. HIS' initiatives in the Kansai market has greatly grown with the utilization of LCC (Air Asia X) products. Initiatives in November included a special Hawaii segment on TV, and the creation of special pamphlets exclusively for these products.

### ANA Sales

- **Initiatives:** Parent company ANA announced the awaited announcement of the date for the inaugural flight of the Airbus A380 with the introduction of pamphlets incorporating the A380 being imminent. They plan to hold roughly 100 – 200 seats on its inauguration. The rise of fuel costs is prompting ANA Sales to begin considering the rise of prices in 2019.
- ANA Sales will continue efforts to maintain their strong presence in the regional city markets. Initiatives for cities with feeder flights to the major airports will be strengthened going into 2019. HTJ will support initiatives as they align with the regional city initiatives carried out by HTJ.

### KNT

- **Performance:** KNT has been strengthening initiatives for the neighbor islands through their Club Tourism Division. Direct emails to consumers including guidance to pages indicating the recovery of the Island of Hawaii as well as the creation of new tours to Maui are some example initiatives. Because Club Tourism is also one of just two wholesalers which provide guided tours, neighbor island tours with personal guides that travel together pose great potential.
- **Initiatives:** As part of preparations for the 40<sup>th</sup> anniversary of KNT's "Matsuri in Hawaii" event, HTJ and KNT are working together to search for an ideal "special guest" to the event.

### Hankyu Travel

- **Performance:** Despite relative strong performance, some struggles remain, including their previously highly popular Island of Hawaii tour which attracted over 1,000 customers in 2017. They have greatly strengthened advertisements for this product and remain hopeful for the recovery of demand as awareness of the safety of travels to the island spread. Conversely, popularity for their LCC product campaign utilizing Scoot has been performing very strongly, with sales to over 200 customers confirmed in the first week of sales.

#### Nikkei Culture

- **Performance:** Nikkei Culture arranged a Hawaii talk-show with Aloha Program Curator Mr. S. Kondo for close to 90 consumers. Nikkei Culture is a relatively new wholesaler created collaboratively by Nikkei Newspaper and Hankyu Travel towards affluent consumers.

#### Honolulu Office Activities

- The HTJ Honolulu Sales Team conducted sales calls to 4 wholesalers (JALPAK, Kintetsu, NTA and HIS Hawaii) and met with 20 agents to discuss current market updates and 2019 initiatives. Many expressed difficulties for selling the destination with growth being lackluster. Bookings for the Honolulu Marathon in December have not been favorable, mainly due to the rising costs / prices leading to growth in OTA FIT bookings.
- With fuel surcharge rates also increasing in 2019 to 22,000 yen, many agents are speculating performance in 2019 to remain flat unless extreme situations occur.

#### Partner Relations

- HTJ supported the VIP FAM tour hosted by Delta Air Lines and Korean Air on Oahu from November 25 – 28, with 12 VIP representatives, all above director ranks, from JTB, KNT, Hankyu Travel, NTA, Tabikobo and Expedia. The high-ranking representatives were provided inspections of new trending spots in Hawaii such as the International Market Place and Kakaako, along with a tour of the offerings in Ko Olina while discussing the development of future Hawaii products.
- Conducted meetings with organizers of the Pow! Wow! Hawaii event regarding methods for promoting the 2019 event to specific target groups. To support and raise awareness of the event, an event announcement was uploaded to the HTJ portal site allhawaii.jp. HTJ also discussed the creation of an art tour information sheet for further promoting the event and suggested the use of Japanese media to disperse contents.
- Meetings were held with Dream Weekend Hawaii to create options for Japanese visitors to enhance their year-end experience in Hawaii. Along with posting an event announcement on the allhawaii.jp site, HTJ introduced representatives from wholesalers to discuss the potential for selling the event as optional tours.
- Registration for the 2019 3 City Seminar and Workshop event was held in November, with over 30 partners submitting applications. Details on the event will be provided to partners in December.

#### Brand Experience Update

- HTJ presented on responsible tourism to the journalists attending the media event, using video created by HTA.
- The #sharealoha campaign was launched on November 20, set to run through February 28. For the campaign, HTJ will collect photos of consumers doing the Shaka sign; the photos will be used to create a mosaic / collage of Shaka-chan, which HTJ will utilize for promotional initiatives.

#### Island Chapters Engagement Update

- Island Chapter Mahalo Reception: The third annual Mahalo Reception, with all Island Chapters was held on November 30. Over 80 travel agents and airline partners from 12 companies

participated in the event held at the Queen Kapiolani. All Island Chapters expressed their gratitude towards the agents and airlines and asked for their continued support through 2019.

- IHVB: Revised versions of the evening shuttle flyers were provided to the participating Island of Hawaii partners. Additionally, HTJ discussed with IHVB to obtain the latest updates on Kilauea and Volcanoes National Park after reopening on September 22. Information obtained was shared with the travel industry during the travel trade webinar on November 27.
- MVB: HTJ shared contents of the Maui portion of the Aloha Program Week in Hawaii to MVB.

**“COMING ATTRACTIONS” FOR LEISURE MARKET**

#	Event Name	Date	Location
1	Affluent Market Seminar	12/1	Tokyo
2	ANA Appreciation Event	12/6	Tokyo
3	Asia University (Bridal Practical Theories) Romance Market Seminar	12/8	Tokyo
4	Satellite Office Staff FAM	12/2 – 12/7	Island of Hawaii
5	Japanese Immigrants Special Exhibit Tour at JICA Yokohama	12/20	Yokohama

## Hawai'i Tourism Canada Monthly Marketing Report November 2018

### Leisure

#### **SUMMARY OF MARKET INTELLIGENCE/MARKET CONDITIONS**

Overall for 2018, Canadian visits are up 3.8%, but key Canadian partners are concerned about their bookings into 2019. They are reporting being down about 30% vs. where they were at the same time last year. The Canadian partners have been approaching their Hawai'i hotel partners for offers in order to stimulate the market. The partners have been aggressively promoting Hawai'i with marketing and advertising and HTCAN has been supporting and adding to their efforts.

Some economic clouds on the horizon, greatest of which is the exchange rate (combination of a strong U.S. Dollar and a Canadian Dollar that is dipping from the falling price of oil). If the exchange rate continues to worsen for Canadians, it could lead to reduced discretionary U.S. visits by Canadians. This situation would have a greater impact on the mid-market Canadian visitors, as opposed to the higher end, more affluent travelers who are less impacted by currency fluctuations. Consumer confidence has also dropped considerably.

#### **Economy**

Canadian Q3 GDP growth moderated as expected to 2.0% from the 2.9% gain recorded in Q2 though with the details suggesting a further slowing in Q4. Over the first three quarters of this year quarterly growth has averaged 2.2% which is down from the 3.0% annual growth recorded in 2017. The outlook for 2019 is not favorable with the loss of momentum for the global economy and the resulting decline in commodity prices. The federal government introduced a package of tax write-offs and investments to try to increase Canada's competitiveness and make it more attractive for new business.

In early December, the Canadian dollar continued a downward trend, falling to an 18-month low at \$0.74. As stated in past reports, any exchange below \$0.75 is of concern as it seems to lead to Canadians reconsidering discretionary U.S. travel.

#### **Consumer Confidence**

The national consumer confidence rating was 114.2 points in November, a 6.9-point decrease compared to last year and a 5.4-point drop compared to last month. Consumers residing in Atlantic Canada and the Prairies were more positive, while the confidence of residents of other regions recorded a decline. At the same time, the overall attitude towards purchase intentions fell -4.7-points to 28.8 percent of Canadians.

#### **Outbound Travel Market & Competitive Environment**

##### **Total Canadian Outbound Travel**

Canadians made almost 26.1 million overnight trips to the U.S. and other outbound destinations during the first three quarters of 2018, an increase of 2.1 percent. Of this total, almost 20.0 million trips were for leisure purposes. Compared to 2017, overseas leisure trips have increased 2.7 percent, while leisure travel to the U.S. has grown 1.7 percent. The first five months of the summer travel season saw

Canadians make an estimated 11.8 million overnight leisure trips to the U.S. and other destinations; the same volume as last summer.

### **Canadian Travel to the United States**

Canadians have taken more than 16.0 million overnight trips to the U.S. so far this year, an estimated 12.2 million of which were for leisure purposes. In addition, the first five months of the summer travel season recorded almost 7.7 million leisure trips to the U.S. Due partly to a stronger exchange rate at the beginning of 2018, the average daily hotel rate in \$CAD increased just 1.1 per cent to \$167.36. So far this year, the Canadian dollar has averaged 77.7 cents USD, compared to 76.6 cents USD in 2017.

### **Canadian Travel to the Caribbean, Mexico, and Central America**

More than 4.0 million Canadians visited destinations in Mexico, the Caribbean, and Central America during the first three quarters of 2018, an increase of 4.7 percent. Of the larger volume destinations, arrivals in Mexico have grown 10.5 percent so far this year, while the Dominican Republic recorded an increase of 9.3 percent. In contrast, travel to Cuba has declined -6.0 percent. Mexico and the Dominican Republic accounted for 55.6 percent of activity in the region during the period; this proportion was 52.9 percent last year. The first five months of the summer travel season (May-Sept) saw Canadian visitation to Latin America surpass 1.1 million, an increase of 4.8 percent.

### **Canadian Travel to Europe**

Canadians made almost 4.8 million visits to European destinations during the first three quarters of 2018 (based on reporting by 26 countries). This represents an increase of 5.4 per cent compared to last year. During the period, Slovenia, Turkey, Croatia, and Greece recorded the largest proportional increases in Canadian visitors. The first five months of the summer travel season saw almost 3.6 million Canadian arrivals in various European destinations, an increase of 5.4 percent.

### **Canadian Travel to Asia and the South Pacific**

Canadians made more than 2.5 million visits to key destinations in the Asia/Pacific region throughout the first three quarters of 2018, a 6.5 percent increase compared to last year. South-Pacific destinations, including Malaysia, Singapore, Sri Lanka, and the Philippines, have recorded the largest proportional increases in arrivals so far this year. The first five months of the summer travel season saw 1.2 million Canadian arrivals in the region, an increase of 4.7 percent.

### **Consumer Trends**

- The first ten months of 2018 saw visits to O'ahu grow 3.0%, while visits to the island of Hawai'i decreased by 0.7%.
- Prior to Kīlauea's eruption, visits to Hawai'i were up 5.6%, however Jun-Oct saw activity decline by 3,500 visitors compared to 2017.
- Visits to Maui increased by 7.5% during the period, and accounted for 40% of total visits, a slightly higher percentage than in 2017.

Canadian Visits by Island (Jan-Oct each year)			
	2017	2018	% change
O'ahu	170,437	175,569	3.0%
Kaua'i	56,394	60,702	7.6%
Maui	200,845	215,971	7.5%
Moloka'i	3,034	3,046	0.4%
Lāna'i	3,841	4,956	29.0%
Hawai'i	79,831	79,268	-0.7%
<b>TOTAL</b>	<b>514,382</b>	<b>539,512</b>	<b>4.9%</b>

*Note: As visits to more than one island can be made during a single trip, the number of visits by island adds up to more than the overall number of visits made to Hawaii.*

## **Travel Trends**

### **Growth in both Independent and Packaged Travel**

- The volume of independent travelers has reached 332 thousand so far this year, the highest level ever recorded for the period.
- At the same time, package travel has grown to almost 81 thousand trips, an increase of 3.1% compared to the same period in 2017.
- Notwithstanding this growth, the overall volume of package travelers is -20.2% less than the peak volume recorded in 2012.

### **Airlift**

- Air Canada and WestJet offered 367K direct seats during the first ten months of 2018; 3.3% more than in 2017.
- Compared to last year, Air Canada offered 5.8% more seats, while WestJet's capacity increased by 1.7%.
- Air Canada and WestJet offered 11,000 more seats from Vancouver, but capacity on other routes remained flat.
- The overall average load factor so far this year has dropped to 80.5%, compared to 82.9% in 2017.

## **LEISURE ACTIVITIES**

### **Consumer**

#### **CAA Travel Manitoba, Winnipeg – November 14**

- 38 clients of CAA Travel attended The Hawaiian Islands information session
- 45-minute presentation highlighting the culture, history, activities and attractions of the Hawaiian Islands
- Quality engagements with attendees and material distribution; answered inquiries about the diversity of the islands. Strong interest was expressed in returning to the Hawaiian Islands to experience a different island.



**Crème de la Crème Grand Wedding Showcase, Vancouver – November 18**

- 1,500 in attendance, by invitation only <http://cremedelacreme.ca/>
- High-end, luxurious event catered to Vancouver's most affluent couples
- Hailed as the wedding show of choice by Vancouver's most distinguished wedding experts, Crème de la Crème raises the standard of wedding shows with an unmatched haute couture fashion show, trendsetting designs, and showcase of products and services that convey style, artistry and excellence. Recognized by industry experts as the most pivotal wedding event of the year.
- Quality engagements with attendees and material distribution; inquiries for destination weddings, honeymoons, and luxury travel.

**Occupation Double Filming, O'ahu and Kaua'i – November 16-22**

- Occupation Double is an incredibly popular television show in Quebec. Part travel show, part dating reality show like The Bachelor / Bachelorette, it was arranged to film the season finale in Hawai'i, offering significant exposure in this important growth market.
- As had been planned, several days of filming took place on O'ahu and Kaua'i during November.
- The final episode will be broadcast in early December.

**TravelZoo – November**

- A new initiative, HTCAN has worked with TravelZoo to create an online presence within TravelZoo along with a range of offers including flight/vacations, as well as on-island activities.

**Travel Trade**

**Travel Leaders Network Mixer, Winnipeg – November 13**

- 46 travel agency owners/managers/consultants in attendance
- Supplier trade show provided quality engagements with attendees and material distribution
- 10-minute presentation during dinner; highlighted diversity of the Hawaiian Islands, importance of incorporating cultural experiences for clients, encouraged agents to become Hawai'i Destination Specialists and to refer to Agents.GoHawaii for sales tools and resources

**Air Canada Hangar Event – Vancouver – Nov 14**

- Approximately 70 Agents and Agency Managers in attendance for a hangar event in Vancouver to acknowledge the new 737 service to Hawai'i

**Tripcentral.ca Top Performers Incentive/FAM Trip to Maui from April 6 to 13, 2019**

- Requested "industry rate" for 16 double occupancy, and one single occupancy condo/villa accommodation
- 15 Top performers will be travelling with a partner, two executive management and partners, hosted by representative from HTCAN – total group size of 35 guests

**Contiki – Jenni Berg – National Business Development Executive**

- Meeting to discuss growing Hawai'i bookings and collaboration opportunities for 2019

**Flight Centre – David Gallie & Alexandra Roper**

- Meeting to discuss 2018 results, new developments, and plans for potential initiatives in 2019
- FC is growing a "Better Beaches" collection of upscale resort vacations that Hawaii will feature prominently in, in addition to other categories of travel

## **Public Relations**

- 2018 to date: 247 journalist requests have been received, 23 journalists have travelled via HTCAN, with **more than 400 articles published**.
  - o **51 articles published online and in print for the month of November**; appearing in top-tier daily newspapers, travel-trade publications, and online news hubs.
  - o **Canada's newspaper of record, Globe & Mail, featured two articles focusing on two separate islands (O'ahu and Lana'i) these appeared online and print.**
- HTCAN has coordinated a cover shoot with enRoute Magazine (Air Canada's magazine) for 2019; the shoot will be happening on The Island of Hawai'i with an accompanying article on the island's many outdoor adventure offerings. This included booking air travel for the art director, photographer, model, as well as securing permits, itineraries, waivers, and scheduling alongside The Island of Hawai'i's PR team.
- Follow-up with FAM participants from October group media trip for additional information, images, etc.
- Work with WestJet Magazine on upcoming article detailing Honolulu as a top location for conferences/events.
- Individual media fams for journalist under assignment in Moloka'i. Itinerary was secured with the MVCB.
- Planning for 2019 continues; HTCAN already well into booking individual familiarization trips, and further planning on times, themes, and specifics of the year's group media fams – which saw a ton of success in 2018.

## **Sales Activities**

### **Island of Hawai'i Trade FAM – December 2 to 8, 2018**

- Final review of itinerary and budget with Deanna, FAM itinerary and detailed information sent to participants

### **CAA Travel, Winnipeg – Lisa Raposo, Travel Supervisor**

- Training session with Lisa and eight agents; highlighted the attributes of each island, importance of including cultural experiences for clients, how to research information on Agents.GoHawaii and GoHawaii, encouraged completion of the Destination Specialist Program

### **Flight Centre Polo Park, Winnipeg – Amanda Wilson, Assistant Team Leader**

- Training session with Amanda and two consultants; highlighted the attributes of each island, importance of including cultural experiences for clients, how to research information on Agents.GoHawaii and GoHawaii, encouraged completion of the Destination Specialist Program
- Consultants are confident in selling their Hawai'i "Better Beach Product," targeting the elite, or more affluent client (\$100,000 household income and higher)

[www.flightcentre.ca/destination/hawaii](http://www.flightcentre.ca/destination/hawaii)

**Out 'n About Travel**, Winnipeg – Marie-Sehly Coly, Travel Consultant and Crystal Peterson, Wedding Specialist

- Specialize in LGBT Travel - certified supplier in the Canadian Gay & Lesbian Chamber of Commerce, member of the Manitoba LGBT Chamber of Commerce and the International Gay & Lesbian Travel Association
- Training session with Marie and Crystal; highlighted the attributes of each island, importance of incorporating cultural experiences for clients, how to research information on Agents.GoHawaii and GoHawaii, encouraged completion of the Destination Specialist Program

**Marlin Travel Polo Park**, Winnipeg – Kailey Hubbard, Branch Coordinator

- Update on island of Hawai'i, importance of incorporating cultural experience for clients, how to research information on Agents.GoHawaii and GoHawaii, encouraged completion of the Destination Specialist Program

**Surf and Safari Travel**, Winnipeg - Linda Loewen, Travel Designer

- Highlighted the attributes of each Hawaiian island, importance of incorporating cultural experience for clients, how to research information on Agents.GoHawaii and GoHawaii, Destination Specialist Program

**Travel for All - Flight Centre Independent**, Nanaimo, BC – Tarita Davenock, Travel Consultant

- arranges outbound global travel for clients with special mobility or illness requirements
- Provided website links for GoHawaii-accessibility, Health.Hawaii.gov, and AccessSurf.org

**Weddings by Escapes.ca**, Vancouver – Jason Mills, Business Development Manager

- Meeting with Jason and Carolee Higashino, White Orchid Wedding, to discuss sales and promotion of Hawai'i

**Marlin Travel**, Vancouver – Lisa Dimakis, Owner and Kiki Dimakis, Wedding Specialist

- Meeting to discuss sales and promotion of Hawai'i destination weddings
- Encouraged completion of the Destination Specialist Program and set up further training with Kiki in January

**North Star Travel & Associates**, Kitchener – Jeanne Hall, Senior Travel Associate

- Advised of Canadian and US Tour Operators that offer condos, homes and villas in O'ahu and Maui

#### **"COMING ATTRACTIONS" FOR LEISURE MARKET**

- HTCAN and island of Hawai'i Master Specialist FAM – December 2 to 8
- Occupation Double – Quebec TV show with significant high-impact Hawai'i content to air in early December

## Hawai'i Tourism Oceania Monthly Marketing Report November 2018

### Leisure

#### **SUMMARY OF MARKET INTELLIGENCE/ MARKET CONDITIONS**

##### **Economy**

###### **Australia:**

The Australian economy is performing well, and a little stronger than earlier expected. GDP growth is running above 3%. Growth expectations for Australia in 2019 and 2020 remain positive, however softer than last year. Influences such as the extreme drought conditions and the acceleration in the downturn in the housing market are expected to slow down the economy. The AU\$ hovered between US\$0.72 and \$0.73 during the month, maintaining a similar value to the previous month.

###### **New Zealand:**

After spending most of the year on a downward track the Kiwi dollar has picked up recently as sentiment about the local economy has improved. But ultimately the Kiwi remains very much at the mercy of the bigger political and economic forces around the globe. The NZ\$ is currently sitting around the US\$0.68 mark and is fairly valued by historic standards. It is slightly above the average for the past 20 years at about US\$0.66-\$0.67.

#### **Outbound Travel Market & Competitive Environment**

###### **Australia:**

The number of Australians returning from overseas trips in September 2018 (926,000) was slightly lower (0.2%) than August 2018. However, outbound travel increased 4.8% between September 2017 and September 2018. Travel to the United States remains consistent and slightly up year on year. The top five destinations for departures with increases year on year were: China (+11%); Singapore (+10.7%); Italy (+10.6%); Japan (+10.5%); and Indonesia (+6.1%).

###### **New Zealand:**

For the month of October, overseas trips by New Zealand residents were 262,800, down 1,000. It has become very rare for outbound travel to decline year-over-year and the markets that saw the greatest drops were: Fiji (down 3,400); Indonesia (down 2,200); and Australia (down 1,400). Hawaii bucked the trend – up 15.6% for the month of October (+954).

#### **Travel Trends**

-Hawaiian Airlines announced the appointment of Andrew Stanbury as its new Regional Director for Australia and New Zealand, commencing January 2019.

-TripADeal has come in at 18<sup>th</sup> position on this year's Australian Financial Review Fast 100 list, which collates the country's fastest growing small and medium sized businesses. According to the list TripADeal has grown at an average annual rate of 96.1% over the last three years.

#### **Airlift**

Qantas has lodged an application with the International Air Services Commission for an allocation of 696 seats per week on the Fiji route. The airline said that from March 2019 it plans to commence

services to Fiji using its B737 aircraft, with the requested capacity to be fully utilized by October 2019 by Qantas or a wholly-owned subsidiary such as Jetstar Airways.

Air New Zealand has advised that due to new A321neo (new engine option) aircraft they can increase the number of seats available on its Auckland-Gold Coast route by almost 60%.

## **LEISURE ACTIVITIES**

### **Consumer**

HTO's key focus in November was planning the 2019 campaign calendar. There are several activities launching early next year including the launch of new refreshed digital content, multi-island themed cooperative campaigns and the Flight Centre Expos.

### **Travel Trade**

Hawai'i Tourism Oceania assisted with the ground arrangements for a Flight Centre familiarization trip on O'ahu November 12-14 for 13 participants.

### **Public Relations**

HTO engaged with a freelance journalist who had been commissioned by Australia's largest travel publication, Escape, to write about Norwegian Cruise Line's Pride of America. HTO was proactive in helping with the journalist's travel plans and organizing land activities.

During November, HTO worked closely with International Traveller magazine on producing a lift-out which would be included in their December/January issue. The lift-out focuses on a "Foodie" guide to Hawai'i, centering on the culinary experiences of the Hawaiian Islands.

### **Sales Activities**

HTO have met with key partners during the month, to plan 2019 campaign and PR activities.

#### **"COMING ATTRACTIONS" FOR LEISURE MARKET**

- Expedia Multi-Island Campaign – December/January 2019
- Visit USA Regional event – December 2019
- Flight Centre National Campaign – February 2019
- International Traveller Foodie campaign – December 2018
- Sydney Kings Hawai'i Game – February 2019
- Brand USA Roadshow – February 2019

## Hawai'i Tourism China Monthly Marketing Report November 2018

### SUMMARY OF MARKET INTELLIGENCE/ MARKET CONDITION

#### Economy

- **GDP:** China's GDP growth in Q3 is expected to slow down to 6.5% compared to 6.7% in Q2. The decline matches the market expectations in light of trade disputes with the U.S.
- **Currency:** Chinese Yuan depreciated further to 6.98 per USD in November, compared to 6.48 RMB per USD at the end of Q2. This may impact the spending power of Chinese travelers during travel. Many financial experts predict that the depreciation may continue.
- **Unemployment rate:** China reached a record low of 3.83% in Q3 of 2018. The forecasted unemployment rate in Q4 is 4.00%.
- **Consumer Confidence Index:** Consumer confidence in China slightly increased in Q3, standing at 118.6 Index Points from 113 in Q2. Confidence index higher than 100 points showed that Chinese consumers are positive about the current and future economic trends.

#### Outbound Travel Market

- According to Skift, Chinese FIT travelers have grown significantly and outnumbered group tour travelers, especially to long-haul destinations in the U.S. and Europe. 78% of the recorded Chinese arrivals to the U.S. in Q2 of 2018 was independent travel.
- As reported by ChinaDaily, Beijing will open its travel market further by allowing a number of foreign-owned companies to provide outbound travel services to customers. Foreign-invested travel agencies will be able to take a share from China's substantial overseas tourist market, and destination authorities will have the opportunity to develop more trade partners.

#### Consumer Trends

- Figures from the Chinese Outbound Tourism Research Institute (COTRI) showed that the number of Chinese travelers is still on the rise, with the Chinese making 43 million border-crossings worldwide in Q3 2018. Also, the figures from the United Nations World Tourism Organization showed that spending by Chinese tourists currently accounts for 21% of global tourism spending.
- Traditional luxury brands no longer hold the allure they once did as traveling becomes more prevalent among Chinese visitors. Instead, frequent travelers look to experience-based products and locally-sourced goods to establish their status as a cosmopolitan global consumer. The drop in Chinese spending would be a blow for both the duty-free industry and retail worldwide.

#### Travel Trends

- According to *The Chinese Luxury Traveler 2018*, released by the Hurun Research Institute and ILTM China, the top 5 most popular overseas destinations for Chinese high-end travelers in 2018 were Europe (39%), the U.S. (36%), Africa (29%), Southeast & South Asia (23%) and Japan & South Korea (22%). Besides, Hawai'i rose 3 places (15%) to the Top 2 popular Summer & Autumn destination for Chinese luxury travelers in 2018. As the U.S. popularity rose to 2<sup>nd</sup> place, it is an excellent opportunity for Hawai'i to attract Chinese luxury travelers.

- MasterCard's consumption data stated that 14 out of the top 20 most popular revisited destinations had seen 10% of their Chinese visitors returning for 3 years in a row. Among them, Canada, the U.S., and Australia featured the highest rate of repeated visits by Chinese visitors.

### **Airlift**

- On November 28, China Southern Airlines and American Airlines renewed their codeshare cooperation agreement. It includes a frequent flyer co-operation agreement and a memorandum of understanding on lounge access, further strengthening commercial and strategic ties between the two flag carriers. This agreement will cover major Sino-US routes operated by both airlines, extending to their domestic route networks to benefit travelers between China and the U.S.

## **LEISURE ACTIVITIES**

### **Consumer**

#### **Cuisine with Aloha – Hawai'i Food Show on IQIYI Video Platform and Air China Inflight Entertainment**

HTC collaborated with **IQIYI** (China leading online video platform), **X-fun Foodie Club** (No. 1 Chinese Online Food Show) and **Air China** to launch 7 episodes of Hawai'i Food and Travel Show - Cuisine with Aloha. The show is receiving lots of love with over 10 million viewership through IQIYI and Air China's Inflight Entertainment.

The episodes featured Hawai'i Cuisine such as the Luau, Poke, Kalua Pig Burgers, Loco Moco, Shaved Ice, and Acai Bowls. The audience was able to experience a unique journey through the healthy, tasty and colorful food culture of The Hawaiian Islands.

In addition, foodie hosts Jason and Summer took viewers on a trip to explore the enthralling tourism resources around the O'ahu and Island of Hawai'i. Some of the featured spots included Polynesian Cultural Center, Turtle Bay Beach, Nuuanu Pali Lookout, KCC Farmers Market, Diamond Head State Monument, Mauna Kea, Hawai'i Volcanoes National Park, Rainbow Falls, 'Akaka Falls State Park, Hilo Farmers Market.

#### **Hawai'i Shone in 2018 Shenzhen Ukulele Festival**

HTC partnered with **Shenzhen Ukulele Association**, a pioneer art community promoting Ukulele and Hawai'i Culture in China actively, and **Shenzhen Culture & Sports Tourism Bureau** to launch the 2018 Shenzhen Ukulele Festival on November 17.

40 Ukulele Players from Southern China, United States, and Japan were invited to meet around 200 Ukulele enthusiasts on site. This beachside musical event allowed citizens to soak in the Hawai'i ambiance and immerse in the ukulele music over the weekends.

With the public relations support from HTC, the ukulele festival was featured by Shenzhen News, Shenzhen Daily, Duteneews, Guangzhou Daily, Hong Kong Commercial Daily, and other 5 local media reaching **2,000,000 million** impressions with **USD 200,000** PR Value.

### **Travel Trade**

### **Happy Healthy Hawai'i at 2018 Beijing Roadshow**

To increase Hawai'i travel products and to mitigate the impact of suspended air services from Hawaiian Airlines, HTC partnered with tour operator America Asia to hold a roadshow for Beijing trade partners on November 14.

Around 40 Beijing travel agents attended, including top wholesalers, tour operators and OTAs of the Beijing market. Through an engaging presentation and immersive hula dance performance, attendees have shared their interest and confidence in creating and promoting new Hawai'i products.

### **Chinese Spring Festival Charter Flights Launching Ceremony in Hangzhou**

To raise awareness of Hawai'i in Zhejiang region and increase the air capacities of East China during 2019 Spring Festival, HTC had successfully secured 2 charter flights from Hangzhou to Honolulu on January 31 and February 6. This would be Hangzhou's second time to have a chartered service to the Hawaiian Islands with 690 incremental seats added to the market.

HTC kicked off the "Charter Flight Launching Ceremony" in Hangzhou on November 20. The two flights were chartered by 6 top travel agencies in Zhejiang region. The ceremony attracted more than 150 attendees across 80 travel agencies in Zhejiang province.

HTC also conducted a series of presentations, which included introductory videos, hula performances, and a showcase of travel products of Hawai'i. HTC will continue to support charter flights program and work closely with trade partners for future collaborations.

### **Hawai'i Showcased on Chinese Biggest Online Shopping Event – Double Eleven Promotion**

To tag on the most significant consumer festival of the year, HTC partnered with 14 different trade partners and carried out a Double Eleven campaign. Happy Healthy Hawai'i image was showcased through various online channels, such as Fliggy, Taobao, and Mafengwo.

HTC also partnered with China Eastern Airlines for this Double Eleven campaign. A festival-exclusive super deal was launched for the Shanghai - Hawai'i route. Throughout the whole campaign period, all partners offered various deals and launched different advertisements to celebrate this event. 70 Hawai'i travel products have been promoted, successfully generating over 8,000 sales with an incremental of 320pax.

### **Happy Healthy Hawai'i at Norwegian Cruise Line Series Roadshows**

HTC joined forces with Norwegian Cruise Line to promote Hawai'i cruise – Pride of America to Chinese travel agents in an aim to bring more Chinese travelers to Hawai'i. A series of roadshows were held across China in Beijing, Shanghai, Guangzhou, and Chengdu between October and November. More than 400 Chinese trade partners selling cruise products in the 4 cities gathered at the roadshows.

### **Hawai'i High-End Salon in Xi'an Joint with Utour**

To target high-end consumers, HTC worked with U-tour Xi'an and Wangfujing Department Store (a first-tier shopping mall in China) to conduct a salon to department Store VIP members on November 3. HTC introduced Hawai'i and Hawaiian culture through iconic images and videos. The unique Hawai'i style flower arrangement class also raised attendees' interests for Hawai'i. Also, 5 sale representatives from U-tour were on-site introducing their Mono-Hawai'i products.



## **Happy Healthy Hawai'i at Shanghai Wedding Expo 2018**

HTC collaborated with one of the top OTAs in China, Lvmama, for Shanghai Wedding Expo 2018 on November 24 and 25. Lvmama occupied the biggest booth in the travel products exhibition hall to promote Hawai'i products. HTC worked closely with Lvmama to create Hawai'i honeymoon products. The promotion attracted over **20,000** audiences. Five couples purchased the high-end customized Hawai'i packages at **USD 4,350** (RMB 30,000) per person.

## **Public Relations**

### **Press Release - 19 Media broadcasted Hangzhou Charter Flight**

To announce the launch of charter flights from Hangzhou to Honolulu in the 2019 Spring Festival, HTC held a press conference together with U-tour, the leading outbound agency in China. The 10 leading China media invited were Zhejiang Daily, Hangzhou Daily, Zhejiang TV, Hangzhou TV, QQ.com and Sina.com.cn. Echo Zhao, on behalf of Hawai'i Tourism China and Chongjun Fang of U-tour, also did interviews with the media outlets.

By the end of November, the press release has been broadcasted through 19 media and reached to **5.5 million** audiences with a total of **USD 724,600** PR value.

### **Press Release – Island of Hawai'i Named World's Best Winter Vacation of 2018**

Upon receiving the good news where the Island of Hawai'i was named the World's Best Winter Vacation by U.S. News & World Report, HTC issued a press release share the good news to Chinese audiences. The team also took the opportunity to introduce the diverse experiences including Hawai'i Volcanoes National Park Tour, Waipio Valley Lookout Exploration, Stargazing at Maunakea, Umauma Zipline Tour and more. The article reached to 20 mainstream lifestyle and travel media with a total PR value of **USD 370,000** and **4 million** impressions.

### **Media Highlight – So Figaro 4 Pages Article for Hawai'i**

**So Figaro**, a leading lifestyle publication with **650,000** impressions targeting Chinese fashion and lifestyle lovers, posted a 4-page feature under the title "Luxury Adventure Tours in Hawai'i." This article recommended the luxurious hotels, high-class restaurants and various travel spots on O'ahu and Kaua'i such as the Royal Hawaiian, Sheraton Waikiki, Mariposa Restaurant, Sunset Tour in Allerton Garden and SUP yoga.

### **Media Highlight – Holiday Mook 6 Pages Article featured Kaua'i and O'ahu**

**Holiday Mook(度假)**, a favorite travel magazine targeting leisure travel enthusiasts, featured a 6-page article on travelling in Kaua'i and O'ahu. It showcased luxury hotels, distinctive local restaurants and leisure travel experiences.

**COMING ATTRACTIONS**

No	Event Name	Date	Location
1	Hawaiian Dance Show "HULA IS LIFE"	Dec 9, 2018	Shanghai, China
2	U.S. Travel & Tourism Roadshow Xi'an, China	Dec 9 - 11, 2018	Xi'an, China
3	Hawai'i Products Salon Joint with Air China	Dec 18, 2018	Beijing, China

## Hawai'i Tourism Korea Monthly Marketing Report November 2018

### Leisure

#### **SUMMARY OF MARKET INTELLIGENCE/MARKET CONDITIONS**

- A recent tendency among South Korean tourists to prefer destinations that give them satisfaction regardless of distance and expense is helping major airlines cope with rising costs in an increasingly competitive market. The tendency, called "value consumption," is starkly different from the past trend of overseas tourists preferring cheap and nearby destinations. It is benefiting domestic airlines which have been strengthening their competitiveness in medium to long-haul flights. Industry sources reported securities companies have adopted a rosy outlook for large airlines which have struggled with higher costs due to a spike in international oil prices.

#### **ECONOMY**

- South Korea's economy is expected to grow 2.6% in 2019 due to slowing exports and weak domestic demand. The Korea Institute for Industrial Economics & Trade also lowered this year's gross domestic product outlook to 2.7%, down from 3% growth announced in June. The institute said it downgraded next year's GDP projection due to protracted global trade tensions, monetary tightening in major economies and uncertainties in emerging markets.
- The average income of the top 20% of earners in South Korea was 5.5 times that of the bottom 20% in the third quarter of 2018, Statistics Korea reported. This is the largest difference since 2007, when the incomes of the top 20% were 5.52 times those of the bottom 20%. In this year's third quarter, the incomes in the upper group rose 8.8% compared to a year ago to 9.74 million won (\$8,616) a month, while incomes at the bottom fell 7% to 1.32 million won.
- Despite official efforts to boost job numbers, the unemployment rate in October climbed 0.3% from last year to 3.5% as people in their 40s and 50s faced challenges in the market, according to Statistics Korea. The 3.5% rate is the highest for any October since 2005 when the same rate was reported. The number is a measure of unemployed people as a percentage of the total labor force. In September, the unemployment rate was 3.6%, a 13-year high.
- The average USD/WON exchange rate in November was 1124.85 won, a slight decrease from the previous rate of 1129.53 won in October. Fuel surcharges were imposed in November up to 211,200 won (\$188) for a round trip between Korea and the U.S.

#### **OUTBOUND TRAVEL MARKET & COMPETITIVE ENVIRONMENT**

- Korea Tourism Organization reported the number of Korean outbound travelers in October was 2,347,876, a year-on-year increase of 5.2%.

#### **CONSUMER TRENDS**

- Seoul National University (SNU) consumer studies Professor Kim Nan-do, in collaboration with the Consumer Trend Research Institute of SNU, has unveiled his 2019 consumption trend outlook. It includes trends that consumers should be aware of, opportunities for growth, and which markets are emerging. These include the following:
  - + "Play the Concept" is one of the trends for Korea in 2019. Consumers are interested in products that match buyers' self-concept. Brands and prices are secondary factors in their decision when choosing products to purchase.
  - + "Invite to the 'Cell Market'." As mobile devices and social media are essential for millennials, influencers partner with businesses to create new products or sell them. Those who sell these

products via their blogs and Instagram accounts are sometimes referred to in Korea as "sellsumers," a portmanteau of "sell" and "consumers".

- ✦ "Going New-tro." Often the term "retro" is meant to connote a return to nostalgia. But Generation Z also shows interest in throwbacks such as cassette tapes and vintage watches. By targeting them and reinterpreting past objects, businesses can promote their brand heritage and archives.
- ✦ "Green Survival" is a much-debated trend, but Professor Kim claims that saving the environment is not optional anymore. It's a mandatory concern that is directly linked to human survival.
- ✦ "Emerging Millennial Family" and "As Being Myself" trends may reach new heights. Professor Kim observed in his trends forecast that young mothers no longer make some sacrifices for their kids. Instead of cooking meals at home, mothers buy ready-made meals or prefer to eat out.

### **TRAVEL TRENDS**

- Southeast Asia has emerged as the most popular tourist destination for South Koreans planning overseas trips in December, a leading travel agency said. Hana Tour, the largest travel agency in South Korea, said that as of November 14, Vietnam and other Southeast Asian nations accounted for slightly over 54% of all reservations for overseas travel in the coming month. The portion is up sharply from 34.1% for December last year. Japan followed with 18%, trailed by 12.8% for China. Last December, Japan claimed the top spot with 44.8%. Travel reservations for the Americas in December were ranked comparably low at 2.3%.
- Travel TV programs have been attracting travelers by not only widening choices, but also providing new perspectives on famous destinations. Research by SkyScanner shows the ticket search volume for destinations featured in TV programs steadily increased after they first aired. tvN's 'New Journey to the West', one of the most popular reality TV shows in Korea, visited Hong Kong last summer. Since then the flight search volume for Hong Kong has increased by 87% compared to the same period in 2017. Also, the search rate for flights to Athens increased by 44% after tvN's 'Encyclopedia of Useless Facts 3 - Athens' aired.

### **MEDIA & ONLINE TRENDS**

- South Korea's advertising market has distinguished itself this year by enjoying solid growth on the back of rapid expansion of the mobile ad market. Cheil Worldwide, one of Korea's leading advertising agencies, predicted the country's total ad spending would stand at 11.6 trillion won (\$10.24 billion) this year, up 4.2% from 11.13 trillion won a year earlier. This year's ad market was affected by slowing domestic economic growth, global-centric marketing by major conglomerates, establishment of mobile ad infrastructure and rapid expansion of ads on the internet and internet protocol television. Against this backdrop, mobile ads are expected to account for more than 20% of the total ad spending, followed by cable TV with 17%, PCs at 15%, network TV with 13% and newspapers at 12%. This will be the first year that digital platform advertising spending surpasses that of broadcasting platforms, such as network and cable TV and radio.

### **AIRLIFT**

- Low-cost carriers in South Korea are expected to continue their rapid growth and drive up international passenger traffic by nearly 20% in 2019. A report by the Korea Transport Institute predicted local budget carriers' combined international passenger traffic was likely to surge by 19.6% YOY to 30.4 million next year. South Korean low-fare airlines have posted stellar performances in terms of international passenger traffic over the past five years, with the average annual growth rate reaching roughly 40%. In contrast, local full-service carriers are projected to suffer stagnant growth in their international passenger traffic.

- Transport Ministry announced that four new budget air carriers -- Fly Gangwon, Aero K, Air Premia and Air Philip -- have applied for business licenses in line with the government's plans to add new low-cost carriers by the first quarter. South Korea currently has six budget air carriers -- Jeju Air, Jin Air, Air Busan, Air Seoul, Eastar Jet and T'way Air. Industry insiders say that at least two of the applying budget carriers will gain approval for operations next year.
- South Korea's flag carrier Korean Air Lines Co reported on November 13 its third-quarter net profit had more than quadrupled compared to a year earlier on increased demand for long-haul routes. For the three months ending on September 30, net profit jumped to 257.25 billion won (US\$227 million) from 61.63 billion won a year earlier, Korean Air said in a statement. In May, Korean Air and Delta Air Lines launched a joint venture to allow Korean passengers to use multiple routes when traveling to the United States by availing themselves of flights offered by either of the carriers. The collaboration drove up the number of transferring passengers on Korean Air flights and high-end travel demand on routes to the U.S., the statement said. The partnership has allowed local travelers to fly on 370 routes to 192 cities in the U.S. since May. Up to April, Korean Air customers leaving the country could only enter the U.S. for travel or business trips at a handful of airports in places such as New York, Los Angeles and Atlanta.

## **LEISURE ACTIVITIES**

### **Consumer**

- **Social Media Promotion with Sohn Mina:** HTK is producing promotional social media destination videos for Facebook and Instagram with Mina Sohn, HTK's official tourism ambassador who visited the Hawaiian Islands from July 16 to August 5. Depicting Ms. Sohn's experiences on the Island of Hawai'i, Kaua'i, Maui, Lana'i and O'ahu, the videos will highlight partners, destination features, and attractions. They will go viral throughout December on HTK's official social media channels as well as Ms. Sohn's personal media accounts and The Traveller's media channel.
- **GoHawai'i Website – Phase II Updates:** HTK is working on second phase updates of the GoHawai'i Korean website. It will follow up on updates where necessary in the coming months, providing translation and new personalization functions.
- **#AlohaEverywhere Influencer Fam trip:** HTK is in discussion with magazine The Traveller for an upcoming influencer Fam visit to the islands. The trip will involve influencers who are active both on Instagram and YouTube and is being targeted for departure by end of year.

### **Travel Trade**

- **Post-GTS Products Development:** HTK is conducting a Post-GTS Sales Promotion with 15 leading travel agents to develop uniquely new Hawai'i Neighbor Island products. Following the theme for each island visited during the Pre-GTS Fam tour – Package/Family (Island of Hawai'i) & Premium-FIT/Romance (Kaua'i) – the newly-launched products will involve primary partners from the Fam, such as hotels & attractions. The products will be extensively advertised through a variety of media channels operated by agents. After the three-month booking/promotion period from December 2018 to February 2019, travel agents who submit booking data results will win incentives according to their contribution to maximizing visitor numbers to the islands.
- **2018 Hana Tour International Travel Show Busan:** As part of its Busan Market Activation project, HTK participated in the Hana Tour International Travel Show (HITS) Busan at BEXCO from November 30 to December 2. The Korea team set up a Hawai'i booth in the U.S. Pavilion to showcase the destination's diverse aspects and deliver latest travel information to about 25,000 spectators. Also, HTK and Hana Tour conducted consumer quiz events offering Hawai'i-themed giveaways to enhance awareness of the islands and boost on-the-spot sales bookings.
- **Busan Airlines Sales Blitz:** HTK made sales call meetings to four airline partners based in Busan – Korean Air, Delta Air Lines, Asiana Airlines, and Japan Air Lines – after the HITS Busan. During the meetings, the Korea team followed up on each airline's marketing campaigns for the Busan

market activation. It shared market updates and travel/consumer trends in Busan and discussed future co-op opportunities for next year.

- **Hilton Gyeongju Hawai'i Holiday Promotion:** HTK is partnering with Hilton Gyeongju Hotel on a Hawai'i Holiday Promotion from December 15 to January 2. For the consumer-targeted event, HTK will sponsor Hawai'i-themed giveaways to pitch Hawai'i as a winter vacation destination.
- **Hawaiian Airlines Maui Promotion:** The Korea team worked jointly with Hawaiian Airlines and Maui Visitors Convention Bureau to organize a 'Maui Boom-up Promotion' from October 22 to November 9. The promotion highlighted the airline's daily flights from Korea to Hawai'i from January 14 to February 6, 2019 and involved two campaigns to promote flight sales. The B2B Agent Sales Contest aimed at maximizing ICN-HNL & ICN-HNL-OGG air ticket sales for winter season. The extensive B2C Online Promotion of HA's daily flights offered special rates for ICN-HNL-OGG routes exclusively on Korea's largest e-commerce marketplace, G Market. The three-week promotion generated significant sales bookings and media exposure. The resulting 1,024 bookings and 217 air ticket purchases (reversion rate of 21%) represented year-on-year growth of 154%.
- **Asiana Airlines Winter Season Promotion:** HTK and Asiana Airlines are running an online consumer sweepstakes event starting from November 16 through December 31 on the airline's official website (<https://bit.ly/2Tm1BBj>). It aims to enhance the awareness of Neighbor Islands and pitch Hawai'i as a perfect winter vacation destination. The promotion's two aspects involve: 1) Ticket Purchase Event, from ICN to HNL or to Neighbor Islands such as OGG/KOA/ITO/LIH; and 2) Participation Event, targeting those who share Hawai'i travel tips with other OZ members to increase the engagement of public consumers. The events also involve active sponsorships from Hawai'i partners – Queen Kapiolani Hotel, Hertz, Tsue's Farm, and Umauma Experience – which are offering door prizes and certificates.
- **KE #LuxuryHawaii Promotion:** HTK worked on an online #LuxuryHawaii themed consumer promotion in collaboration with Korean Air to position it as a premium destination. The promotion involves an ICN-HNL Ticket Purchase Event that targets consumers who buy Korean Air flights for the route.

### **Public Relations**

- **Celebrity Photo Shoot on O'ahu:** HTK has invited one of the top men's fashion & lifestyle magazines, Arena Homme+, to O'ahu to do a fashion photo shoot in January. The project involves a pictorial featuring 'hot' celebrity actor Mr. Jihoon Ju with the aim of targeting the FIT and young generation (20-30s) market. HTK is involved in itinerary suggestion and coordinating a co-op with The Kahala Hotel & Resort for accommodation sponsorship. The pictorial will be published next March and involve a minimum of 4 pages of editorial. The project is expected to generate more than \$46,000 in PR value, including Mr. Ju's own social media, online article exposure, and print media.
- **Mother & Daughter Travel with Style H:** As part of the Busan market activation, HTK is inviting Style H, Hyundai Department Store's premium membership magazine, to Hawai'i to develop travel coverage targeting high-end families in Busan & Youngnam market. With a Mother & Daughter theme, a chief editor of Style H, Subin Park, and her daughter will visit O'ahu, Maui and Lana'i from February 22 to 28 to experience various attractions and activities. The couple's travel story will be covered with a minimum of 4 pages in the forthcoming May issue. The magazine will be distributed to more than 3,000 luxury stores in Busan and Seoul regions.

### **Sales Activities**

- The Korea team had 37 meetings in November with industry trade partners for regular sales calls and to discuss co-op opportunities as follows:
  - **Airlines (8):** Korean Air for #LuxuryHawaii promotion and airlift updates; Asiana Airlines for online sweepstakes events and home shopping promotion; Jin Air for co-op promotion

supporting the airline's return on Dec 29; Hawaiian Airlines for daily flight promotion; and four major airlines based in Busan –Japan Airlines Busan, Delta Air Line Busan, Korean Air Busan and Asiana Airlines Busan – to follow up on Busan market activation and discuss upcoming joint promotions.

- **Travel Agents** (19): Hana Tour, Mode Tour, YB Tour, Very Good Tour, Hanjin Travel, Lotte JTB, Lotte Tour, Interpark Tour, SMTown Travel, Redcap Tour, Tidesquare, LAS Tour (Busan), Busan Blue, I AM Tour Busan, Hana Tour Busan, Tournet Hawai'i, Trava, Koreana Tour Service, and Honeymoon Resort.
- **Hotels** (3): Queen Kapiolani Hotel, Hilton Gyeongju, and Park Hyatt Busan.
- **Rent-a-car/Transportation/Attractions** (2): Hertz and Roberts Hawai'i
- **DMOs, U.S. Government/Organizations** (2): Brand USA and Las Vegas Convention and Visitors Authority.
- **Consumer Brands** (3): HIC, Hawai'i Water and G Market.

#### **"COMING ATTRACTIONS" FOR LEISURE MARKET**

- Brand USA – USP Graduation
- Korean Air #LuxuryHawaii – Aloha Priority Campaign
- Celebrity Actor Mr. Jihoon Ju's Photo Shoot on O'ahu (with Arena Homme+)

## Hawai'i Tourism Taiwan Monthly Marketing Report November 2018

### **SUMMARY OF MARKET INTELLIGENCE/ MARKET CONDITIONS**

#### **Economy**

- Taiwan's GDP growth in the third quarter was 2.27%, slightly lower than the preliminary reading of 2.36%. The unemployment rate in October is 3.75%, decreased by 0.01 points compared to September 2018.
- Taiwan's Consumer Confidence Index (CCI) in November fell 1.82 points to 80.13 compared to October. Five out of the six sub-indicators in November were lower than those in the previous month, including the timing of investments in the local stock market, the possible purchase of durable goods, the domestic employment opportunities, and the households' views on financial conditions in the next six months. The point of domestic economic conditions was the only factor that marked an increase in November.

#### **Outbound Travel Market**

According to the Taiwan Tourism Bureau, the overall number of outbound visitors from Taiwan was 1,389,622 in October 2018 with a 1.87% decrease compared to October 2017. The outbound number to U.S. went down by 13.55% to 42,020 in October 2018 compared to the same period last year.

#### **Competitive Environment**

##### **Japanese Government to Cover up to 70% of Cost of Tourist Trips to Quake-Hit Hokkaido**

Japan's central government has decided to provide subsidies covering the cost of tours to Hokkaido, where tourism demand has slumped due to a powerful earthquake earlier in September. The subsidy program for the prefecture is among the measures adopted at a meeting of related ministers to support areas recently hit by major natural disasters. Under the Fukko-wari (recovery support discount) program, foreign visitors on tour programs will have up to 70% of their travel costs covered for up to five nights, while the program covers three nights for Japanese visitors. Japan-based airlines such as Japan Airlines and ANA also offer discount programs to cover flights to and from Haneda and New Chitose airports. The discount program runs from November 6th to March 30th.

#### **Consumer Trends**

##### **Household Consumption Trend in Taiwan**

According to the latest government data on household expenditure, the spending in restaurants and hotels rose to a historic high in 2017. Such spending accounted for 12% of all household expenditure last year, the highest since 1976, when spending in restaurants and hotels was a mere 2.48%. The Directorate General of Budget, Accounting and Statistics (DGBAS) indicated that the change was due to the shift in social environment and consumer trend. While more and more people joined the workforce, they spent much more time in the workplace than at home. Therefore, people now are more willing to spend more on dining out as well as travel packages to adapt to their change in lifestyle.

#### **Travel Trends**

##### **The Hottest Vacation Trends in 2019**

According to Forbes, travelers will continue to experience destinations differently in 2019. More and more travelers are seeking to actively experience destinations on a local, cultural scale, while simultaneously bringing something home that's lasting and sharable, like being able to cook Tuscan poached eggs or dance the samba in Little Havana. According to TripAdvisor, 67% more travelers in 2018 chose to book an outdoor activity like glacier hiking, bungee jumping, scuba diving, or mountain biking. Cooking classes and immersive workshops in subjects like painting and architecture jumped 61%, while 59% more travelers decided they would rather engage in a cultural excursion or an historically-themed tour than sit by the bar or get sunburned on the beach. Also, "glamping" is coming back, and the glamour factor is through the



canvas roof. The term of glamorous camping reveals that travelers are not only seeking for luxury tented camps, but also for unique experiences.

### **Media Trends**

#### **LINE Partners With Agoda, Lions Travel, KKday and Tripresso For New “LINE Travel” Service**

Korean messaging app LINE launched “LINE Travel” services in Taiwan in a five-way partnership deal with Agoda, Lions Travel, KKday and Tripresso to create a “new model of tourism e-commerce.” The services will be rolled out to local LINE users to provide a “one-stop travel booking service” with access to a vast of travel goods, including 95 airline flights, hundreds of thousands of global accommodation options, travel experiences in 80 countries and group trips from more than 30 established travel agencies. Furthermore, LINE account holders will be able to share their travel itinerary with their LINE friends and acquire LINE Points kickbacks on participating bookings.

### **Airlift**

#### **Eva Air Plans to Boost Japan Connections as Dreamliner Fleet Grows**

Eva Air announced it will be expanding its Japan services in 2019, with the addition of three new destinations. EVA Air will add new flight routes between Taoyuan International Airport and Japan's Nagoya, Aomori, and Matsuyama airports in 2019 while expanding a host of existing services. This fleet change will also allow the airline to offer more seats on flights between Taoyuan and Tokyo's Narita Airport, as well as between Taoyuan and Osaka. The addition of new services and the expansion of existing ones will increase EVA Air's round-trips between Taiwan and Japan from 122 to 143 per week, equal to a 19% increase.

### **LEISURE ACTIVITIES**

#### **Consumer**

#### **HTT Partnered with Ciao Magazine to Promote Hawai'i**

HTT worked with the leading travel magazine – Ciao Magazine to promote Hawai'i as the top destination for couples or honeymooners who seek luxurious experiences. Featuring the Taiwanese celebrity Tia Lee, the cover story focuses on the romantic elements in Hawai'i, including The Ritz-Carlton Residences, Waikiki Beach, Kualoa Ranch, sunset in Magic Island and the landscape in O'ahu. The crew traveled to and filmed in O'ahu from September 26th to 30th. The November issue has been published and one online video has gone live on Ciao Magazine's website and social media. Since the release of the magazine and video, many Taiwanese media outlets were amazed by the beauty of Hawai'i sceneries and thus generated a number of articles mentioning the breathtaking landscape in O'ahu and friendly Hawai'i people. In addition, the video has been played at HTT's booth during the 2018 Taipei International Travel Fair.

#### **2018 Taipei International Travel Fair**

The 2018 Taipei International Travel Fair (ITF) is the biggest travel fair in Taiwan. The 2018 ITF took place from November 23rd to November 26th at the Taipei Nangang Exhibition Center and welcomed 376,773 visitors, which broke the previous ITF visitor records. During the four-day event, HTT is very privileged to have invited nine stakeholders from Hawai'i to participate in the ITF. Since November, HTT has been working on designing giveaways and consumer activities, including Hawai'i-themed parade, lucky draw roulette, sweepstakes, questionnaires as well as hula performances on the HTT stage, China Airline's stage and the ITF main stage. Many visitors were interested in HTT's stage activities and therefore came to HTT's booth to obtain more information about visiting Hawai'i.

### **Travel Trade**

#### **HTT Trade Mission 2018**

HTT hosted a trade mission on November 22nd and nine stakeholders participated in this B2B event, including Hawai'i Tourism Authority, O'ahu Visitors Bureau, Prince Waikiki, Highgate Hotels, Aqua-Aston Hospitality, The Ritz-Carlton Residences, Waikiki Beach, Marriott Resorts Hawai'i, Kualoa Ranch, Waikiki Trolley, and Battleship Missouri Memorial. Ten Taiwanese trade partners including KKday, Lion Travel, Apple Tour, SET

tour, FTS Tour, Best Travel, YesTrip, EverFun Travel, Fantasy Tours and Phoenix Tour attend the mission. There were one-on-one sessions in which stakeholders and local trade partners could engage in a 15-minute discussion. This trade mission has facilitated communications and created more sales opportunities between Hawai'i stakeholders and Taiwanese agents.

### **Public Relations**

Media Monitoring (Clippings & Publicity Calendar): In November 2018, Hawai'i Tourism Taiwan secured 66 PR coverage publications on an unpaid basis. The estimated advertising value was USD\$1,967,715.

### **Sales Activities**

<b>Company</b>	<b>Name</b>	<b>Location</b>
Lion Travel	Manager, Mr. James Huang Hawai'i Line Route Planner, Ms. Jean Wu	Taipei
Phoenix Tour	Vice General Manager, Mr. Stanley Shao	Taipei
Cola Tours	MICE Dept. Vice General Manager, Ms. Julia Hsu	Taipei
Life Tour	MICE Dept. Vice Manager Mr. Ray Ko	Taipei
Dragon Tours	American Line Manager, Ms. May Sun	Taipei
KKDay	Senior Business Developer, Nina Huang	Taipei
China Airlines	Assistant Manager Mr. Sung Tao Ming	Taipei

### **COMING ATTRACTIONS**

- **December [“Global Focus” TV Show On Air], Taiwan**
- **December [The Publishing of Men’s UNO], Taiwan**
- **December [Co-op with Smart Magazine], Taiwan**
- **January [Yoga with Aloha Social Media Campaign], Taiwan**

## Hawai'i Tourism Europe Monthly Marketing Report November 2018

### Leisure

#### European summary of market intelligence/ market conditions

- The UK economy expanded at the fastest pace in two years during the third quarter, to 0.6%. Quarterly output in manufacturing also rose for the first time in 2018
- The economy in Denmark performed well in the third quarter, with preliminary GDP data suggesting growth was driven by manufacturing
- FocusEconomics Consensus Forecast panellists expect the German economy to expand 1.7% in 2019 and 1.6% in 2020
- The latest report published by Atout France shows an increase of 3.2% in tourism investments in 2017, which reaches 13.9 billion euros. 2018 should be even better according to Atout France which expects to reach 14.2 billion euros. The hotel industry is driving this dynamic, it represents almost 3 billion euros of investment, an increase of 7.4%

#### Exchange rate

- The GBP/USD: \$1.28
- EUR/ USD: €1 = \$1.13

#### Consumer Confidence

- UK consumer confidence “remains at historically strong levels” said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. Consumers’ assessment of current conditions increased slightly, with job growth being the main driver of improvement
- The KBC Bank/ESRI Consumer Sentiment Index in Ireland advanced 3 points to 96.5 in November 2018, climbing to a 3-month high
- Consumer confidence is expected to ease at the close of the year, with the forward-looking GfK Group
- Consumer Climate index expected to decrease from 10.6 points in November to 10.4 points in December
- FocusEconomics panelists expect GDP growth in Switzerland of 1.8% next year, which is unchanged from last month’s forecast. For 2020, panelists expect GDP will increase to 1.6%

#### Unemployment

- Office of National Statistics highlighted changes in unemployment from July to September 2018, in the
- November report, the employment was 75.5%; marginally higher than for a year earlier
- The unemployment rate in Iceland fell to a one-year low in Q3, in a positive sign for private consumption
- The ONS report also highlighted that the latest estimates show average weekly earnings for employees in Great Britain in nominal terms increased by 3.2% excluding bonuses, and by 3.0% including bonuses, compared with a year earlier
- Germany's unemployment numbers fell by more than expected in November, pushing the unemployment rate to a record low, data showed. The unemployment rate has dropped to 5%, the lowest since German reunification in 1990

- An unemployment rate in Switzerland holds steady at 10-year low, as per Trading Economics
- The unemployment rate in France reached 9.3% in November 2018

### **European Outbound Travel Market & Competitive Environment**

- Phuket's public and private sectors recently signed a memorandum of understanding on a ground breaking 'No Foam, No Plastic' initiative at the Phuket Sustainable Tourism Blueprint 2018. TAT Governor, Mr. Yuthasak Supasorn, said, "This is an important step in the right direction in line with the Thai government's 'Thailand 4.0' sustainable tourism development goal
- The latest ABTA Travel Trends 2019 report, reveals Western Australia was included in the 'Top 12 Destinations to Watch' Austria reported record visitor numbers in 2018; highest overnights since 25 years; most visitors came from German consumers
- The Greater Miami Convention & Visitor's Bureau (GMCVB) announces a record of 16 million overnight visitors from September 2017 to August 2018
- A new hotel has opened in Mauritius designed to support sustainable development and offer a new experience to travelers. The SALT Hotel will hold a zero waste policy and a kitchen advertised as fresh, local and home

### **European Consumer Trends**

- Holidaymakers are increasingly aware of the impact they have on a destination when they go away, with 45% of people saying sustainability is an important element when booking a holiday, up 6% from last year
- Black Friday Sales Statistics were released following the event in November. It was reported that more people went online, as stores put focussed their best deals on websites. Online sales for Wednesday through Black Friday were 26 percent higher than in 2017, estimated Adobe Systems
- According to a recent survey, luxury travellers in Germany want not only five-star hotels and top comfort but also unique experiences and quality time with their family
- In terms of general travel motivations, there are two main types: quality time with family and friends, and relaxation. Quality time with family or friends is the most important element for 62% of all respondents
- Every year, the Black Friday is getting bigger in France. This year, the tourism industry participates in this event as OUI.snfc (its first Black Friday), Expedia which will offer discount up to 50% and TUI which is selling at reduced prices

### **European Travel Trends**

- According to the most recent ABTA Travel Trends Report, forward bookings are up 12% on this time last year, The increase in early bookings is likely to reflect people wanting to get value for money and the destination of their choice
- Increasing numbers of holidaymakers look to a packages for a good value break – in 2018 60% booked a package because it was the best value option for the price, up 3% on 2017
- According to the latest Global Wellness Institute report, wellness tourism is worth an estimated \$639 billion globally, growing more than twice as fast as general tourism
- The official destination marketing organisation of New York is highlighting the city's 'world-class welcoming spirit' in its latest promotional push. NYC & Company is partnering with British Airways in the UK as part of the new \$15 million initiative, highlighting an offer for flights and three nights in a hotel from £399 per person
- A luxury hotel in Bali has hit the headlines thanks to its new policy banning guests from using mobile phones around one of its swimming pools. The Daily Mail reported that the Ayana Resort and Spa has a strict "no calls, no texts and no social media" policy at its secluded river pool. The "digital detox ruling" is in place from 9am to 5pm each day with guests storing devices in nearby lockers to create "total tranquility"

- The German holiday market grew by 10% this summer with high online sales, and prospects for 2019 are looking positive, according to the latest monthly GfK figures. Travel agents increased sales revenues from holiday bookings by 7% in the summer 2018 season, and online sales soared by 22%. With offline sales accounting for about 77% of the total, this left overall summer 2018 revenues up by 10%, the market researchers' analysis of sales by 2,000 representative travel agencies, OTAs and tour operator websites found
- The home sharing is growing in France: According to Insee, in collaboration with the "Union nationale pour la promotion de la location de vacances" (UNPLV) and "Gîtes de France", accommodation offered by individuals on the Home Sharing platform increased by 19%

### **European Media & Online Trends**

- Conde Nast chief executive, Bob Sauerberg, will step down to make way for a new global chief as part of a major restructure. The reorganisation of the Vanity Fair, Vogue and New Yorker publisher will see the US business merge with Conde Nast International into one company.
- According to the DVV Media Group, the travel trade magazine, Travel One, will be discontinued, with the final issue being published at the end of December
- The last edition of Ringier's, Blick am Abend, in print will be published on 21 December. Movingforward, the focus will be put on its digital version
- Accor Hotels has launched a new social media service. The new service is in collaboration with the website, Relax We Post, and is a 'community manager for individuals' especially for travellers who want to disconnect during their holidays. The hotel guests put their Instagram accounts in the hands of experienced influencers, whilst they are travelling abroad. An Instagram sitter will then post photos, videos, create stories and will even reply to comments upon the account owner's request

### **European Airlift**

- Virgin Atlantic hails decision to launch three-tier economy class: The decision to segment the economy cabin into three different tiers has allowed the airline to focus on different markets throughout the year
- United Airlines are offering special nonstop flights between San Francisco and Barcelona this February to make travel to Mobile World Congress more conveniently for Bay Area residents. They have also announced an offer of more seats between New York and Europe than any other carrier.
- Lufthansa announced a new direct connection to Austin, Texas starting in summer 2019
- Service based technology is making travellers lives easier. For a smoother journey through the airport, passengers travelling with airlines such as British Airways, Finnair and easyjet can now get their luggage collected from their home and checked in, avoiding the need to carry their cases or queue at Bag Drop
- British Airways aims to recruit more than 2,000 cabin crew in 2019, with many coming from a new apprenticeship scheme. Successful candidates with no prior cabin crew experience will train through the 12- month intensive apprenticeship programme
- Paris Airport creates an online community for travelers: The idea is to respond the requests of the customers, to meet them, to gather their opinions, to know their expectations in order to anticipate their needs. That is why Paris airport created "Paris Aéroport & You", its first travelers online community

### **Leisure Activity Update & Plan Variance**

#### **European co-ordination**

- European offices have dealt with consumer requests on an adhoc basis

- **UK & Ireland**
- Ongoing monitoring of 'Experience our Aloha' digital consumer campaign: Collated an interim report for both
- Flight Centre and Trailfinders.
- Ongoing 'Hawai'i on Screen' campaign activity
- Continued plans for 2019 Brand Management and consumer campaigns
- Held bi-monthly call with Wahine Media to discuss social media KPI results and 2018 strategy
- Close monitoring of content posting on both social channels to ensure an increasingly high engagement rate throughout the month
- Finalized 2019 marketing campaign to be presented during December 12<sup>th</sup> call

### **Germany**

- Continued to update GoHawaiiDE website
- Finalizing Experience our Aloha campaign with UK team, and CTA partner Canusa
- Finalized 2019 marketing campaign to be presented during December 12<sup>th</sup> call

### **Travel Trade**

#### **UK and Ireland**

- Held a meeting with North American Vacation Homes, as they wish to expand their self-catered Hawai'i product
- Continued to monitor all Tour Operator bookings to the Hawaiian islands
- Conducted destination training at Flight Centre USA Training Day with 40 agents
- Ongoing liaison with Flight Centre and Trailfinders, regarding Experience our Aloha campaign
- Ongoing joint marketing activity with Thomas Cook and TravelBag, both campaigns are complete and reports have been received
- Shared and reviewed all feedback forms from Aloha Europe 2018 attendees
- Shared and reviewed feedback forms following Global Tourism Summit/ Product Manager FAM trip
- Ongoing liaison with participants for the Maui dedicated FAM trip. Shared itinerary and flight confirmations ahead of the trip
- Ongoing updates to Trade Account Management Matrix Segmentation and brochure audit; updates continue to be made from trade survey, sales calls, training and Aloha Europe roadshow

#### **Scandinavia**

- Confirmed attendance at Scandinavia Travel Shows in March 2019
- Ongoing liaison with NYHaven Rejser and USA Rejser following GTS Summit/ FAM trip
- Shared and reviewed all feedback forms shared to Aloha Europe 2018 attendees

#### **Germany and Switzerland**

- Follow up report for Aloha Europe 2018
- Experience our Aloha campaign went live in Germany
- Requested follow-up report from FTI for Maui Marketing campaign
- Liaison with trade attendees and MVB ahead of PM FAM trip in December to Maui

#### **France**

- Ongoing liaison with 6 tour operators

#### **Public Relations**

### **European co-ordination**

- Drafted press release ready for distribution to all European markets
- Held media meetings with key editors from national newspapers and consumer magazines
- Ongoing media liaison and press trip organisation across target European markets

### **Germany**

- Ongoing support of individual media trips
- Proactive pitching – general and specific/niche topics
- Regular posting on facebook and Instagram channels

### **France**

- *1 Press release will be sent shortly*
- 2 journalists communicated with in September

### **Sales Activities**

#### **UK and Ireland/Germany**

- Ongoing liaison with trade
- 43 sales calls carried out in total

#### **France**

- Ongoing liaison with trade
- 3 sales calls carried out in total

## **“Coming Attractions” for Leisure Market**

### **UK & Ireland**

- Maui Dedicated FAM trip in December 2018
- Holiday World Show Dublin in January 2019
- Scandinavia Trade Shows in March 2019

### **Germany**

- Experience Our Aloha campaign now launched
- Maui Dedicated FAM trip in December
- Hawaii.de & Aloha Poke promotion in Q1 2019
- Douglas marketing campaign in Q1 2019

### **France**

- Publication of an ad in the newspaper oriented honeymoon “Mariée Magazine”
- Organisation of a press trip for radio



## Hawai'i Tourism Southeast Asia Monthly Marketing Report November 2018

### SUMMARY OF MARKET INTELLIGENCE/ MARKET CONDITIONS

#### Economy

**Malaysia:** The Malaysian economy grew by 4.4% in the third quarter of 2018 with private sector activity continued to be the primary driver of growth. According to Bank Negara Malaysia's (BNM) Economic & Financial Developments in Malaysia in the Third Quarter of 2018 report release this morning, private consumption expanded strongly following the zerorisation of Goods and Services Tax (GST) during the quarter. On the supply side, the services and manufacturing sectors supported growth, while the mining sector continued to be affected by production shocks. Further, the agriculture sector remained weak due to the protracted recovery from production constraints in the previous quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.6%, faster than the 0.3% growth in the previous quarter, the central bank noted.

Currency Exchange: USD 1 = MYR 4.19 as of November 30, 2018 vs MYR 4.18 as of October 31, 2018

**Singapore:** Singapore's economy is forecast to grow between 1.5% and 3.5% in 2019, a drop from the estimated 3% to 3.5% due to escalating trade war. Singapore's economy grew by 2.2% year on year in the third quarter, slowing from the 4.1% growth in the previous quarter and performing below the Government's initial estimate and market expectations. The economy is expected to grow by 3.0 to 3.5% in 2018.

Currency Exchange: USD 1 = SGD 1.37 as of November 30, 2018 vs SGD 1.38 as of October 31, 2018.

**Indonesia:** It is predicted that Indonesia's digital economy is poised to become the largest in Southeast Asia as its market value triples to USD 100 billion by 2025 from USD 27 billion in 2018. Bank Indonesia (BI) revised down the projection of GDP growth for 2019 to between 5% - 5.4% from its initial projection between 5.1% and 5.5%. The new midpoint projection is 5.2%. Bank of Indonesia (BI) projects 0.12% inflation in October 2018 due to fuel price increasing. Statistics Indonesia (BPS) announced that Indonesia recorded a 0.18% deflation in September 2018 and 0.05% in August 2018. The latest figure brings YTD inflation to 1.94% while YOY inflation stands at 2.88%.

Currency Exchange: USD 1 = IDR 14.37 as of November 30, 2018 vs IDR 15.30 as of October 31, 2018

**Thailand:** Economic growth is expected to moderate next year on slower private consumption and export growth. However, private consumption will still be resilient, likely benefiting from rising income levels and a tight labour market, while fixed investment should pick up amid high capacity utilization. A further escalation in the U.S.–China trade spat and possible political uncertainty in the build-up to next year's elections pose downside risks. The panel projects that the economy will grow 3.8% in 2019, which is down 0.1% points from last month's forecast, and 3.5% in 2020.

Currency Exchange: USD 1 = THB 32.78 of November 30, 2018 vs THB 33.0100 of October 31, 2018

#### Outbound Travel Market

**Malaysia:** Turkey remains resilient as the price is competitive and is seen as part of Europe. In addition, Turkish Airlines is offering an attractive stopover campaign with free accommodation for all passengers transiting in Istanbul.

**Singapore:** Europe, Balkans and Northern Lights tours continue to be the hot selling for year-end travel. The trend is expected to continue to 2019 where travel agents have started to receive some bookings by now.

**Indonesia:** Kingdom of Saudi Arabia issuing a visa program for non-umrah travelers to introduce & promote the country as an idea destination for MCI & Leisure. A combination of German – Swiss - Austria can be considered a value-for-money visit for travelling due to historical sites / churches, museums, nature and the culture uniqueness of Eastern Europe.

**Thailand:** As the end of the year is approaching soon, we will have a long weekend to prepare for a break from work. It is also a time when most of employee will receive their bonus and have more money to travel and reward themselves any people would like to experience the cold and beautiful moment during Christmas and New Year. Thai people will certainly travel to Europe, America and Canada.

### **Competitive Environment**

#### **Malaysia:**

- **Macao Government Tourism Office (MGTO)** extended their marketing activity in Bukit Bintang MRT station. MGTO attraction includes a photo-taking booth promoting the upcoming Grand Prix in Macao from the November 15-18, 2018.
- **Tourism Authority Thailand (TAT)** organised a familiarization trip to Koh Lipe, Thailand. A total of 12 travel partners that attended the trip. The purpose of the trip is to create product knowledge in Malaysia.
- **Switzerland Tourism** had a Swiss travel roadshow in partnership with G2 Travel. The event was held in Penang.
- **Dubai Tourism Board (DTCM)** organized a MICE workshop on November 27, 2018. The event took place in Intercontinental Kuala Lumpur hotel. There were around 40 participants and a comprehensive presentation on Dubai as a MICE destination was conducted.

#### **Singapore:**

- **Dubai Tourism Board (DTCM)** organized a radio broadcast with Gold 90.5FM on November 25 – 29, 2018 with 2 radio DJs and celebrity family to promote family messaging. A series of live talk sets and social media posts were organized.

#### **Indonesia:**

- **Austria Tourism Board** partnering The Embassy of Austria in Indonesia conducted a B2B product presentation along with to approximately 60 travel agents in Jakarta to promote Austria as a warm destination for MCI & Leisure activities.

#### **Thailand:**

- **TTAA** participates in the Business Matching and surveys tourism routes in the Philippines. Mr. Thanapol Cheewarattanaporn, President, and the Board of Directors as well as 96 members acting on behalf of TTAA in conjunction with the Philippines' Department of Tourism, the Philippines tourism participated in the Business Matching and surveyed tourism routes in the Philippines during November 3-8, 2018.

## **Consumer Trends**

### **Malaysia:**

- The far-flung destination such as Antarctica is gaining popularity amongst the avid Malaysian travelers as they are willing to spend more times and money on “in-depth” experiences in less-explored destinations.

### **Singapore:**

- Singapore's consumers have significantly higher incomes and buy more products and services online than other users in the Southeast Asian region despite its small size. Singapore's online travel market made an estimated USD 5.5 billion in gross bookings value for 2018, supported by the highest per capita spend in the region.

## **Travel Trends**

### **Malaysia:**

- Mid-haul destinations such as Japan and Korea are still the most popular destinations for year-end family travels.

### **Singapore:**

- Splurget travel on the rise as Singaporeans seek moments of luxury on holiday. Almost four in five (78%) Singaporeans are opting for ‘Splurget travel’, as an alternative to traditional budget holiday. This emerging travel trend describes a hybrid holiday that is planned on a tight budget, but also includes a splurge on a luxury element such as activities and experiences that may include spa trip or private tours (26%), food where dining at Michelin-starred restaurant (26%) and accommodation with one night at a luxury hotel (20%). Singaporeans are willing to save on flights (28%) by booking a budget airlines, taking red-eye flight or multiple stopovers, follow by accommodation (23%) and shopping (15%).

## **Media & Online Trends**

With the holiday season approaching, travel brands are working hard to reach out to prospective customers with attractive deals and inspiration to boost conversion. To help with this, Facebook recently commissioned Accenture to conduct a survey of 1,054 leisure travelers who had booked a trip within the last three months to get some perspective on the factors that drive their decisions and what the travelers expect from travel brands.

The result shown that the millennial aged 18-34 are more likely to source for destination inspiration via mobile. For flights, 18-34 year olds are more likely to consider customizable flight options as an influential factor when booking flights. Leisure travelers turn to social platforms not only for holiday inspiration, but also to share their own travel experiences with friends and family. Facebook found that 53% of travelers use it weekly to look for family and friends’ holiday pictures. And 38% of active Instagrammers discover travel photos and videos from influencers, celebrities and brands. All in all, social media platforms play a significant role to influence the booking decision.

## **Airlift**

Scout has announced in end November 2018 that it would be discontinuing flights to Hawai'i in June 2019 due to low passenger demand for the route.

## **LEISURE ACTIVITIES**

### **Consumer**

SNS Result: Facebook stands at 12,999 fans; Instagram has 1,151 followers as of November 30, 2018.

### **Travel Trade** - N/A

### **Public Relation**

November news clippings saw a total number of 2 digital news coverage over 2 platforms which generated \$13,986 worth of PR value with 846,390 impressions in total.

### **Sales Activities**

HTSEA conducted 23 sales calls in Southeast Asia to promote Hawai'i.

***[Lintas Travel]*** Destination sharing with the team and they have a better understanding in promoting Hawai'i as a destination. HTSEA has briefly mentioned to the Othman that the discontinuation of HTSEA office in 2019.

***[Corporate Information Travel]*** Following up the sales visits with regards to the potential MCI group to Hawai'i in 2020. They have submitted the proposal to the insurance company and waiting for results. They should be able to let us know if they won the project.

***[Chan Brothers Travel]*** Agent has to forfeit the group seats booked with Scoot since their clientele is not in favor to travel on budget carrier. Demand for Hawai'i has increased but unfortunately the group seats given by China Airlines came a little too late. Agent still faced the same challenges in securing group seats from other airlines.

***[Fortune Travel]*** Touched base with agent and followed up on any potential MCI groups for Hawai'i. Agent commented that MCI groups are not inclined to travel on Scoot and securing group seats from other airlines can be challenging at times. Provided destination information and some MCI ideas for agent to consider for future groups.

### **Coming Attractions** - NIL

## Hawai'i Tourism Hong Kong Monthly Marketing Report November 2018

### SUMMARY OF MARKET INTELLIGENCE/ MARKET CONDITIONS

**Economy.** Hong Kong's economy expanded by 2.9% year-on-year in real terms in the third quarter of 2018, after the growth of 3.5% in the preceding quarter, marking the eighth consecutive quarter of growth above the trend growth rate of 2.7% per annum in the past decade. Hong Kong dollar and US dollar has a linked exchange rate: Currency Exchange is 1 USD = 7.84241 HKD as of October 31, 2018. The labour market conditions remain tight, with the seasonally adjusted unemployment rate stood at 2.8% for the three months ending October 2018, the lowest level in more than 20 years. Overall consumer prices rose by 2.7% in October 2018 over the same month a year earlier, remaining virtually unchanged as compared to September 2018. Looking ahead, consumer prices are expected to subject to some mild upward pressure. The Government forecasts Hong Kong's consumer price to increase by 2.4% in 2018, slightly revised upwards from 2.2% in the August round of review. Growth expectations for Hong Kong's economy next year are lower than that for 2018 amid global economic uncertainties attributed mostly to the escalating trade tensions between the world's two biggest economies, according to a survey carried out among Hong Kong members of CPA Australia. Less than half of the respondents expected the SAR's economy to grow at 2 percent or more next year, compared with 62 percent for 2018. The government Economist, Andrew Au stated that the impacts of slowing global growth and the Sino-US trade conflict on Hong Kong's external trade have begun to surface, and are likely to become more apparent in the near term.

**Outbound Travel Market.** Hong Kong International Airport (HKIA) recorded growth in passenger traffic in October 2018. HKIA handled 6.19 million passengers marking year-on-year increases of 0.5%. The growth in passenger traffic was mainly driven by Hong Kong resident travel, which registered a 7% year-on-year increase over the same month last year. Passenger traffic to and from Japan and Europe saw the most significant increases. According to the Travel Industry Council of Hong Kong (TIC) whose members are travel agents, they have USD3,277,486 levy income received during January 2018 to October 2018, which is 9.5% YOY incremental. International Air Transport Association (IATA) recorded USD335 million total billing of air-ticketing sales in October 2018, which increase 24.6% YOY. The number of air tickets transactions have also been increased to 930,450 times in October 2018, which is 16.7% YOY incremental.

**Competitive Environment.** Tourism Australia partnered with TravelZoo to host well-known Hong Kong sports presenter Vince Ng and Hong Kong Olympic swimmer Stephanie Au Down Under recently to film a travelogue exploring energetic activities in the Northern Territory and Victoria. They have also partnered with four key distribution partners to offer tailor made itineraries appealing related exclusive packages to urge customers to travel Australia including EGL tours, Morning Star, Travel Expert and Westminster Travel. Packages include 5 days itinerary from USD\$896 to the Northern Territory. The Guam Visitors Bureau (GVB) announced the seventh annual Shop Guam e-Festival. Partnering with over 160 local vendors to generate more than 250 offers. The GVB signature event launched on November 10, 2018 and will run through February 10, 2019. It also kicked off a yearlong Shop Guam campaign that will continue into four promotional seasons. Shop Guam has attracted 1.8 million visitors to Guam since the campaign began in 2012 and has generated over \$68 million in media value. GVB has worked with 784 local merchants and promoted their 1,213 offers in the past six years. The mobile app has been

downloaded just under 130,000 times.

**Consumer Trends.** According to the International Holiday Shopping Report 2018 conducted by Wirecard, a leading specialist for payment processing and issuing service, Asians are the most technologically advanced shoppers in the world – with a strong desire to see new technology in their shopping experience. In Hong Kong, more than half (52%) of the consumers are looking to new mobile payment technology to improve their buying experience. Hong Kong shoppers showed the highest willingness to spend – 19% would spend more than US\$500 compared to global consumers (13%). According to TransUnion, a credit reporting agency, Hong Kong consumer owns in average 5.3 credit cards, which is higher than most Western countries by 10%. Hong Kong female consumers prefer dining offers and mileage rewards while male consumers prefer online shopping discounts and cash rebates.

**Travel Trends.** According to online reservation site Expedia.com.hk, 80% of the interviewed Hong Kong Travelers plan to travel solo in the upcoming year. When asked about the reason for traveling solo, 30% of respondents said traveling alone is more care-free and relaxing; one fifth said it helps develop their problem-solving skills (19%). Comparing to traveling with partners, 40% said they enjoyed the trip alone as much with partners. 30% of the surveyed Hong Kong traveler found solo travel even more enjoyable than traveling with partners. In the same study, 90% of the respondents prefer a more laid-back itinerary. 75% interviewed solo travelers will not plan their trips in detail and like being impulsive. Short trips of less than 5 days are preferred by more than half of the solo travelers (60%). Since the opening of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and Hong Kong-Zhuhai-Macau Bridge, the connectivity of Hong Kong increased drastically. Dream Cruise reported that the number of tourists embarking from Hong Kong increased 20% YOY in 2018. The ratio of Mainland Chinese travelers to Hong Kong and Overseas travelers is around one to one.

**Media Trends.** According to Statista, an online statistic, market research and business intelligence portal, revenue in the Online Travel Booking segment amounts to US\$1,490m in 2018. Revenue is expected to show an annual growth rate (CAGR 2018-2023) of 5.3%, resulting in a market volume of US\$1,932m by 2023. The market's largest segment is Package Holiday with a market volume of US\$682m in 2018. Expedia Group Media Solutions and Skift stated five trends that will shape experiential travel in 2019. These trends include: continue rising trend of culinary travel due to Instagram posts; insiders generate more localized experience for travelers; more pop-culture-inspired travel; more “bleisure” travels from Gen Z; and application of AR and VR technology in the tourism industry.

**Airlift.** The Cathay Pacific Group's continuing network growth has been highlighted over the past few weeks by the launch of non-stop services to three new destinations – Davao City, Medan and, most recently of all, Cape Town. And next month will see a new seasonal service to the Japanese city of Tokushima, further strengthening Hong Kong's status as Asia's largest international aviation hub. Cathay Pacific has announced on December 4, 2018 that its forthcoming non-stop service to Seattle will go daily from summer 2019, further strengthening the only direct link between Hong Kong and the bustling city on the west coast of the United States, and offering our customers more choice and increased convenience. To be launched on 31 March next year as a four-times-weekly operation, the airline is upping frequency from 1 July 2019 to meet thriving demand. The additional services are scheduled to depart Hong Kong on Mondays, Wednesdays and Fridays; returning the following day from Seattle.

**Activities**

**Consumer**

**Aloha Macau – A Night in Paradise, Hawai'i-themed AmCham Macau Ball**

Supported by HTHK, AmCham Macau, an association established to facilitate and promote American business interests in Macau, organized “Aloha Macau - A Night in Paradise” on December 1 at MGM Cotai. More than 550 honorable guests attended the event. The night was filled with Aloha spirit, with a 900 sqm 4K LED screen, magnificent pictures and videos of Hawai'i were displayed to showcase the wonderful destinations. With the support of Maui Visitors Bureau, colorful tote bags and Hawai'i travel guidebooks were given as souvenir to the guests as a reminder of the wonderful night.

**Travel Trade**

**Jetour 7 Nights, Hawai'i Round-trip Honolulu Cruise Package**

Jetour has established a new cruise product with Norwegian Cruise Line. The 7 nights cruise package sails around O'ahu, Maui, Island of Hawai'i and Kaua'i. Price of the cruise package starts from USD\$1,118 which includes 7 nights cruise onboard including accommodation, meals, entertainment & access to facilities.

**Public Relations**

In November, HTHK secured 16 media stories with a total viewership of 8,167,837 and total PR value worth US\$292,592

**Coming Attractions**

No.	Event Name	Date	Location
1.	HTHK x Nikon – Hawai'i Guidebook	December 2018	Hong Kong
2.	The Awe-inspiring Media Fam	February 2019	O'ahu, Maui, Island of Hawai'i



## HT Global MCI – November 2018

### OVERVIEW

For their own safety, more than 8 out of 10 (82%) business and meetings travelers think it is important that their company know of their travel plans in advance; yet less than half (47%) say their organization has a system in place to capture their travel plans if they book outside of corporate channels.

This new research from the Global Business Travel Association (GBTA) in partnership with SAP Concur also showed that 73 percent of travelers expect their company to proactively contact them within two hours of an emergency event. These findings are somewhat surprising given that the majority would not contact their organization if they were in need of assistance.

Expectations do not stop once the business portion of the trip ends. More than half (56%) of business travelers tacked on leisure travel to a business trip in the past year, and 31 percent expect their organization to be responsible for traveler safety during the added leisure days as well.

### SALES PRODUCTION (in the month for any year)

**Table 1: Total Sales Production – November 2018**

	Month			Year-to-Date		
	2018 Actual	Prior Year	Variance to Prior Year	2018 YTD	Prior Year	Variance to Prior Year
<b>Room Nights</b>						
Definite & Assist-Definite	25,586	33,223	-23%	335,300	274,325	22%
Tentative & Assist-Tentative	80,834	122,509	-34%	928,848	1,303,308	-29%

Beginning January 2018, production is categorized by MCI and non-MCI group sales. See Definitions at the end of this report for a general description of the new categories. Database cleansing is ongoing and may result in changes to previously reported year-to-date figures.



**Table 2a: Hawai'i Convention Center (HCC) Sales Production  
 November 2018**

COMBINED - TOTAL	Month			Year-to-Date			Annual Goal	YTD as % of Annual Goal
	2018 Actual	Prior Year	Variance to Prior Year	2018 YTD	Prior Year	Variance to Prior Year		
<b>Room Nights</b>								
Definite	11,557	17,850	-35%	89,037	100,041	-11%	232,000	38%
New to Hawai'i	9,252	150	6068%	23,992	9,997	140%		
Tentative	23,042	35,778	-36%	299,337	698,372	-57%		
<b>MCI</b>								
<b>Room Nights</b>								
Definite	4,150	9,850	-58%	63,758	64,434	-1%		
New to Hawai'i	1,845	150	1130%	9,845	7,672	28%		
Tentative	14,446	34,093	-58%	270,930	509,236	-47%		
<b>Non-MCI</b>								
<b>Room Nights</b>								
Definite	7,407	8,000	-7%	25,279	35,607	-29%		
New to Hawai'i	7,407	0	N/A	14,147	2,325	508%		
Tentative	8,596	1,685	410%	28,407	189,136	-85%		

HCC database updates with regard to MCI and non-MCI categories are ongoing and may result in changes to previously reported year-to-date figures.

**COMMENTS**

*November saw a lot of activity with 10 groups turning definite for 11,557 room nights. Half of the groups booked were sports related. The year to date total on definite room nights is at 89,037 behind of last year by 11 percent. An additional 23,042 room nights were added to the tentative pipeline, bringing the total to 299,337 room nights.*

*November saw a number of local groups at the Center that included the Hawai'i State Bar, Miss Hawai'i Pageant, School of the Future Conference, Hawai'i Permanente, Hawai'i Hemp Conference, Hawai'i State Numismatic Association Coin Show and the Pacific Building Trade Expo.*

*The month also saw the first Futsal tournament by U.S. Futsal with over 30 teams participating from Hawai'i and overseas. This is the first year of a four-year agreement with continued growth expected from overseas in the years to come.*

*Site inspections with a national medical group for their annual meeting in 2020, a national scientific group for 2020, a national labor association for 2020, and an international fraternal group for a possible future year.*

*Focus for the sales team is closing business in the month of December and to end the year on a strong note.*

**Table 2b: Hawai'i Tourism USA (HTUSA) Single Property Sales Production  
 November 2018**

COMBINED - TOTAL	Month			Year-to-Date			Annual Goal	YTD as % of Annual Goal
	2018 Actual	Prior Year	Variance to Prior Year	2018 YTD	Prior Year	Variance to Prior Year		
<b>Room Nights</b>								
Definite	7,367	10,424	-29%	156,272	90,915	72%	180,000	87%
New to Hawai'i	4,897	6,098	-20%	62,746	39,762	58%	75,000	84%
Tentative	41,894	65,800	-36%	474,398	463,190	2%	500,000	95%
<b>MCI</b>								
<b>Room Nights</b>								
Definite	7,191	10,424	-31%	151,710	89,347	70%		
New to Hawai'i	4,897	6,098	-20%	58,640	39,084	50%		
Tentative	41,378	64,414	-36%	463,061	446,354	4%		
<b>Non-MCI</b>								
<b>Room Nights</b>								
Definite	176	0	N/A	4,562	1,568	191%		
New to Hawai'i	0	0	N/A	4,106	678	506%		
Tentative	516	1,386	-63%	11,337	16,836	-33%		

**COMMENTS**

**Market Conditions**

*Meetings Today has reported another major hotel company will be reducing third-party commissions to 7 percent, from the industry standard of 10 percent. Independent planning business strategy expert Eric Rozenberg, president and chief executive officer (CEO) of Event Business Formula, sees the move as the expected, inevitable march to cut commissions, and said that independent planners need to adjust their business models to adapt to a rapidly changing landscape.*

*In the association market, Midwest medical associations are once again looking at the Hawaiian Islands. HTUSA's Midwest regional director reports that price is a key factor for these groups, and the size of their programs in some cases restricts their focus to O'ahu hotels. As medical associations move towards international meetings, Hawai'i is on the radar for many.*

**Sales Production vs. Goals Analysis**

*Definite bookings for the month of November trailed same time last year production by 31 percent, but year-to-date production continues at a strong 72 percent over November 2017 numbers.*

*Despite a lower monthly production compared to same time last year, tentative bookings for the year remain slightly ahead of same time last year by 4 percent.*

**Highlights of Any Key Definites**

- *Convention – medical association, July 2021 (1,467 room nights)*
- *Incentive – consumer products corporation, February 2020 (1,314 room nights)*

**Public Relations and Collateral**

*Advertising efforts included:*

1. MCI November Paid Media Recap
  - a. Meetings & Conventions/Successful Meetings Stella Awards Supplement – 100,000 impressions

*Public Relations efforts on behalf of HTUSA Meet Hawai'i included:*

1. The PR team attended IMEX America and provided Hawai'i updates to media representatives from Smart Meetings, Prevue, Corporate Event News, Meetings Today, The Meeting Professional, Northstar Meetings Group, CEO Update, Facilities Media Group, Meetings & Conventions and C&IT Magazine.
2. Activity highlights include:
  - Contacted Jeff Heilman, Meetings Today, to discuss potential Hawai'i story ideas;
  - Fielded an inquiry from Lori Tenny, Meetings Today, and coordinated an email interview;
  - Fielded an inquiry from Emily Carrus, Meetings & Conventions, and coordinated an email interview with HTUSA's Vice President, MCI, focusing on Hawai'i's corporate social responsibility (CSR) offerings on October 18;
  - Fielded an inquiry from Mark Chesnut, Successful Meetings, and provided information about Hawai'i's sustainability efforts and activities for an upcoming story titled "How Green is Green" on October 25;
  - Fielded an inquiry from Kerry Medina, Meetings & Conventions, and provided recommendations for meeting planners with experience in Hawai'i to be considered for a potential interview.
3. Media Coverage Highlights:
  - "The Art of Mindful Meetings" – Prevue Meetings – October 1 – PDF available upon request
  - "2018 Incentive Travel Report" – Successful Meetings – October 2 – <https://bit.ly/2QEDn2I>
  - "Hawai'i Convention Center Launches New Sustainability Program" – International Meetings Review – October 3 - <https://bit.ly/2DS4JBe>
  - "Hawai'i Convention Center Adds to Its Environmental Sustainability Efforts" – Successful Meetings – October 9 - <https://bit.ly/2QEeN27>
  - "All-Season Meeting & Incentive Destinations" – The Meetings Magazine – October 26 – <https://bit.ly/2ySGM7I>
  - October PR impressions and publicity values (most recent month available):

October	October
Impressions	Publicity Values
Print: 36,000	Print: \$4,900
Online: 610,000	Online: \$16,000
Broadcast: 37,100	Broadcast: \$9,500
Total: 683,100	Total: \$30,400

- *The 2018 Meeting Planner Guide (MPG) was mailed to more than 1,000 targeted meeting planners in the MCI database.*

**Table 2c: Hawai'i Tourism Canada Single Property Sales Production  
 November 2018**

COMBINED - TOTAL	Month			Year-to-Date			Annual Goal	YTD as % of Annual Goal
	2018 Actual	Prior Year	Variance to Prior Year	2018 YTD	Prior Year	Variance to Prior Year		
<b>Room Nights</b>								
Definite & Assist-Definite	0	634	-100%	3,044	1,580	93%	4,000	76%
New to Hawai'i	0	232	-100%	2,122	1,128	88%	2,000	106%
Tentative & Assist-Tentative	1,444	4,956	-71%	15,503	21,159	-27%	25,000	62%
<b>MCI</b>								
<b>Room Nights</b>								
Definite & Assist-Definite	0	634	-100%	2,867	1,556	84%		
New to Hawai'i	0	232	-100%	1,945	1,104	76%		
Tentative & Assist-Tentative	1,444	4,956	-71%	12,826	21,135	-39%		
<b>Non-MCI</b>								
<b>Room Nights</b>								
Definite & Assist-Definite	0	0	N/A	177	24	638%		
New to Hawai'i	0	0	N/A	177	24	638%		
Tentative & Assist-Tentative	0	0	N/A	2,677	24	11054%		

**COMMENTS**

**Sales Production vs. Goals Analysis**  
*HT Canada is currently at 65 percent of the new annual 2018 targeted Tentative Room Nights of 25,000. 76.10 percent of new annual targeted Definite Room Nights of 4,000. 118 percent of new annual targeted numbers Definite Room nights – New to Hawai'i. 163 percent of Total out of State attendees and 50 percent of new meetings for the year. October was a very slow month in RFP generation. October was spent working on the attendance and logistics for the MCI portion of the Aloha Canada Sales Mission. HTCAN is consistently following up on old lost groups as well as new requests coming from EABE. HT Canada is working with HTA Global MCI on a bid and site inspection for the International Gay and Lesbian Football Association.*

**Highlights of any Key Definites**  
 N/A

**Table 2d: Hawai'i Tourism China Single Property Sales Production  
 November 2018**

COMBINED - TOTAL	Month			Year-to-Date			Annual Goal	YTD as % of Annual Goal
	2018 Actual	Prior Year	Variance to Prior Year	2018 YTD	Prior Year	Variance to Prior Year		
<b>Room Nights</b>								
Definite & Assist-Definite	620	69	799%	10,733	9,883	9%	12,000	89%
New to Hawai'i	620	69	799%	9,383	9,883	-5%	9,600	98%
Tentative & Assist-Tentative	2,875	6,369	-55%	26,493	24,023	10%	45,000	59%
<b>MCI</b>								
<b>Room Nights</b>								
Definite & Assist-Definite	60	69	-13%	9,871	8,835	12%		
New to Hawai'i	60	69	-13%	8,521	8,835	-4%		
Tentative & Assist-Tentative	1,915	6,369	-70%	20,571	22,322	-8%		
<b>Non-MCI</b>								
<b>Room Nights</b>								
Definite & Assist-Definite	560	0	N/A	862	1,048	-18%		
New to Hawai'i	560	0	N/A	862	1,048	-18%		
Tentative & Assist-Tentative	960	0	N/A	5,922	1,701	248%		

<b>COMMENTS</b>
<p><b><u>Market Conditions</u></b></p> <p><b>A. China Economy</b></p> <ul style="list-style-type: none"> <li>• <b>GDP</b> – China's GDP growth in Q3 is expected to slow down to 6.5 percent compared to the 6.7 percent in Q2. This matches the market expectations in light of trade disputes with the U.S.</li> <li>• <b>Currency</b> – Chinese Yuan depreciated further to 6.98 per USD in November, compared to 6.48 RMB per USD at the end of Q2. This may impact the spending power of Chinese travelers during travel. Many financial experts predict that the depreciation may continue.</li> <li>• <b>Unemployment rate</b> – China reached a record low of 3.83 percent in Q3 of 2018. The forecast of unemployment rate in Q4 is 4.00 percent.</li> <li>• <b>Consumer confidence</b> – Consumer confidence in China slightly increased in Q3, standing at 118.6 Index Points from 113 in Q2. Confidence index higher than 100 points showed that Chinese consumers are positive about the current and future economic trends.</li> </ul> <p><b>B. Outbound Travel Market</b></p> <ul style="list-style-type: none"> <li>• CITS American Express Global Business Travel, a joint venture between American Express Global Business Travel and China International Travel Service, has released the 2018 China Business Travel Survey (the Barometer). The Barometer revealed that 'cost savings' (62%) and 'compliance' (57%) are the top priorities for the travel programs of Chinese companies, whereas 'safety and security' has slightly dropped from the top priority in 2017.</li> <li>• In line with prior year results, the top three concerns on the minds of Chinese business travelers, according to the Barometer, remain: the travel reimbursement processes being</li> </ul>

*too complex (49%), pre-trip validation processes being too complex (37%), and travel conditions too strict in general (37%).*

### **C. Travel Trends**

- *CITS American Express Global Business Travel and the Economist Intelligence Unit polled executives from more than 100 Chinese companies on the state of their business travel. Travelers need at most the convenience along with direct flights and high-quality hotels, and 45 percent use mobile tools to arrange their business travel trips.*

### **Impact on Hawai'i**

*The direct flights between two main Chinese cities, Beijing & Shanghai, are easily accessing most of major corporate travelers. High-quality hotels are outstanding resources of Hawai'i as well.*

### **Strategy & Action**

*With the end of year 2018 approaching, most corporates are planning their year-end meeting together with incentive trip to overseas in January to February. HTC will follow-up with corporate MCI groups in advance to recommend Hawaiian Islands as their meeting destinations.*

### **Sales Production vs. Goals Analysis**

#### **Root Cause**

*HTC has secured 10,733 room nights as of November and achieved 89 percent of the KPI for 2018 definite room nights. With a total 26,493 tentative room nights so far, HTC has achieved 59 percent of the KPI for 2018 total tentative room nights.*

#### **Analysis & Countermeasures**

*HTC will channel more efforts towards sales calls with potential MCI intermediaries to secure more bookings on smaller, high-yield MCI groups in 2019. Besides, HTC is supporting Hawai'i Holiday Travel for holding three events next year. The World Chinese Basketball Tournament, Bridge Tournament and Chinese Cheong-Sam Show are included, which will totally bring over 2,000 visitors to Hawai'i as estimated.*

#### **Highlights of any Key Definites**

- *Special Event Group – 12/04-11/2018 (560 room nights)*
- *Meeting Group – 3/15-20/2019 (60 room nights)*

**Table 2e: Hawai'i Tourism Europe Single Property Sales Production  
 November 2018**

COMBINED - TOTAL	Month			Year-to-Date			Annual Goal	YTD as % of Annual Goal
	2018 Actual	Prior Year	Variance to Prior Year	2018 YTD	Prior Year	Variance to Prior Year		
<b>Room Nights</b>								
Definite & Assist-Definite	0	100	-100%	613	410	50%	500	123%
New to Hawai'i	0	100	-100%	613	410	50%	500	123%
Tentative & Assist-Tentative	350	7,670	-95%	11,792	10,658	11%	1,500	786%
<b>MCI</b>								
<b>Room Nights</b>								
Definite & Assist-Definite	0	100	-100%	266	410	-35%		
New to Hawai'i	0	100	-100%	266	410	-35%		
Tentative & Assist-Tentative	350	7670	-95%	11,445	10,438	10%		
<b>Non-MCI</b>								
<b>Room Nights</b>								
Definite & Assist-Definite	0	0	N/A	347	0	N/A		
New to Hawai'i	0	0	N/A	347	0	N/A		
Tentative & Assist-Tentative	0	0	N/A	347	220	58%		

**COMMENTS**

**Market Conditions**

**French Economic Forecast**  
 President Macron announced a further increase of the hydrocarbon tax by 6.5 cents for diesel, the most commonly used fuel for cars in France. This follows an earlier increase in 2018 of 7.6 cents per litre in an effort to encourage people to adopt cleaner methods of travel. This announcement, along with rising fuel prices, have resulted in large protests in France. Approximately 288,000 people took to the streets in November. The price of diesel has risen by 23 percent over the last year, reaching its highest average since the early 2000s.

President Macron also proposed new reforms for the eurozone, with a budget dedicated to the 19 countries using the single currency. Berlin agreed to the plan, which was a minor win for France. The economy is not showing significant changes, even though reports point to minor successes from President Macron's reforms.

**German Economic Forecast**  
 The German economy shrank for the first time since 2015 in Q3 (July-September). Last month, the Bundesbank predicted that the German economy would rebound quickly, however the growth rate has been reduced from an estimate of 1.8 percent to 1.5 percent. Managing Director at the Institute for Monetary and Financial Stability suggests that there are three key reasons for the slowdown:

1. The automotive industry's failure to respond quickly enough to adjusting emissions testing standards and the ripple effect on industry and trade.
2. Long-term overutilization of capacity means that growth must eventually slow. 1.5 percent growth is considered the capacity for the German economy.

3. *The German market is very sensitive to the automotive, manufacturing industries and protectionism from the United States has caused issues. The trend has now shifted to U.S.-China relations, so this should bring a reprieve.*

*Consumer confidence remains high and wages are still showing growth, and the potential for a fall in inflation all indicate a pick-up in spending growth. Germany is expected to rebound, but not as quickly as originally thought.*

*Continued slowdown in the automotive industry will have an impact on outgoing events. Germany auto-makers may look closer to home or reduce incentives unless the industry turns around quickly. However, all signs point to a return to growth, so Germany will continue to be a market of interest.*

### ***UK Economic Forecast***

*The UK announced its budget for 2019, with the chancellor promising more spending, announcing the end to the era of austerity. The chancellor bases his figures on the forecasts for tax income from the Office for Budget Responsibility. Recent revisions in forecasts showed an increase in tax income for the UK which resulted in the plan to increase spending. However, the Institute for Fiscal Studies calls this risky as these numbers could easily change. The growth forecast for 2019 has risen from 1.3 percent to 1.6 percent and wage growth is at its highest in nearly a decade.*

*Important points in the budget include:*

1. *The personal allowance threshold (the rate at which people start paying income tax at 20%) will rise to £12,500 in April 2019, a year ahead of original plans.*
2. *The national living wage will increase by 4.9 percent from £7.83 to £8.21 an hour from April.*
3. *New 2 percent digital services tax on UK revenues of big technology companies from April 2020. Profitable companies with global sales of more than £500m will be liable.*
4. *A new tax on plastic packaging which does not contain 30 percent recyclable materials*

*The UK and the EU agreed to a draft of the withdrawal agreement for the terms of Brexit. The announcement of the breakthrough led to a rebound for the pound sterling, strengthening by 1.4 percent against the dollar and to a 7-month high against the Euro. However, within less than 12 hours this was reversed when several cabinet ministers resigned in protest over the terms of the deal. The pound fell 1.7 percent against the dollar and 1.9 percent against the Euro. Shares in companies that do most of all of their business in the UK also fell sharply. The possibility of another general election and rising uncertainty as Teresa May continues to try to convince her own government to support her plan.*

*The trends over the last few weeks show how much of an impact the uncertainty around Brexit is having on the economy.*

*As details of the deal become clearer it will have an impact on business operating in the UK. Until the plan is fully decided and approved, many companies are becoming more conservative in their plans for events as budgets and purchasing power is changing based on political announcements.*



### **Brexit**

*Theresa May has submitted her Brexit deal. The PM's deal has been endorsed by EU leaders but must also be backed by the UK Parliament if it is to come into force. MP's will decide whether to reject or accept it next Tuesday, 11 December.*

### **Trends**

#### **Ten MICE Industry Trends for 2019**

*C&IT Magazine published poll results about upcoming MICE trends for 2019. The top ten listed trends were:*

- 1. Sustainability*
- 2. AR and VR*
- 3. Personalization*
- 4. Delegate Experience*
- 5. The Brexit Factor*
- 6. Memorable Events*
- 7. Wellness*
- 8. Digital Attendance*
- 9. Meetings for Millennials*
- 10. Zero Food Waste*

*Hawai'i rates highly for sustainability, memorable events and wellness. Therefore, HTE would hope to see Hawai'i put forward for more briefs in 2019.*

#### **The Backlash Against Overtourism**

*The Economist featured an article about government responses to overtourism. Governments in the Philippines, Venice, Barcelona, Amsterdam and many other cities are responding to citizen's complaints about the impact of too many visitors. In the Philippines, President Duterte, blocked tourists from visiting a specific island for six months. Easter Island has capped the number of visitors that can enter the island at a time. Venice limits the number of cruise ships that can dock in the city. Other cities use taxation as a method to get more benefit from tourists. Tourists at hotels in central Amsterdam pay a higher rate than those staying farther away.*

*Hawai'i should be mindful to preserve their unique islands. With increasing pressure for more flights to Kaua'i for example it should be remembered that part of the islands charm is that most of the island is remote and unspoilt.*

#### **Sales Production vs. Goals Analysis**

*Currently on target for annual KPIs. Following up on leads gained in the European market from IMEX America.*

#### **Highlights of any Key Definites**

*N/A*

**Table 2f: Hawai'i Tourism Japan Single Property Sales Production  
 November 2018**

COMBINED - TOTAL	Month			Year-to-Date			Annual Goal	YTD as % of Annual Goal
	2018 Actual	Prior Year	Variance to Prior Year	2018 YTD	Prior Year	Variance to Prior Year		
<b>Room Nights</b>								
Definite & Assist-Definite	4,665	3,157	48%	48,775	44,593	9%	49,500	99%
New to Hawai'i	2,740	1,610	70%	31,003	26,193	18%	18,325	169%
Tentative & Assist-Tentative	5,920	0	N/A	50,635	43,612	16%	40,505	125%
<b>MCI</b>								
<b>Room Nights</b>								
Definite & Assist-Definite	4,355	1,547	182%	40,330	24,307	66%		
New to Hawai'i	2,430	0	N/A	22,778	9,340	144%		
Tentative & Assist-Tentative	5,920	0	N/A	41,580	25,177	65%		
<b>Non-MCI</b>								
<b>Room Nights</b>								
Definite & Assist-Definite	310	1,610	-81%	8,445	20,286	-58%		
New to Hawai'i	310	1,610	-81%	8,225	16,853	-51%		
Tentative & Assist-Tentative	0	0	N/A	9,055	18,435	-51%		

<b>COMMENTS</b>
<p><b><u>Market Conditions</u></b></p> <p><b><u>Economy</u></b></p> <ul style="list-style-type: none"> <li>The Japanese Cabinet Office announced their economic outlook for the remainder of 2018 and 2019. Although the series of natural disasters had caused growth to decline from July to September, they remain hopeful for the October - December growth to revive as the natural disasters end.</li> <li>In response to the planned tax hike in October 2019, the Ministry of Economy and Industry has been suggesting that the Ministry of Finance reduce taxes imposed on vehicles. Such measures are prompting speculations for demand to rise through October 2019 and fall drastically afterwards. HTJ will continue monitoring consumer and industry behaviors, as shifts in demand may prompt firms such as Toyota whom regularly hosts trips to Hawai'i, to switch destinations or cancel MICE related travels.</li> <li>Developments in IT technology have been greatly improving growth in various sectors. The development of the internet and artificial intelligence has been reforming the automotive industry, as new markets are created such as "Mobility as a Service". Such developments will benefit sectors such as the automotive industry, which is a large market for incentive travels to Hawai'i should favorable results arise from the new technology.</li> </ul> <p><b><u>Competitive Environment</u></b></p> <ul style="list-style-type: none"> <li>On November 24, the International Exhibitions Bureau (IEB) announced that Osaka has been selected to host the World Expo 2025, with the concept of testing the future of society. The selection was made through poll with affiliated countries of the IEB. The event is planned to be held from May 3 through November 3 (185 days) in Yumeshima within Osaka for an estimated 28 million inbound visitors. Economic benefits are speculated to reach 2 trillion yen, greatly benefiting the local economy.</li> </ul>

- *Austrian Government owned enterprise, Casinos Austria International (CAI) announced their entry into the Japanese integrated resorts market at a press conference. The group currently operates 215 casino / entertainment facilities in 35 countries, along with 90 casino cruises, and is at the forefront within the industry. The entity explained that the initiative is in part for the celebration of the 150<sup>th</sup> anniversary of diplomacy between Japan and Austria. CAI announced that their new Japanese facility will be integrating “alliances with the medical field”, “Austrian classic music” and an integrated resort which is easily accessed by females. Such developments create potential for firms to alter destinations to domestic locations as the variety of offerings continue to grow within Japan.*
- *Toyama City and Taiwan have been deepening relations through continued exchange. In early November, fresh fish from Toyama was exported to Taiwan from Toyama Airport on the same day it was caught. Additionally, both parties agreed to support their respective marathon tournaments, further increasing the various exchange between the two countries. The increase of direct flights from Toyama to Taiwan has greatly accelerated the exchange between the two regions. As such developments unfold, it will be necessary to monitor the potential for MICE business to Hawai'i to become affected.*

#### **Travel Trend**

- *The succession of the Japanese Emperor has been set to May 1, 2019, prompting the government to officially announce that this day will be a federal holiday in just 2019. This makes the 'Golden Week' season consist of 10 consecutive days off, prompting travel industry personnel to be hopeful for highly elevated demand. Wholesalers such as JTB have announced that bookings for the period have already doubled, with destinations such as Europe and Hawai'i, often associated with extended stays, performing exceptionally well. HTJ will monitor the effects of the extended holidays on MICE business and support wholesalers to better leverage upon this opportunity.*
- *New developments have unfolded in Japan, whereby schools and its grounds which are no longer in use to be renovated for use as accommodation facilities to group business. This provides users of the accommodation to utilize the various facilities of the school such as the gymnasium, class rooms etc. to accommodate the wide array of client's needs. Popularity for this new development has been steadily rising as more cities carry out similar initiatives. The declining population is thought to be causing many schools to become vacant, prompting many stakeholders to seek alternate uses, creating new purposes and ways to travel.*

#### **Airlift**

- *All Nippon Airways (ANA) announced the launch of their Airbus A380 on the Hawai'i route to be May 24 at a press event. Along with the new aircraft, ANA stated intents to improve various services on the route including the in-flight meal service, greatly increasing competition within the market, as ANA's market share of airlift will grow to roughly 25 percent. The recent alliance between Japan Airlines and Hawaiian Airlines increasing convenience for consumers also contributes to the competition as major carriers compete for shares in the market. Such developments will also affect the MICE industry as various developments allow for greater flexibility in airlift choice as more options are created alleviating prior concerns of difficulties with booking larger groups.*
- *The newly renovated international flight terminal building at Asahikawa Airport in Hokkaido began operations, with the first flight being a charter flight to Hawai'i. Charter flight services to Hawai'i have been performing exceptionally well from the Hokkaido*

*region as the two charter flights from the region in November were both close to being fully booked. Plans for charter flights from Hokkaido in 2019 are yet unknown, but HTJ will keep monitoring the market on its directionality.*

- *Scoot has announced the suspension of services to Hawai'i starting June 2019. This is mainly attributed to the rising fuel costs along with the oversupply of seats from the Kansai region. In 2019, because JAL will also be ending their double daily service from Kansai, Scoot may be prompted to seasonally return during peak travel seasons. Air Asia X will now become the sole LCC in the market, potentially leading to fares being increased. HTJ will monitor the impacts this poses on group business.*

#### **Sales Production vs. Goals Analysis**

*In November, HTJ was able to secure two high school excursion bookings, a municipal related entity, and Nihon Airport Building as assist definite bookings to Hawai'i. Many entities have been requesting the creation of invitation letters to HTJ in efforts to secure bookings by the end of the Japanese fiscal year (March). In November, one was created for Nihon Airport Building Group (Assist Definite) and another for Alec Kawai (Assist Tentative), with three more planned to be created in December. As of November, the annual year-to-date number of room nights has reached 48,775 room nights which is 99.6 percent of the annual goal of 48,971. The three groups planned to become assist definite in December will allow the actual amount of room nights to surpass the initial goals.*

#### **Highlights of any Key Definites**

- *Incentive Group – 1/7/2019 (2,430 room nights)*
- *Educational Group – Maui – 11/8/2018 (819 room nights)*
- *Educational Group – 12/8/2018 (560 room nights)*
- *Educational Group – O'ahu – 11/8/2018 (546 room nights)*
- *Educational Group – 9/30/2020 (310 room nights)*

**Table 2g: Hawai'i Tourism Korea Single Property Sales Production  
 November 2018**

COMBINED - TOTAL	Month			Year-to-Date			Annual Goal	YTD as % of Annual Goal
	2018 Actual	Prior Year	Variance to Prior Year	2018 YTD	Prior Year	Variance to Prior Year		
<b>Room Nights</b>								
Definite & Assist-Definite	820	63	1202%	18,684	11,138	68%	21,000	89%
New to Hawai'i	304	63	383%	8,575	9,440	-9%	13,500	64%
Tentative & Assist-Tentative	1,585	320	395%	18,615	14,722	26%	42,000	44%
<b>MCI</b>								
<b>Room Nights</b>								
Definite & Assist-Definite	820	63	1202%	18,684	11,102	68%		
New to Hawai'i	304	63	383%	8,575	9,404	-9%		
Tentative & Assist-Tentative	1,585	320	395%	18,615	14,686	27%		
<b>Non-MCI</b>								
<b>Room Nights</b>								
Definite & Assist-Definite	0	0	N/A	0	36	-100%		
New to Hawai'i	0	0	N/A	0	36	-100%		
Tentative & Assist-Tentative	0	0	N/A	0	36	-100%		

**COMMENTS**

**Market Conditions**

***Korean Political & Economic Overview***

- *South Korea's economy is expected to grow 2.6 percent in 2019 due to slowing exports and weak domestic demand. The Korea Institute for Industrial Economics & Trade also lowered this year's gross domestic product outlook to 2.7 percent, down from 3 percent growth announced in June. The institute said it downgraded next year's GDP projection due to protracted global trade tensions, monetary tightening in major economies and uncertainties in emerging markets.*
- *The average income of the top 20 percent of earners in South Korea was 5.5 times that of the bottom 20 percent in the third quarter of 2018, Statistics Korea reported. This is the biggest difference since 2007, when the incomes of the top 20 percent were 5.52 times those of the bottom 20 percent. In this year's third quarter, the incomes in the upper group rose 8.8 percent compared to a year ago to 9.74 million won (\$8,616) a month, while incomes at the bottom fell 7 percent to 1.32 million won.*
- *Despite official efforts to boost job numbers, the unemployment rate in October climbed 0.3 percent from last year to 3.5 percent as people in their 40s and 50s faced challenges in the market, according to Statistics Korea. The 3.5 percent rate is the highest for any October since 2005 when the same rate was reported. The number is a measure of unemployed people as a percentage of the total labor force. In September, the unemployment rate was 3.6 percent, a 13-year high.*

***Travel Market Trends***

- *Korea Tourism Organization reported the number of Korean outbound travelers in November was 2,347,876, a year-on-year increase of 5.2 percent.*

- *Southeast Asia has emerged as the most popular tourist destination for South Koreans planning on overseas trips in December, a leading travel agency said. Hana Tour, the largest travel agency in South Korea, said that as of November 14, Vietnam and other Southeast Asian nations accounted for slightly over 54 percent of all reservations for overseas travel in the coming month. The portion is up sharply from 34.1 percent for December last year. Japan followed with 18 percent, trailed by 12.8 percent for China. Last December, Japan claimed the top spot with 44.8 percent. Meanwhile, travel reservations for the Americas in December were ranked comparably low at 2.3 percent.*
- *In recent years, travel TV programs in South Korea have been attracting travelers by not only widening choices, but also providing new perspectives on famous destination. Recent research by SkyScanner shows the ticket search volume for destinations featured in TV programs steadily increased after they were first aired. For example, tvN's 'New Journey to the West', one of the most popular reality TV shows in Korea, visited Hong Kong last summer. Since then the flight ticket search volume for Hong Kong has increased by 87 percent compared to the same period in 2017. Also, the search rate for flights to Athens increased by 44 percent after tvN's 'Encyclopedia of Useless Facts 3 - Athens Episode' was aired.*

#### **Airlift**

- *Low-cost carriers in South Korea are expected to continue their rapid growth and drive up international passenger traffic by nearly 20 percent in 2019. A report by the Korea Transport Institute predicted local budget carriers' combined international passenger traffic was likely to surge by 19.6 percent year-on-year to 30.4 million next year. South Korean low-fare airlines have posted stellar performances in terms of international passenger traffic over the past five years, with the average annual growth rate reaching roughly 40 percent. In contrast, local full-service carriers are projected to suffer stagnant growth in their international passenger traffic.*
- *The Transport Ministry announced that four new budget air carriers -- Fly Gangwon, Aero K, Air Premia and Air Philip -- have applied for business licenses in line with the government's plans to add new low-cost carriers by the first quarter of next year. South Korea currently has six budget air carriers -- Jeju Air, Jin Air, Air Busan, Air Seoul, Eastar Jet and T'way Air. Industry insiders say that at least two of the applying budget carriers will gain approval for operations next year.*
- *South Korea's flag carrier Korean Air Lines Co reported on November 13 its third-quarter net profit had more than quadrupled compared to a year earlier on increased demand for long-haul routes. For the three months ending on September 30, net profit jumped to 257.25 billion won (US\$227 million) from 61.63 billion won a year earlier, Korean Air said in a statement. In May, Korean Air and Delta Air Lines launched a joint venture to allow Korean passengers to use multiple routes when traveling to the United States by availing themselves of flights offered by either of the carriers. The collaboration drove up the number of transferring passengers on Korean Air flights and high-end travel demand on routes to the U.S., the statement said. The partnership has allowed local travelers to fly on 370 routes to 192 cities in the U.S. since May. Up to April, Korean Air customers leaving the country could only enter the U.S. for travel or business trips at a handful of airports in places such as New York, Los Angeles and Atlanta.*

#### **Sales Production vs. Goals Analysis**

*HTK's MCI team missed its KPI targets during the month of November, securing 820 definite room nights against a target for the month of 3,500 definite room nights. Disruption resulting*

*from the Kilauea volcano eruption in early May continues to affect potential demand for Korea's MCI trips. Most corporate clients, especially for incentive trips and large groups by Finance, Insurance, and multi-level Marketing companies, have chosen other destinations. The major MCI leads from 3 incentive groups – Nexen Korea (140 nights), KBC (120 nights) and Lotte Card (124 nights) – primarily contributed to the KPI result.*

*HTK's MCI team is expecting the lower number of MCI leads will be improved by business from three corporate clients who attended the Meet Hawai'i Corporate Event in July. Over 100 pax in two groups from Hana Card and BC Card will visit Hawai'i for incentive trips in December. KB Kookmin Card is planning a Hawai'i incentive trip for 300 employees early next year. The leads were uploaded on Simpleview with a "Meet Hawai'i Corporate Event" tag so Meet Hawai'i can easily track the ROIs. In addition, a 400 pax MCI incentive trip group from APRO Financial, a private loan company, has been confirmed for April, 2019.*

**Highlights of any Key Definites**

- *Incentive Group (140 nights): visited O'ahu*
- *Incentive Group (120 nights): visited O'ahu and Maui*
- *Incentive Group (124 nights): visited O'ahu*
- *Incentive Group (108 nights): visited O'ahu*
- *Incentive Group (104 nights): visited O'ahu and Island of Hawai'i*

**Table 2h: Hawai'i Tourism Oceania Single Property Sales Production  
 November 2018**

COMBINED - TOTAL	Month			Year-to-Date			Annual Goal	YTD as % of Annual Goal
	2018 Actual	Prior Year	Variance to Prior Year	2018 YTD	Prior Year	Variance to Prior Year		
<b>Room Nights</b>								
Definite & Assist-Definite	557	926	-40%	8,142	10,064	-19%	16,000	51%
New to Hawai'i	460	926	-50%	6,471	6,298	3%	12,000	54%
Tentative & Assist-Tentative	3,724	1,616	130%	31,842	27,207	17%	33,000	96%
<b>MCI</b>								
<b>Room Nights</b>								
Definite & Assist-Definite	387	904	-57%	6,404	7,618	-16%		
New to Hawai'i	290	904	-68%	4,805	5,926	-19%		
Tentative & Assist-Tentative	3,220	1,594	102%	25,448	24,256	5%		
<b>Non-MCI</b>								
<b>Room Nights</b>								
Definite & Assist-Definite	170	22	673%	1,738	2,446	-29%		
New to Hawai'i	170	22	673%	1,666	372	348%		
Tentative & Assist-Tentative	504	22	2191%	6,394	2,951	117%		

**COMMENTS**

**Market Conditions**  
**NZ Economy**  
*The New Zealand economy is in a good state as it nears the end of 2018. Despite poor business sentiment, the big economic numbers remain positive. Unemployment is sitting at around 3.9 percent; net migration is still at historically high levels and the annual GDP growth is at 2.7 percent. The NZ exchange rate improved ever so slightly at the end of November and is currently sitting at USD0.68.*

**Australian Economy**  
*The Australian dollar has improved slightly at 0.73 however, the Australian economy is forecasted to slow down due various November's results such as;*

- *Activity levels across Australia's manufacturing improved at the slowest pace in over a year in November.*
- *New orders fell for the first time in over two years, pointing to the likelihood of weaker activity levels in the coming months.*
- *Activity has been weakening in Australia's services and construction sectors for several months, hinting at a broader slowdown in the Australian economy from the levels seen earlier in the year.*
- *Momentum across Australia's manufacturing sector slowed sharply in November, adding to concerns about the broader economic outlook.*
- *Housing prices falling at fastest pace since GFC in November.*

*HTO was pleased to hear the news that the 5 Hawaiian hotels affected by the Marriott strike had reached an agreement and all strike action has now ceased. HTO continues to provide various types of support on a case by case basis to continue growing Australia/New Zealand*



*MCI business to Hawai'i. The overall weakening of AUD & NZD remains a major challenge for MCI clients when considering Hawaiian Islands as Conference & Incentive destination*

**Sales Production vs. Goals Analysis**

- November was one of the busiest months of the year with many corporate & end of the year events & functions. It was also a very busy month for MCI leads as most clients wanted to receive information for their future programs prior to holiday season. HTO received over 3,000 room nights in lead generation in November and will be working to convert these leads for 2019 & 2020.
- HTO are keeping an eye on the above areas and ensuring that clients are aware that Hawai'i has a variety of accommodation and activity options to suit any budget. HTO believes that this is critical in maintaining and growing the market share of Business Travel for Hawai'i.
- HTO continue to monitor the market including any fluctuations in the exchange rate which may affect MCI business to Hawai'i.

**Highlights of any Key Definites**

- Medical Group confirmed 240 room nights on Maui for October 2019
- Automotive Incentive Group was confirmed on Maui for May 2019 generating 97 room nights
- Sports Group confirmed 84 room nights on O'ahu
- Special Event Group confirmed 86 room nights on O'ahu
- Consulting Group confirmed 50 room nights on O'ahu for Feb 2019

**Table 2i: Other International Single Property Sales Production  
 November 2018**

COMBINED - TOTAL	Month			Year-to-Date			Annual Goal	YTD as % of Annual Goal
	2018 Actual	Prior Year	Variance to Prior Year	2018 YTD	Prior Year	Variance to Prior Year		
<b>Room Nights</b>								
Definite & Assist-Definite	0	0	N/A	0	5,701	-100%	N/A	N/A
New to Hawai'i	0	0	N/A	0	5,701	-100%		
Tentative & Assist-Tentative	0	0	N/A	233	365	-36%		
<b>MCI</b>								
<b>Room Nights</b>								
Definite & Assist-Definite	0	0	N/A	0	5,701	-100%		
New to Hawai'i	0	0	N/A	0	5,701	-100%		
Tentative & Assist-Tentative	0	0	N/A	233	365	-36%		
<b>Non-MCI</b>								
<b>Room Nights</b>								
Definite & Assist-Definite	0	0	N/A	0	0	N/A		
New to Hawai'i	0	0	N/A	0	0	N/A		
Tentative & Assist-Tentative	0	0	N/A	0	0	N/A		

**Table 3: Island Distribution of HTUSA Single Property Sales  
 Year-to-Date November 2018**

Island	Tentative Room Nights	Definite Room Nights				Lead-to-Booking Conversion (Room Nights)	
	YTD Actual*	Annual Goal	Monthly Actual	YTD Actual	Percent of Goal	Goal	Actual
O'ahu	277,916	36,600	1,467	44,707	122%	18%	16%
Kaua'i	153,213	25,300	209	14,664	58%	27%	10%
Maui County	324,395	74,500	1,875	66,101	89%	29%	20%
Hawai'i	234,582	43,600	3,816	30,800	71%	27%	13%
<b>Total</b>	<b>990,106</b>	<b>180,000</b>	<b>7,367</b>	<b>156,272</b>	<b>87%</b>		

\*Tentative room nights do not match those in Table 2b because many leads are distributed to more than one island.

**'ELELE PROGRAM**

<b>COMMENTS</b>
<p><i>November meetings and updates from Deborah Zimmerman, 'Elele Program Director from New Millennium Meetings (NMM):</i></p> <p><b><u>New 'Elele Assisted Definite</u></b>  <i>Thanks to help from Kapi'olani's Drs. Wade Kyono and Randall Wada, the International Society for Pediatric Oncology confirmed Honolulu for their October 2021 convention. (October 2021/2,000ppl) The 'Elele team and Patrick Blangy have been working on this meeting for 4 years!</i></p> <p><b><u>New Tentative</u></b>  <i>Working with Dr. Kenric Murayama, Chair of the Department of Surgery at JABSOM, Hawai'i submitted a bid for an international surgery conference. (April 2023/2,000ppl) Dr. Murayama connected us to mainland physicians whose support was critical. 2023 represents the 50<sup>th</sup> anniversary of this organization.</i></p> <p><b><u>Support for Definite Conventions</u></b>  <i>Debbie participated in several zoom calls helping the local SACNAS chapter to prepare for hosting the 2019 National Diversity in STEM conference. Additionally, while the SACNAS leadership was in town for a pre-conference planning trip, she helped organize and participate in appointments with multiple potential sponsors including:</i></p> <ul style="list-style-type: none"> <li>• <i>Dr. Michael Bruno – Vice Chancellor for Research, University of Hawai'i at Mānoa</i></li> <li>• <i>Dr. Peter Quigley, Academic Affairs – Associate Vice President for Community Colleges – University of Hawai'i System</i></li> <li>• <i>Dr. Donald Straney, Chief Academic Officer, University of Hawai'i System</i></li> <li>• <i>Hailama Farden, Regional Director, Kamehameha Schools</i></li> <li>• <i>Dr. Louise Pagotto, Chancellor, Kapi'olani Community College</i></li> </ul>

## LOST BUSINESS

**Table 4: Lost Business – November 2018**

**HTUSA SINGLE PROPERTY – HIGH PROFILE**

Market	Vertical Market Segment	Total Room Nights	Total Attendees	Meeting Dates	Competing Destinations	Reason for Lost Business
MCI: Meeting (13081)	Trade Assns	530	200	05/04/2020 - 05/10/2020	Initially Maui, Kaua'i, O'ahu and Island of Hawai'i	Client is focusing on Phoenix, AZ, and San Diego, CA, for their site visits.
MCI: Incentive (13129)	Unknown	3,432	1,700	02/22/2019 - 02/25/2019	Initially Hawai'i only	Program lost to Jamaica.
MCI: Incentive (13147)	High Tech	866	150	07/12/2019 - 07/20/2019	Initially Maui only	Program did not materialize.
MCI: Convention - Domestic (13197)	Technology	4,400	1,100	01/07/2019 - 01/10/2019	San Diego, CA, Palm Springs, CA, Coronado, CA, Scottsdale, AZ, Austin, TX, Maui, and Island of Hawai'i	Program did not materialize.

**INTERNATIONAL SINGLE PROPERTY**

Market	Vertical Market Segment	Total Room Nights	Total Attendees	Meeting Dates	Competing Destinations	Reason for Lost Business
HT Oceania: MCI: Meeting (13397)	Retail	710	220	08/17/2019 - 08/20/2019	Sydney, Melbourne	3rd Party Planner lost the bid.
HT Oceania: Non-MCI: Sports (13490)	Sports	240	20	05/13/2019 - 05/24/2019	Initially Hawai'i only	3rd Party Planner lost the bid.
HT Oceania: MCI: Meeting (13560)	Finance, Banking	240	50	10/07/2019 - 10/11/2019	Fiji	Program lost to Fiji due to overall costs when converting from USD to AUD.

HAWAI'I CONVENTION CENTER

Market	Vertical Market Segment	Total Room Nights	Total Attendees	Meeting Dates	Competing Destinations	Reason for Lost Business
MCI: Meeting (2038)	Medical	750	250	02/09/19 - 02/09/19	Unkonwn	No response from client.
MCI: Convention (2017)	Medical	1,685	1,200	4/14/2021 - 04/18/21	Aurora, Colorado	Lost bid to Gaylord Rockies Resort & Convention Center.
MCI: Convention (2016)	Medical	1,685	1,200	04/21/21 - 04/25/21	Aurora, Colorado	Lost bid to Gaylord Rockies Resort & Convention Center.
MCI: Meeting (2018)	Scientific	18,000	3,500	06/03/22 - 06/15/22	Unknown	Hawaii did not make the short list.
MCI: Meeting (1953)	Medical	4,160	2,000	09/05/2022 - 09/11/2022	Chicago	Lost bid to Chicago.
MCI: Convention (1388)	Medical	7,182	3,500	09/25/22 - 10/01/22	Unknown	Hawaii did not make the short list due to previous experience.
MCI: Convention (1987)	Agriculture	11,928	6,000	01/03/23 - 01/12/23	Puerto Rico	Lost bid to Puerto Rico.
MCI: Meeting (2052)	Medical	5,088	1,500	02/02/23 - 02/07/23	Los Angeles, San Diego	Other competing destination selected. City unknown.
MCI: Meeting (1964)	Engineering	5,020	2,000	06/22/23 - 06/28/23	Unknown	Hotel rates too high.

**NEW-TO-HAWAI'I DEFINITE BOOKINGS**

**Table 5: New to Hawai'i Definite Bookings – November 2018**

HTUSA SINGLE PROPERTY - HIGH PROFILE

Market	Vertical Market Segment	Total Room Nights	Total Attendees	Meeting Dates	Competing Destinations
MCI: Incentive (13072)	A: Consumer Products	1,314	450	02/28/2020 - 03/07/2020	Panama and Cabo, Mexico
MCI: Incentive (13150)	C: Business Services, Consulting	580	250	03/17/2019 - 03/20/2019	Initially O'ahu only

**INTERNATIONAL SINGLE PROPERTY**

Market	Vertical Market Segment	Total Room Nights	Total Attendees	Meeting Dates	Competing Destinations
HT Oceania: MCI: Meeting (12794)	A: Medical, Healthcare	240	100	10/06/2019 - 10/08/2019	O'ahu and Maui
HT Japan: Non-MCI: Special Event (13405)	A: Educational	310	72	09/30/2020 - 10/05/2020	Initially Hawai'i only
HT Korea: MCI: Incentive (13758)	C: Other (add tags)	44	22	11/22/2018 - 11/25/2018	Initially Hawai'i only
HT Korea: MCI: Incentive (13774)	C: Entertainment, Media	120	61	11/20/2018 - 11/23/2018	Initially Hawai'i only
HT Oceania: MCI: Meeting (14842)	C: Business Services, Consulting	50	10	02/23/2019 - 03/01/2019	Initially Hawai'i only
HT Korea: MCI: Incentive (14850)	A: Technology	140	79	11/29/2018 - 12/09/2018	Initially Hawai'i only
HT China: Non-MCI: Special Event (14852)	3rd Party	560	70	12/04/2018 - 12/11/2018	Initially Hawai'i only
HT China: MCI: Meeting (14859)	C: Medical, Pharm	60	10	03/15/2019 - 03/20/2019	Initially Hawai'i only
HT Japan: MCI: Incentive (14861)	A: Technology	2,430	1,950	01/07/2019 - 01/31/2019	Initially Hawai'i only
HT Oceania: Non-MCI: Sports (14873)	A: Sports	84	14	05/16/2019 - 05/21/2019	Initially Hawai'i only
HT Oceania: Non-MCI: Sleeping Rooms Only (14881)	Unknown	86	10	05/13/2019 - 05/27/2019	Initially Hawai'i only

<b>TOTAL NEW TO HAWAI'I GMT BOOKINGS FOR THE MONTH</b>	25
<b>TOTAL ROOM NIGHTS FOR NEW TO HAWAI'I GMT BOOKINGS</b>	9,021

**HAWAI'I CONVENTION CENTER**

Market	Vertical Market Segment	Total Room Nights	Total Attendees	Meeting Dates	Competing Destinations
MCI: Convention (33314)	Medical	1,750	1,000	05/16/19 - 05/19/19	Unknown
MCI: Meeting (2058)	Scientific	95	100	11/12/18 - 11/16/18	California
Non MCI: Banquet (2063)	Government	3,696	1,800	06/29/19 - 07/02/19	Unknown
Non MCI: Sports (2024)	Sports	225	100	01/08/19 - 01/10/19	Unknown
Non MCI: Sports (2047)	Sports	711	1,104	04/30/20 - 04/05/20	Unknown
Non MCI: Sports (2048)	Sports	802	1,225	04/02/21 - 04/04/21	Unknown
Non MCI: Sports (2049)	Sports	919	1,320	04/08/22 - 04/10/22	Unknown
Non MCI: Sports (2050)	Sports	1,054	1,390	03/24/23 - 03/26/23	Unknown
<b>TOTAL NEW TO HAWAI'I CITYWIDE BOOKINGS FOR THE MONTH</b>					8
<b>TOTAL ROOM NIGHTS FOR NEW TO HAWAI'I CITYWIDE BOOKINGS</b>					9,252

New to Hawai'i bookings are accounts that have never met in Hawai'i before or, in the case of citywides, have not met in Hawai'i in the last 10 years or for single property bookings, not in the past five years.

## MAJOR SALES AND MARKETING ACTIVITIES

Meet Hawai'i participated in the following MCI events in November:

- 2 client promotional events
  - HTUSA
    - North East Sales Mission and Tommy Bahama Hawai'i Luncheon, New York City, NY, November 12
  - HCC
    - Annual Meeting of the American Studies Association, Atlanta, GA, November 5-12
  
- 2 educational events
  - International GMTs
    - HTJ – Hiroshima Global Educational Seminar, Hiroshima, Japan, November 11
    - HTJ – Hokkaido Educational Tourism Workshop, Hokkaido, Japan, November 21
  
- 8 trade shows
  - HTUSA
    - Financial, Insurance Conference Professionals (FICP), Orlando, FL, November 4-7
    - Prestige Global Meeting Source, San Jose, CA, November 7
    - Prestige Global Meeting Source, San Francisco, CA, November 8
    - New York Event Stadium, New York City, NY, November 13
    - Washington D.C. Networking Events, Arlington, VA, November 15
  - HCC
    - PCMA ICESAP Annual Conference, Bangkok, Thailand, November 7-9
    - IBTM Trade Fair, Barcelona, Spain, November 24-December 1
  - International GMTs
    - Pacific Area Incentive & Conferences Expo (PAICE), Auckland, NZ, November 20
  
- 2 sales blitz
  - HTUSA
    - Hawai'i Sales Blitz, O'ahu, November 9
  - HCC
    - National Guard Association of the United State (NGAUS) 2023 Presentation, Washington, D.C. , November 16
  
- 16 major site visits and familiarization (FAM) tours with clients and potential clients
  - HTUSA
    - 1 site visit, Maui, Lāna'i and Island of Hawai'i
    - 1 site visit, Maui, O'ahu and Kaua'i
    - 1 site visit, Island of Hawai'i, Maui, and O'ahu
    - 1 familiarization tour, Kaua'i and Maui

- 1 site visit, O’ahu and Maui
- 2 site visits, O’ahu
- 2 site visits, Island of Hawai’i
- HCC
  - 4 site visits, O’ahu
- International GMTs
  - 2 site visits, O’ahu
  - 1 site visit, Island of Hawai’i and Maui

## FUTURE SALES AND MARKETING ACTIVITIES

Meet Hawai’i will participate in the following MCI events in the upcoming months:

<b>Dec. 2018</b>			
2-5	NorthStar Leadership, San Francisco, CA	Trade Show	HTUSA
4-13	Texas/Arizona Sales Blitz, Austin, TX, Phoenix, AZ	Sales Blitz	HTUSA
8-14	CalSAE Association Tradeshow/Pre-Show Sales Calls, Sacramento, CA	Trade Show /Sales Blitz	HCC
9-11	Society for Incentive Travel Excellence (SITE) – Southern California, Beverly Hills, CA	Trade Show	HTUSA
11-13	CVB Reps, New Orleans, LA	Trade Show	HTUSA
11-15	Share Aloha, Chicago, IL	Trade Show	HTUSA
12-14	California Society of Association Executives (CalSAE), Sacramento, CA	Trade Show	HTUSA
13-14	Association Forum Holiday Showcase, Chicago, IL	Trade Show	HCC
18	Key Incentive Blitz, MN, MO, IL, WI	Sales Blitz	HTUSA
<b>Jan. 2019</b>			
5-12	American Astronomical Society, Seattle, WA	Client Promo	HCC
6-9	PCMA Convening Leaders 2019, Pittsburgh, PA	Trade Show	HCC & HTUSA
6-11	Sports Express, Honolulu, HI	Trade Show	HCC
14-18	ASEE Site Inspection, Honolulu, HI	Site Inspection	HCC

26-Feb. 3	Japan Trade Seminar and Workshop by HTJ, Osaka, Nagoya, Tokyo, Japan	Educational Event	HCC
28, 30, and Feb. 1	(3) City Seminar and Workshop, Osaka, Nagoya & Tokyo	Educational Event	HTJ
TBD	CalSAE Elevate + Sales Calls	Trade Show	HTUSA
TBD	Independent Planner Education Conference (IPEC), Successful Meetings	Trade Show	HTUSA
TBD	Northern California Chapter, Meeting Professionals International (NCCMPI), Northern California Hui Luncheon	Client Promotional Event	HTUSA
TBD	Prestige	Trade Show	HTUSA
TBD	Sales Blitz, UT	Sales Blitz	HTUSA
TBD	Sales Calls, St. Louis, MO, I'A	Sales Blitz	HTUSA
TBD	2018 MCI Incentive & Award Program	Seminar	HTK
<b>Feb. 2019</b>			
16-21	AIME, Melbourne, Australia	Trade Show	HTO & HCC
20-22	Customer Advisory Board	Trade Show	HCC
24-27	CESSE CEO Meeting, Kiawah Island, SC	Educational Event	HCC
26	MPI NCC Annual Conference & Expo, San Francisco, CA	Trade Show	HCC
TBD	Sales Calles, WI	Sales Blitz	HTUSA

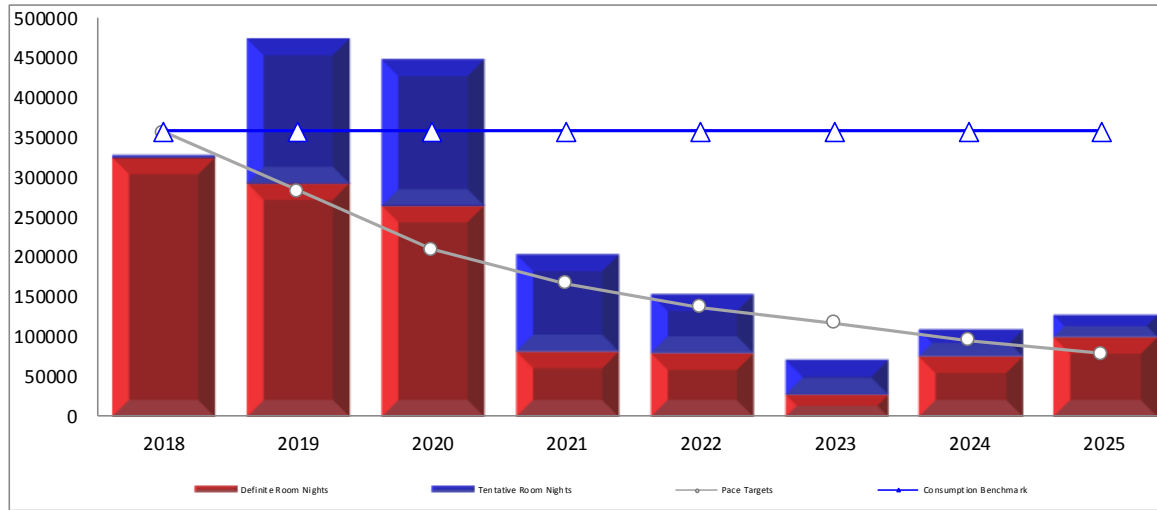


## CONSUMPTION

The TAP Reports on the next page show the number of events and room nights on the books for each year 2018-2025 against a rolling 36-month consumption benchmark.

**Table 6: The TAP Report: Hawai'i 8-year Pace (citywide and single property)**

**THE TAP REPORT** **Hawai'i** **Period Ending: November 30, 2018**  
 Report Date: December 5, 2018



<i>Hawai'i R/N</i>	2018	2019	2020	2021	2022	2023	2024	2025	Total
Definite Room Nights	322,939	290,859	263,622	82,875	79,758	27,387	76,318	100,725	1,244,483
Pace Targets	355,961	281,844	208,706	165,862	136,482	116,346	94,411	77,556	1,437,168
Variance	(33,022)	9,015	54,916	(82,987)	(56,724)	(88,959)	(18,093)	23,169	(192,685)
Consumption Benchmark	357,714	357,714	357,714	357,714	357,714	357,714	357,714	357,714	2,861,712
Pace Percentage	91%	103%	126%	50%	58%	24%	81%	130%	87%
Total Demand Room Nights	796,443	656,326	462,705	265,152	199,668	69,048	87,560	126,625	2,663,527
Lost Room Nights	473,504	365,467	199,083	182,277	119,910	41,661	11,242	25,900	1,419,044
Conversion Percentage	41%	44%	57%	31%	40%	40%	87%	80%	47%
Tentative Room Nights	3,205	180,313	182,737	119,546	74,263	45,177	33,450	26,731	665,422

<i>Hawai'i Events</i>	2018	2019	2020	2021	2022	2023	2024	2025	Total
Definite Events	355	186	85	29	19	8	8	7	697
Pace Targets	313	141	57	30	16	10	7	3	577
Variance	42	45	28	(1)	3	(2)	1	4	120
Consumption Benchmark	317	317	317	317	317	317	317	317	2,536
Pace Percentage	113%	132%	149%	97%	119%	80%	114%	233%	121%
Total Demand Events	721	387	160	57	30	13	9	9	1,386
Lost Events	366	201	75	28	11	5	1	2	689
Conversion Percentage	49%	48%	53%	51%	63%	62%	89%	78%	50%
Tentative Events	13	320	208	61	29	12	11	8	662

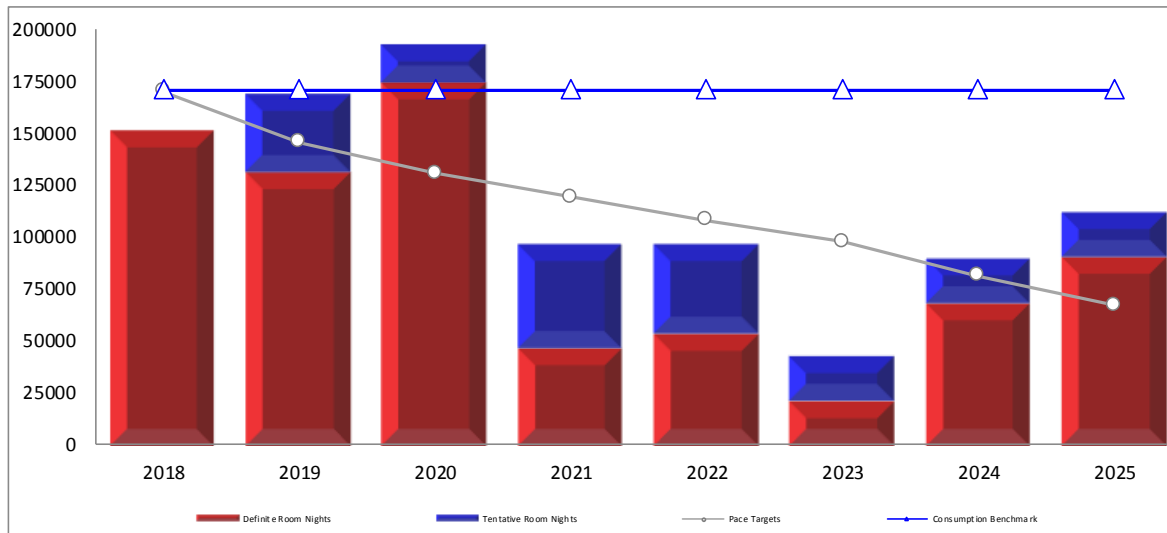
The number of events reported in TAP is slightly higher than the actual number of events due to a number of overflow programs and the splitting of some bookings into two in order to track shared credit.

**Table 7: The TAP Report: Convention Center 8-year Pace (citywide only)**

**THE TAP REPORT**

**Hawai'i**  
 Convention Center

Period Ending November 30, 2018  
 Report Date: December 5, 2018



<i>Hawai'i R/N</i>	2018	2019	2020	2021	2022	2023	2024	2025	TOTAL
Definite Room Nights	151,485	131,652	174,332	46,931	54,201	21,939	68,759	91,055	740,354
Pace Targets	169,667	145,440	130,525	118,690	107,826	97,436	80,998	66,796	917,378
Variance	(18,182)	(13,788)	43,807	(71,759)	(53,625)	(75,497)	(12,239)	24,259	(177,024)
Consumption Benchmark	170,580	170,580	170,580	170,580	170,580	170,580	170,580	170,580	1,364,640
Pace Percentage	89%	91%	134%	40%	50%	23%	85%	136%	81%
Total Demand Room Nights	353,256	332,182	284,797	198,756	171,401	62,465	80,001	116,955	1,599,813
Lost Room Nights	201,771	200,530	110,465	151,825	117,200	40,526	11,242	25,900	859,459
Conversion Percentage	43%	40%	61%	24%	32%	35%	86%	78%	46%
Tentative Room Nights	0	36,852	18,405	50,286	42,451	20,940	20,940	20,940	210,814

<i>Hawai'i Events</i>	2018	2019	2020	2021	2022	2023	2024	2025	TOTAL
Definite Events	23	21	13	4	5	3	5	5	79
Pace Targets	27	19	14	12	10	9	3	2	96
Variance	(4)	2	(1)	(8)	(5)	(6)	2	3	(17)
Consumption Benchmark	28	28	28	28	28	28	28	28	224
Pace Percentage	85%	111%	93%	33%	50%	33%	167%	250%	82%
Total Demand Events	53	49	32	19	14	7	6	7	187
Lost Events	30	28	19	15	9	4	1	2	108
Conversion Percentage	43%	43%	41%	21%	36%	43%	83%	71%	42%
Tentative Events	0	11	3	9	7	4	4	4	42

The number of events reported in TAP is slightly higher than the actual number of events due to a number of overflow programs and the splitting of some bookings into two in order to track shared credit.

**Glossary of TAP Report Terms**

<p><b>Consumption Benchmark</b> – The average number of definite room nights produced by Meet Hawai'i for each month and year for the last three twelve month periods. Each month the “oldest” month is dropped from the calculation and the most recent month is added.</p>
<p><b>Conversion Index</b> - A measurement for each month and year of the client city's Conversion Percentage compared to the Peer Set's Conversion Percentage. A value greater than 100 indicates that the client city is converting more demand to definite room nights than the Peer Set. A number less than 100 indicates that the client city is converting less demand to definite room nights than the Peer Set.</p>
<p><b>Conversion Index Rank</b> - The position of the client's Conversion Index compared to the Peer Set.</p>
<p><b>Conversion Percentage</b> - The percentage of Total Demand Room Nights that Meet Hawai'i converts to Definite Room Nights for each month and year at the time the report is published.</p>
<p><b>Definite Room Nights</b> – Number of definite room nights, confirmed by Meet Hawai'i for each month and year at the time the report is published.</p>
<p><b>Definite Room Night Share %</b> – A percentage indicating the client city's portion of the Peer Set's Definite Room Nights.</p>
<p><b>Lost Room Nights</b> – The number of room nights, both definite and tentative, that have been lost for each month and year at the time the report is published.</p>
<p><b>Pace Index</b> - A measurement for each month and year of the client city's Pace Percentage compared to the Peer Set's Pace Percentage. A value greater than 100 indicates that the client city's Pace Percentage is higher than that of the Peer Set. A number less than 100 indicates that the client city's Pace Percentage is less than that of the Peer Set.</p>
<p><b>Pace Index Rank</b> - The position of the client's Pace Index compared to the Peer Set.</p>
<p><b>Pace Percentage</b> – The percentage of Definite Room Nights compared to the Pace Target. If Meet Hawai'i continues to book at current trends the same percentage can be applied to the Consumption Benchmark when each month and year passes.</p>
<p><b>Pace Target</b> – Number of definite room nights that should be confirmed for each month and year at the time the report is published (updated every month). Pace targets are determined by analyzing a minimum of the last three years definite room nights and all definite room nights confirmed for the future. The analysis is completed by comparing the date a booking was confirmed to that of the arrival date for each confirmed booking and computing the number of months in advance of arrival that each booking was confirmed.</p>
<p><b>Room Night Demand Share %</b> – A percentage indicating the client city's portion of the Peer Set's Demand.</p>
<p><b>Tentative Room Nights</b> – The number of tentative room nights pending for each future month and year at the time the report is published.</p>
<p><b>Total Demand Room Nights</b> - Number of total lead room nights issued by Meet Hawai'i for each month and year at the time the report is published.</p>
<p><b>Variance</b> – The difference between the Definite Room Nights and the Pace Target.</p>

## CONVENTION CENTER PERFORMANCE

**Table 8: Convention Center Performance – October 31, 2018 Year-to-Date**

PERFORMANCE MEASURE	YTD	TARGET	VARIANCE
Occupancy	30%	31%	-1%
Total Events	161	173	(12)
Total Attendance	328,976	297,057	31,919
Visitor Spending	\$350,356,628	\$350,356,628	\$0
Tax Revenue	\$32,747,957	\$32,747,957	\$0
Revenue per Attendee	\$35.97	\$45.43	(\$9.46)

### COMMENTS

*The results for October will be HCC's strongest for 2018. One of HCC's largest association clients, the American Dental Association (ADA), returned to Hawai'i with over 16,000 delegates bringing in over \$118 million in State visitor spending and \$11 million in tax revenue. ADA along with the successful HTA Global Tourism Summit, Hawai'i Food & Wine Festival and 18 other events rounded out a busy October. HCC posted gross revenues over \$1.8 million which was shy of budget by \$37,500, net income of \$91,900 which was \$126,800 less than planned and occupancy of 54 percent.*

*For the year to date, HCC's financials reflect gross revenues of \$11.8 million, \$1.6 million less than budgeted, a net loss of \$1.3 million, \$656,000 more than planned, and 30 percent occupancy. HCC's 2018 year-end reforecast reflects a net loss of \$2.4M which is \$462,400 higher than the budget of \$1.9 million.*

*The summary below highlights why HCC's year-end reforecast is not meeting budget.*

1. *Cancellations resulting in over \$1.1 million in lost revenue.*
  - a. *Applied Materials, 1,000 delegates, budgeted \$85,000 in event revenue and \$628,000 in F&B revenue in June 2018. On a positive note, however, HCC does expect this event to return in 2019.*
  - b. *Youth Basketball of America, 3,000 delegates, budgeted \$84,000 in event revenue and \$34,000 in F&B revenue in June 2018.*
  - c. *C.KAY International, 1,500 delegates, budgeted \$20,000 in event revenue and \$224,000 in F&B revenue in September 2018.*
  - d. *Art Hawai'i, 12,000 delegates, budgeted \$60,000 in event revenue and \$34,000 in F&B revenue in November 2018.*
  - e. *Hurricane Lane resulted in three events cancelling in August 2018.*
2. *Business Mix*
  - a. *No U.S. corporate business in 2018 (vs 2017 – 4 events, Homeaway Summit, Taco Bell, Aflac, Applied Materials and 2016 – one event, Applied Materials).*
  - b. *No association event in 2018 that singularly generates over \$1 million in revenue (vs 2017 – 1 event, IEEE CVPR, 4,730 delegates generated over \$1.8 million; 2016 –*

*three events, BMT Tandem, 5,171 delegates generated \$1 million, and CPCU, 11,014 delegates generated over \$2.7 million, International Union for the Conservation Nature, 10,000 delegates generated over \$1.1 million).*

- c. The business mix has impacted HCC's F&B bottom line results. HCC's prior two-year average flow through in F&B was 49 percent. With lower spend events in 2018 HCC's F&B flow through is 34 percent.*

*For the year to date, visitor spending and tax revenue are on target. Occupancy, total events and revenue per attendee are all short of meeting targets impacted by the summary noted above. Total attendance is over 41,000 more than target due to the Okinawan Festival that brought in more attendees than expected for the first-time event in the facility.*

## DEFINITIONS

- **Single Property Group:** A group that can be booked into a single hotel for both guest rooms and meeting space.
- **Citywide Group:** A group that books Hawai'i Convention Center for space, which either has at least 1,000 out-of-town attendees or utilizes two or more hotels with a minimum of 500 out-of-town attendees.
- **Group Bookings:** The total number of group room nights booked for the future. A group is defined as needing a minimum of 10 hotel rooms.
- **MCI and Non-MCI Bookings:** Both MCI and Non-MCI Bookings must primarily be off-shore bookings requiring attendees to stay in visitor accommodations. An MCI booking is an association or corporate meeting, convention or incentive program that requires meeting space. A Non-MCI booking requires off-site meeting space or no meeting space, or is public/consumer-facing like expos, sporting events, etc.
- **Definite Room Night:** Room nights associated with groups that have a signed contract or letter of commitment with the convention center and or a signed contract with a hotel.
- **Tentative Room Night:** Room nights associated with groups that have indicated interest in holding a meeting or convention in Hawai'i and a lead has been sent to the convention center and/or the hotels. Citywide leads are considered tentative when space is blocked at the convention center. Includes leads generated by partners at HVCB coordinated trade shows.
- **Economic Impact:** The direct and induced spending generated from a group meeting in Hawai'i. The economic impact formulas are based on research of attendee spending patterns.
- **Lead-to-Booking Conversion:** Conversion of tentative leads into definite bookings as measured by dividing tentative room nights generated in the month/year by definite room nights for the same month/year.
- **Consumed Room Night:** Room nights generated from groups that have convened in Hawai'i. For citywide events, this figure is calculated from the number of attendees. For single property meetings, the figure is the contracted room nights.
- **Goal:** A level of achievement that has been determined through the goal setting process that includes industry stakeholders and the HTA board.
- **International Markets:** Current areas of focus for international groups. These markets are supported by contractors of HTA.
- **New to Hawai'i – New Business:** A group that has never met, or has not had a single property meeting in Hawai'i over the past five years or a citywide meeting within the past 10 years.

- **Repeat Business:** A group that has had a single property meeting in Hawai'i within the past five years or a citywide meeting in Hawai'i within the past 10 years.
- **Island Distribution:** The breakdown of room nights that have been booked on the neighboring islands. This includes Maui, Kaua'i, O'ahu and the Island of Hawai'i.
- **Pace:** A calculation that evaluates the annual sales activity level by comparing production to the same time frames for previous years. This calculation shows if the current year-to-date room night bookings are at the same or higher/lower levels than the past year.
- **Need Period:** A future timeframe where the projections for room night demand are lower, therefore warranting specific sales strategies to attract business.
- **Lost Business:** A group where a lead has been generated due to client interest and Hawai'i was not chosen for the meeting or convention.
- **Total Events:** Total licensed events held at the Hawai'i Convention Center
- **Total Attendance:** Total delegate attendees at licensed events at the Hawai'i Convention Center
- **Visitor Spending:** State economic impact of offshore licensed events
- **Tax Generation:** State tax generation of offshore licensed events

<b>November 2018</b>					
<b>Contract No.</b>	<b>Contractor</b>	<b>Description</b>	<b>Dollar Amount</b>	<b>Start Date</b>	<b>End Date</b>
18167 S1	Paragon Events, Inc.	2018 Global Tourism Summit Reimbursables	(+ \$150,000.00) \$440,000.00	11/14/2018	1/31/2019
16024 S6	The Walshe Group	For Services related to marketing services in Oceania MMA.	(+ \$1,900,000.00) \$8,044,500.00	11/14/2018	12/31/2019
16022 S7	Aviareps Marketing Garden	For services related to marketing services in the Korea MMA.	(+ \$1,400,000.00) \$5,804,000.00	11/15/2018	12/31/2019
17055 S2	Kintetsu International Express	SIGNATURE 38th Annual Pan Pacific Festival 2017	(+ \$138,000.00) \$414,000.00	11/15/2018	11/30/2019
17029 S7	HVCB	Hawai'i Tourism US Leisure & MCI Contract 2019 BMP	(+ \$23,430,000.00) \$72,165,000.00	10/30/2018	12/31/2019
18183 S1	Epic Sports Foundation Inc. dba Epic Sports Foundation	22nd Annual Moloka'i 2 O'ahu Paddleboard World Championship 2018	(+ \$0.00) \$35,000.00	11/28/2018	1/31/2019
18166 S1	Kōloa Plantation Day, Inc.	Kōloa Plantation Days	(+ \$0.00) \$63,500.00	11/28/2018	1/31/2019

Contract Type:  
 • Sole Source  
 † Procurement Exemption



17101 S2	Kai Opua Canoe Club	SIGNATURE Queen Liliuokalani Long Distance Canoe Races	(+ \$0.00) \$50,000.00	11/28/2018	1/31/2019
18173 S2	Hui O Wa'a Kaulua	26th Annual Celebration of the Arts	(+ \$0.00) \$35,000.00	11/29/2018	1/31/2019
17084 S2	ODKF Support Inc.	SIGNATURE 16 <sup>th</sup> Annual Duke's Oceanfest	(+ \$0.00) \$50,000.00	11/29/2018	1/31/2019
•18165 S2	Hawai'i Academy of Recording Arts	Mele Mei 2018	(\$0.00) \$150,000.00	11/29/2018	1/31/2019
18141 S1	Moanalua Gardens Foundation, Inc.	41st Annual Prince Lot Hula Festival	(+ \$0.00) \$75,000.00	11/28/2018	1/31/2019
18151 S1	Maui Economic Development Board, Inc.	Maui Film Festival at Wailea 2018 (19th Annual Maui Film Festival)	(+ \$75,000.00) \$150,000.00	11/28/2018	11/30/2019
17054 S4	Honolulu Festival Foundation	SIGNATURE Honolulu Festival 2017	(+ \$138,000.00) \$414,000.00	8/10/2018	11/30/2018
19005	Printing, Storage and Delivery of In-Flight forms for Calendar years 2019-2021	HonBlue, Inc.	\$329,808.08	12/11/2018	12/31/2021
19006	Visitor Departure Surveys for Calendar Years 2019-2022	OmniTrak Research & Marketing Group Inc.	\$439,375.00	12/11/2018	6/30/2023

19007	Statewide Domestic In-flight Visitors' Basic Characteristic Survey Calendar Years 2019-2022	SMS Research & Marketing Services, Inc.	\$305,630.64	12/11/2018	6/30/2023
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# **Agenda Item**

## **5**

**Presentation and Discussion of  
Current Market Insights and  
Conditions in Key Major  
Hawai'i Tourism Markets**

# Market Insights – November 2018

The HTA Monthly Market Insights reports on the most recent key performance indicators that the Hawai'i Tourism Authority (HTA) uses to measure success. The following measures provide indicators of the overall health of Hawai'i's visitor industry and help to gauge if the HTA is successfully attaining its goals.

## Report on Economic Impact

For the first 11 months of 2018, Hawai'i's tourism economy experienced:

- \$16.22 billion in visitor spending, an increase of 8.0 percent compared to 2017.
- Total visitor arrivals rose 6.1 percent to 9,044,488, with growth in arrivals by air service (+6.2% to 8,933,763) offsetting a decline in arrivals by cruise ships (-3.8% to 110,725).
- Hawai'i's tourism economy experienced \$1.89 billion in generated state tax revenue, up 8.0 percent (+139.9 million) compared to the first 11 months of 2017.
- Through September 2018, the state collected \$157.5 million in TAT, an increase of 16.5 percent compared to FY 2018 through September 2017.
- Total air capacity into Hawai'i grew 8.8 percent to 12,066,873 seats.

**Table 1: Overall Key Performance Indicators – Total (Air + Cruise) – November 2018**

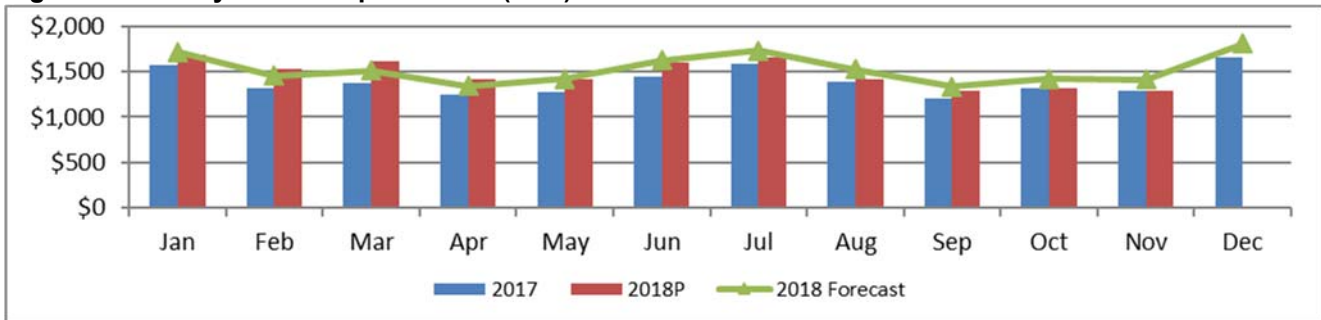
	% of Forecast*	YOY Rate	YTD	Forecast
<b>Arrivals</b>	➡ 100.1%	6.1%	9,044,488	9,034,143
<b>Visitor Spending (\$mil)*</b>	➡ 98.2%	8.0%	16,218.7	16,514.2
<b>Visitor Days</b>	➡ 100.0%	5.7%	80,101,873	80,093,857
<b>Daily Spend (\$pppd)</b>	➡ 98.2%	2.1%	202.5	206.2
<b>Airlift (scheduled seats)</b>	➡ 99.7%	8.6%	11,965,348	11,998,096

\*DBEDT Forecasts as of August 2018, Excludes Supplemental Business Expenditures

Visitors to the Hawaiian Islands spent a total of \$1.29 billion in November 2018, which was similar (-0.3%) to a year ago. On a statewide level, average visitor spending was down (-3.2% to \$193 per person) in November year-over-year.

Total visitor arrivals rose to 781,990 (+4.3%) in November with growth in arrivals from both air service (+4.1%) and cruise ships (+21.1%). Total visitor days increased by 3.0 percent. The average daily census (i.e. number of visitors on any given day) in November was 221,935, up 3.0 percent compared to a year ago.

**Figure 1: Monthly Visitor Expenditures (\$mil)**



## **Major Market Areas (MMAs)**

### **USA**

- The U.S. economy grew by an annualized rate of 3.5 percent in Q3 2018, exceeding some forecasts and increasing the probability that total 2018 GDP growth will top 3.0 percent. A surge in consumer spending, itself a product of robust consumer confidence, was one of the major drivers of the growth, offsetting losses in agriculture and other sectors hit hard by the ongoing trade disputes. Still, there are signs the economy will begin to slow in coming months. Business spending and residential investment, for instance, remained flat in the third quarter.
- The U.S. dollar, though subject to frequent and often volatile swings of fortune, has grown in strength considerably over the past year. As measured against a basket of foreign currencies, the dollar is up 7.3 percent from where it stood in October of last year. If it continues to grow in strength, as is expected, the long-term impact could affect international arrivals to the U.S. and an increase in U.S. travelers opting for foreign destinations over domestic ones. Additionally, growing fears that a recession is just over the horizon—expected perhaps sometime in 2020—could also have potential impact on the U.S. leisure travel industry going into next year and beyond.
- The Conference Board Consumer Confidence Index® declined in November. The Index now stands at 135.7 (1985=100), down from 137.9 in October. Despite a small decline in November, Consumer Confidence remains at historically strong levels. Expectations, on the other hand, weakened somewhat in November, primarily due to a less optimistic view of future business conditions and personal income prospects. Overall, consumers are still quite confident that economic growth will continue at a solid pace into early 2019. However, if expectations soften further in the coming months, the pace of growth is likely to begin moderating.
- A 2.1 percent growth in air seat capacity is expected between December 2018 and February 2019 compared to the same three-month period the year prior.

## US WEST

**Table 2: Key Performance Indicators - U.S. West**

	% of Forecast*	YOY Rate	YTD	Forecast
Arrivals	👉 101.5%	9.7%	3,822,064	3,764,923
Visitor Spending (\$mil)*	👉 99.5%	9.9%	6,007.6	6,038.7
Visitor Days	👉 100.8%	8.1%	33,987,068	33,710,780
Daily Spend (\$pppd)	👉 98.7%	1.6%	176.8	179.1
Airlift (scheduled seats)	👉 99.6%	11.2%	7,395,873	7,428,272

\*DBEDT Forecasts as of August 2018, Excludes Supplemental Business Expenditures

- The U.S. West market reported a 6.5 percent gain in visitor spending to \$533.1 million in November year-over-year. Visitor arrivals increased (+11.3% to 358,555) offsetting lower average daily spending (-1.9% to \$172 per person) compared to November 2017.
- Airlift: Seat capacity from the U.S. West market is expected to increase between December 2018 and February 2019 (+2.7%), driven by capacity growth from San Diego (+34.3%), Portland (+19.9%), Anchorage (+17.8%), Sacramento (+17.0%) and Denver (+10.9%). These gains offset declines in seat capacity from Phoenix (-5.2%) and Los Angeles (-6.1%), though some of the latter can be explained by the resumption of flights out of nearby Long Beach.

## US EAST

**Table 3: Key Performance Indicators - U.S. East**

	% of Forecast*	YOY Rate	YTD	Forecast
Arrivals	👉 100.8%	8.3%	1,956,288	1,939,896
Visitor Spending (\$mil)*	👉 98.7%	9.0%	4,134.4	4,187.8
Visitor Days	👉 100.4%	6.8%	19,372,093	19,292,430
Daily Spend (\$pppd)	👉 98.3%	2.1%	213.4	217.1
Airlift (scheduled seats)	👉 99.9%	10.2%	1,005,532	1,006,279

\*DBEDT Forecasts as of August 2018, Excludes Supplemental Business Expenditures

- Spending by U.S. East visitors rose 9.3 percent to \$292.3 million in November 2018, boosted by growth in visitor arrivals (+7.5% to 142,682) and higher daily spending (+4.0% to \$218 per person) compared to a year ago.
- Air seat capacity from the U.S. East market is expected to decline between December 2018 and February 2019 (-2.2%), with fewer seats from Minneapolis (-38.0%) and Dallas (-3.0%), while seats from Chicago (+6.8%) will continued to increase.

## CANADA

**Table 4: Key Performance Indicators – Canada**

		% of Forecast*	YOY Rate	YTD	Forecast
Arrivals	➡	99.8%	3.4%	465,497	466,272
Visitor Spending (\$mil)*	➡	100.4%	6.6%	960.7	957.3
Visitor Days	➡	99.7%	2.4%	5,699,884	5,716,508
Daily Spend (\$pppd)	➡	100.6%	4.2%	168.5	167.5
Airlift (scheduled seats)	➡	100.7%	4.7%	419,607	416,643

\*DBEDT Forecasts as of August 2018, Excludes Supplemental Business Expenditures

- Spending by Canadian visitors rose 2.6 percent to \$99.6 million in November 2018, boosted higher daily spending (+2.2% to \$158 per person) and a slight growth in visitor arrivals (+0.7% to 52,757) compared to last November.
- Canadian GDP growth in the third quarter moderated as expected to 2 percent from the 2.9 percent gain recorded in the second quarter with further slowing anticipated for the fourth quarter. Over the first three quarters of this year, quarterly growth has averaged 2.2 percent which is down for the 3 percent annual growth recorded in 2017.
- The Canadian Dollar has continued a downward trend, falling to an 18-month low at \$0.74 as the U.S. Dollar continues to remain strong.
- The national consumer confidence rating was 114.2 points in November, a 6.9-point decrease compared to last year and a 5.4-point drop compared to last month.
- With a population of over 36 million, Canadians made almost 26.1 million overnight trips to the U.S. and other outbound destinations during the first three quarters of 2018, an increase of 2.1 percent. Of this total, Canadians have taken more than 16 million overnight trips to the U.S. so far this year, an estimated 12.2 million of which were for leisure purposes.
- Hawai'i Tourism Canada has partnered with key wholesalers to stimulate demand for need periods, with a focus on generating positive awareness with key target markets.

## JAPAN

**Table 5: Key Performance Indicators – Japan**

		% of Forecast*	YOY Rate	YTD	Forecast
Arrivals	➡	99.4%	-1.5%	1,440,289	1,448,546
Visitor Spending (\$mil)*	⬇	97.8%	1.9%	2,124.5	2,171.8
Visitor Days	➡	99.5%	-1.2%	8,583,844	8,626,216
Daily Spend (\$pppd)	➡	98.3%	3.1%	247.5	251.8
Airlift (scheduled seats)	➡	101.0%	2.2%	1,868,301	1,850,206

\*DBEDT Forecasts as of August 2018, Excludes Supplemental Business Expenditures

- There was no growth in spending by Japanese visitors (-0.4% to \$182.7 million) in November 2018 compared to last year. Visitor arrivals increased (+3.1% to 133,521) but daily spending was lower (-3.8% to \$241) compared to November 2017.
- HTJ continues its effort to minimize the negative effects caused by the Kīlauea eruption with its three-phased recovery plan. Examples of the recent major activities include social media campaigns, media briefing session held in Tokyo, a full-page advertorial on the Japanese national newspaper, collaborative event with JAL/Hawaiian Airlines at Tommy Bahama Ginza and the release of a new Island of Hawai'i promotional video – all of which

are aimed in promoting travel to the Island of Hawaii. The September 22 reopening of Volcanoes National Park has resulted in a steady regrowth of inquiries by consumers, a positive indication of the market recovery.

- Performance for Hawai'i overall has remained relatively sluggish due to the increase in fuel surcharge rates (currently at 17,000 yen).
- The recurring natural disasters in Japan have adversely affected the travel industry businesses amongst the Japanese. In the Kansai market, where Kansai International Airport in closed over 2 weeks in September, companies continue its efforts in recuperate the losses.
- Shift in Kansai market is expected for 2019 with cessation of services by Scoot and the end of second daily service by JAL. The market is expected to see the effects of the rising fueling cost in the coming months.

## OCEANIA

**Table 6: Key Performance Indicators – Oceania**

	% of Forecast*	YOY Rate	YTD	Forecast
<b>Arrivals</b>	↓ 97.8%	4.1%	374,144	382,473
<b>Visitor Spending (\$mil)*</b>	↓ 92.4%	2.9%	960.1	1,039.1
<b>Visitor Days</b>	↓ 97.2%	4.2%	3,595,797	3,699,723
<b>Daily Spend (\$pppd)</b>	↓ 95.1%	-1.3%	267.0	280.9
<b>Airlift (scheduled seats)</b>	→ 100.4%	11.1%	487,833	485,988

\*DBEDT Forecasts as of August 2018, Excludes Supplemental Business Expenditures

- **Australia:** There were 23,941 visitors in November, down 4.6 percent from a year ago. Arrivals through the first 11 months (+0.5% to 296,323 visitors) were comparable to year-to-date 2017.
- **New Zealand:** Supported by an increase in air service, visitor arrivals rose in both November (+10.9% to 5,950) and year-to-date (+20.3% to 77,821) from last year.
- The Australian economy continued to grow at a strong annual rate of 3.4 percent after better than expected growth in the June quarter. Domestic demand accounted for much of the growth, reflecting strong sales of food, recreation and culture, and furnishings and household equipment.
- The Australian dollar dropped to a two year low of 70.3 cents against the USD in October. Economists believe this is largely due to global factors and Australia's economy remains robust.
- The number of Australians taking overseas trips is growing. Figures from August 2018 show a 6 percent increase in outbound departures over 2017 and 2.7 percent increase in travel to the USA.
- The New Zealand economy is predicted to see GDP growth of between 2.5 percent and 3.5 percent over the next few years.
- The unemployment rate has dipped below 5 percent which is a sign of New Zealand's economic growth and is predicted to remain stable.
- After a long period of stability, the New Zealand dollar has experienced a weakening against the USD. This has impact on the perceived costs for the NZ traveler.



- In 2017, outbound travel from New Zealand reached a record level of over 2.9 million departures (up 9.3%). During 2018, outbound travel has continued a growth trend, with NZ resident departures up over five percent for the year.

## EUROPE

**Table 7: Key Performance Indicators – Europe**

	% of Forecast*	YOY Rate	YTD	Forecast
Arrivals	➡ 99.7%	3.5%	133,648	134,001
Visitor Spending (\$mil)*	⬆ 104.1%	5.8%	305.1	293.1
Visitor Days	➡ 101.1%	5.0%	1,758,556	1,739,130
Daily Spend (\$pppd)	⬆ 103.0%	0.8%	173.5	168.5
Airlift (scheduled seats)	NA	NA	NA	NA

\*DBEDT Forecasts as of August 2018, Excludes Supplemental Business Expenditures

- Visitor arrivals from the United Kingdom, France, Germany, Italy, and Switzerland increased in November (+6.1% to 9,301) and through the first 11 months (+3.5% to 133,648) compared to a year ago.
- The UK economy expanded at the fastest pace in two years during the third quarter, up by 0.6 percent. Quarterly output in manufacturing also rose for the first time in 2018.
- Focus Economics Consensus Forecast panelists expect the German economy to expand 1.7 percent in 2019 and 1.6 percent in 2020.
- UK consumer confidence remains at historically strong levels according to The Conference Board. Consumers' assessment of current conditions increased slightly, with job growth being the main driver of improvement.
- Focus Economics panelists expect GDP growth in Switzerland of 1.8 percent next year, which is unchanged from last month's forecast. For 2020, panelists expect GDP will increase to 1.6 percent.
- Germany's unemployment numbers fell by more than expected in November, pushing the unemployment rate to a record low. The unemployment rate has dropped to 5 percent, the lowest since German reunification in 1990.

## CHINA

**Table 8: Key Performance Indicators – China**

	% of Forecast*	YOY Rate	YTD	Forecast
Arrivals	⬇ 91.3%	-9.5%	128,485	140,677
Visitor Spending (\$mil)*	⬇ 94.1%	-1.1%	348.6	370.6
Visitor Days	⬇ 94.5%	-8.8%	979,084	1,036,316
Daily Spend (\$pppd)	➡ 99.6%	8.4%	356.0	357.6
Airlift (scheduled seats)	⬇ 94.1%	-0.8%	148,452	157,746

\*DBEDT Forecasts as of August 2018, Excludes Supplemental Business Expenditures

- Visitor arrivals declined in both November (-11.9% to 6,506) and through the first 11 months (-9.5% to 128,485) year-over-year.
- The share of China's GDP in the world economy was 14.9 percent or U.S.\$12 billion in 2017, maintaining second place after the U.S. The Chinese economy expanded 6.9 percent year over year in 2017, above the official target of 6.5 percent. For the first half of 2018, the Chinese economy grew by 6.8 percent. However, with escalating trade tariffs

disputes between the U.S. and China, many believe the GDP growth rate might decelerate in the second half of 2018.

- The fluctuation of the currency exchange rate does impact Chinese travelers' choice of vacation destination and their travel spending.
- In November, HTC collaborated with IQIYI (China leading online video platform), X-fun Foodie Club (No. 1 Chinese Online Food Show) and Air China to launch 7 episodes of Hawai'i Food and Travel Show - Cuisine with Aloha. The show has already received over 10 million viewership through IQIYI and Air China's Inflight Entertainment.
- To increase Hawai'i travel products on the market and to mitigate the impact of suspended air services from Hawaiian Airlines, HTC partnered with America Asia Travel to hold a roadshow for Beijing travel trade in November. Top 40 wholesalers, tour operators and OTAs of the Beijing market were invited to the Hawai'i roadshow.
- To target high-end consumers, HTC worked with U-tour Xi'an and Wangfujing Department Store (a first-tier shopping mall in China) to conduct a salon to department Store VIP members on November 3. HTC introduced Hawai'i and Hawaiian culture with iconic images, videos, and in-depth presentations. The Hawai'i style flower arrangement class also raised attendees' interests for Hawai'i. In addition, five sale representatives from U-tour were on-site promoting mono-Hawai'i travel packages.
- HTC collaborated with one of the top OTAs in China, Lvmama, for Shanghai Wedding Expo 2018 on November 24- 25. Lvmama occupied the largest booth in the travel products exhibition hall to promote Hawai'i honeymoon packages. The expo attracted over 20,000 audiences. Five couples purchased on site the high-end customized Hawai'i package at USD 4,350 (RMB 30,000) per person.

## KOREA

**Table 9: Key Performance Indicators – Korea**

	% of Forecast*	YOY Rate	YTD	Forecast
<b>Arrivals</b>	↓ 87.1%	-9.1%	211,463	242,812
<b>Visitor Spending (\$mil)*</b>	↓ 87.9%	5.6%	466.0	530.0
<b>Visitor Days</b>	↓ 88.8%	-6.7%	1,581,433	1,780,323
<b>Daily Spend (\$pppd)</b>	👉 99.0%	13.1%	294.7	297.7
<b>Airlift (scheduled seats)</b>	↓ 97.0%	-4.3%	325,567	335,585






\*DBEDT Forecasts as of August 2018, Excludes Supplemental Business Expenditures

- Visitor arrivals decreased in both November (-42.2% to 15,512) and year-to-date (-9.1% to 211,463) compared to a year ago.
- South Korea's economy is expected to grow at a moderate pace of 2.6 percent in 2019 due to slowing exports and weak domestic demand. The Korea Institute for Industrial Economics & Trade also lowered this year's gross domestic product outlook to 2.7 percent down from the 3 percent growth announced in June. The institute said it downgraded next year's GDP projection due to lingering global trade tensions, monetary tightening in major economies and uncertainties in emerging markets.
- The average USD/WON exchange rate in November was 1,124.85 won, a slight decrease from the previous rate of 1,129.53 in October. Fuel surcharges were imposed in November up to 211,200 won (\$188) for a round trip between Korea and the U.S.

- With a population of over 51 million, the unemployment rate in October climbed 0.3 percent from last year to 3.5 percent as people in their 40s and 50s faced challenges in the market, according to Statistics Korea.
- The overall South Korean outbound market growth is slow compared to the previous year. At the beginning of 2018, the total South Korean outbound trips were expected to be 28 million. However, due to global natural disasters, 6-7 percent YOY growth is anticipated equating to approximately 27 million total Korean outbound trips in 2018 instead.
- Jin Air, Korean Air, and Asiana Airlines have reduced capacity in 2018 mainly due to corporate management issues, having a direct effect on international routes. Hawaiian Airlines, the sole foreign carrier, has increased its flight frequency to daily from January 14-February 6, 2019.
- Hawai'i Tourism Korea has partnered with Korean Air on a Luxury Hawai'i promotional campaign, Asiana Airlines for an online and home shopping promotion, Jin Air to support the airline's return on December 29, and Hawaiian Airlines for their daily flight promotion.
- As part of its Busan market activation, HTK participated in the Hana Tour International Travel Show in Busan from November 30 to December 2. HTK showcased the destination's diverse aspects and provided the latest product information to about 25,000 spectators.
- HTK continues to promote the individual Hawaiian Islands in efforts to increase island distribution by collaborating with key airline partners and tour operators.

## TAIWAN

**Table 10: Key Performance Indicators – Taiwan**

	% of Forecast*	YOY Rate	YTD	Forecast
<b>Arrivals</b>	 91.1%	-7.7%	15,925	17,474
<b>Visitor Spending (\$mil)*</b>	 106.3%	6.8%	37.0	34.8
<b>Visitor Days</b>	 104.2%	3.9%	147,298	141,337
<b>Daily Spend (\$pppd)</b>	 102.0%	2.8%	251.0	246.0
<b>Airlift (scheduled seats)</b>	 100.0%	2.2%	29,070	29,070

\*DBEDT Forecasts as of August 2018, Excludes Supplemental Business Expenditures

- Visitor arrivals declined in both November (-16.8% to 1,221) and through the first 11 months (-7.7% to 15,925) versus last year.
- The overall economic outlook in Taiwan continues its momentum with an ongoing cyclical recovery that is expected to continue in the second half of 2018. Taiwan's government has revised its economic forecast for 2018 to a GDP growth of 2.6 percent. The unemployment rate for 2018 is estimated to be 3.8 percent, similar to last year.
- Currency exchange rate fluctuations impact Taiwanese decision-making in oversea destination visitation and spending. There is an increasing number of affordable and attractive offerings from nearby destinations to entice Taiwanese visitors.
- China Airlines will add one more direct flight providing a total of three weekly flights between Taipei and Honolulu starting in April 2019.
- In November, HTT organized a trade event in tandem with the 2018 Taipei International Travel Fair (ITF), the biggest travel fair in Taiwan. Nine Hawai'i industry partners participated in the trade event and ITF with one-on-one meetings with top Taiwanese

wholesalers and tour operators and showcased their travel products to the fair visitors. During the four-day event, HTT also conducted various consumer activities, including Hawai'i-themed parade, lucky draw roulette, sweepstakes, and hula performances on the HTT stage, China Airline's stage and the ITF main stage. The 2018 ITF took place from November 23rd to 26th at the Taipei Nangang Exhibition Center and welcomed 376,773 visitors, which broke the previous ITF visitor records.

## LATIN AMERICA

Table 11: Key Performance Indicators – Latin America

	% of Forecast*	YOY Rate	YTD	Forecast
Arrivals	↑ 107.0%	8.2%	23,410	21,880
Visitor Spending (\$mil)*	↑ 112.8%	9.0%	62.2	55.1
Visitor Days	↑ 104.6%	6.0%	245,682	234,786
Daily Spend (\$pppd)	↑ 107.8%	2.8%	253.3	234.9
Airlift (scheduled seats)	NA	NA	NA	NA

\*DBEDT Forecasts as of August 2018, Excludes Supplemental Business Expenditures

- Visitor arrivals from Mexico, Brazil, and Argentina declined in November (-3.9% to 1,249) but rose over the first 11 months (+8.2% to 23,410) versus last year.

## Island Distribution

- **O'ahu** In November, visitor spending rose slightly (+0.9% to \$609.1 million) compared to a year ago as growth in visitor days (+5.1%) entirely offset lower daily spending (-4.0% to \$201 per person). Arrivals were up 2.8 percent to 456,121 visitors. The average daily census rose 5.1 percent to 101,214 visitors in November. In the first 11 months, both visitor spending (+7.8% to \$7.42 billion) and visitor arrivals (+4.4% to 5,402,507) increased compared to the same period last year.
- **Maui:** In November, visitor spending rose to \$364.6 million (+1.7%). Visitor days increased (+5.0%) but daily spending (-3.1% to \$198 per person) was lower compared last year. Arrivals increased 4.1 percent to 225,178 visitors. The average daily census increased 5.0 percent to 61,378 visitors in November. Through the first 11 months, both visitor spending (+10.1% to \$4.62 billion) and visitor arrivals (+6.9% to 2,658,827) exceeded last year's results.
- **Island of Hawai'i :** In November, visitor spending declined (-18.3% to \$154.4 million) as a result of decreased visitor days (-8.0%) and lower daily spending (-11.2% to \$165 per person) versus last year. Arrivals were down 10.0 percent to 123,032 visitors. Fewer visitors took day trips (-37.7%) compared to a year ago. The average daily census decreased 8 percent to 31,106 visitors in November. Through the first 11 months, visitor spending increased (+1.6% to \$2.17 billion) but visitor arrivals declined (-1.7% to 1,559,779) compared to last year.
- **Kaua'i:** In November, visitor spending increased (+13.9% to \$141.7 million) boosted by growth in visitor days (+4.1%) and higher daily spending (+9.4% to \$189 per person) compared to last year. Arrivals increased 6.4 percent to 102,516 visitors. The average daily census rose 4.1 percent to 24,991 visitors in November. Through the first 11 months, both visitor spending (+11.6% to \$1.84 billion) and visitor arrivals (+8.2% to 1,258,904) increased year-over-year.

HTA Key Performance Indicators Dashboard

Forecasts as of August 2018

Hawai'i Tourism Authority Report Date: **Nov-18** Preliminary

Visitor Industry Performance Measures

Market: **OVERALL**

Key Performance Indicators

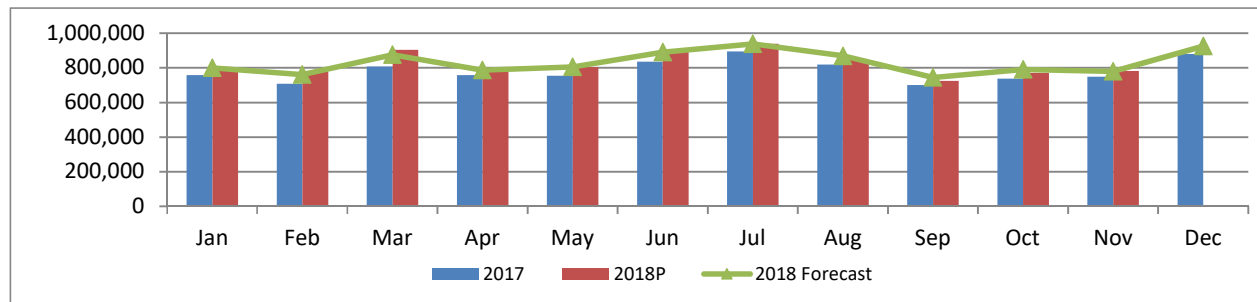
	% of Forecast*	YOY Rate	YTD	Forecast	Arrivals	YOY Rate	YTD
Arrivals	↑ 109.6%	6.1%	9,044,488	8,255,643	O'ahu	4.4%	5,402,507
Visitor Spending (\$mil)*	↑ 107.4%	8.0%	16,218.7	15,098.1	Maui	6.9%	2,658,827
Visitor Days	↑ 109.2%	5.7%	80,101,873	73,381,170	Moloka'i	3.2%	54,130
Daily Spend (\$pppd)	↓ 98.4%	2.1%	202.5	205.7	Lāna'i	17.6%	67,892
Airlift (scheduled seats)	↑ 120.4%	8.6%	11,965,348	9,941,289	Kaua'i	8.2%	1,258,904
					Hawai'i Island	-1.7%	1,559,779

\*DBEDT Forecasts as of August 2018

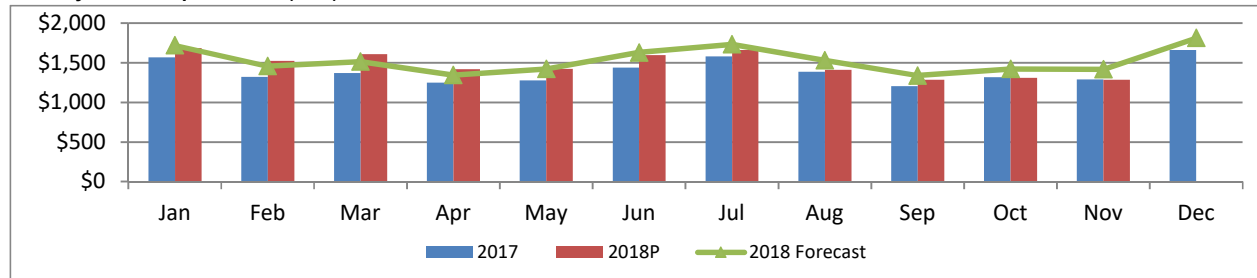
Arrows represent increments of 1%

Monthly Indicators

Monthly Arrivals

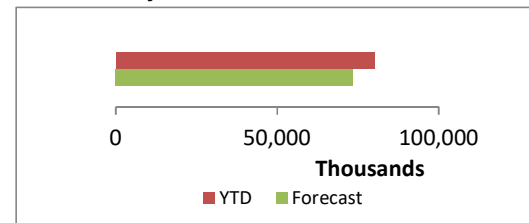


Monthly Visitor Expenditures (\$mil)

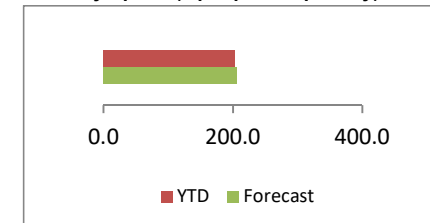


Annual Indicators

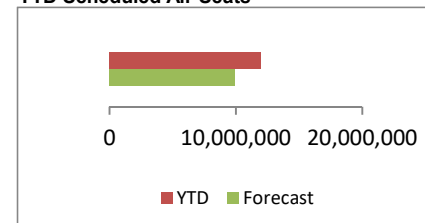
YTD Visitor Days



YTD Daily Spend (\$ per person per day)



YTD Scheduled Air Seats



\* Excludes Supplemental Business Expenditures

HTA Key Performance Indicators Dashboard

Forecasts as of August 2018

Hawai'i Tourism Authority Report Date: **Nov-18** Preliminary

Visitor Industry Performance Measures

Market: **U.S. WEST**

Key Performance Indicators

	% of Forecast*	YOY Rate	YTD	Forecast
Arrivals	↑ 111.6%	9.7%	3,822,064	3,424,430
Visitor Spending (\$mil)*	↑ 109.4%	9.9%	6,007.6	5,490.6
Visitor Days	↑ 110.7%	8.1%	33,987,068	30,703,730
Daily Spend (\$pppd)	↓ 98.8%	1.6%	176.8	178.8
Airlift (scheduled seats)	↑ 108.7%	11.2%	7,395,873	6,803,310

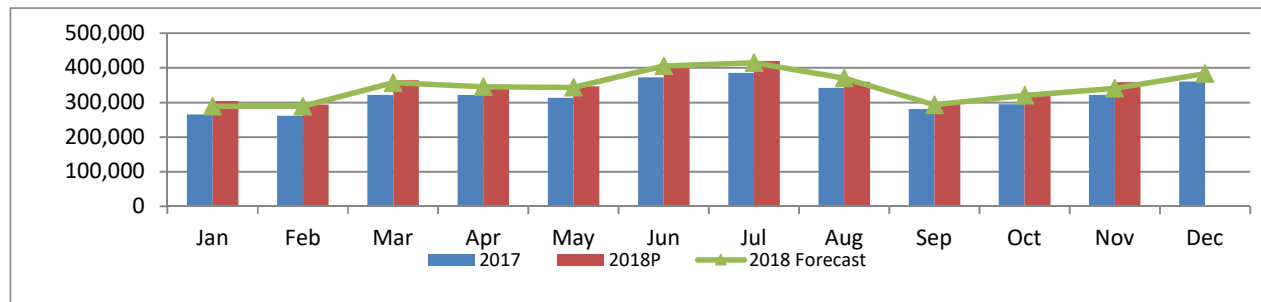
Arrivals	YOY Rate	YTD
O'ahu	9.8%	1,627,411
Maui	9.2%	1,353,567
Moloka'i	8.4%	22,134
Lāna'i	15.8%	25,454
Kaua'i	9.8%	658,464
Hawai'i Island	3.0%	655,342

\*DBEDT Forecasts as of August 2018

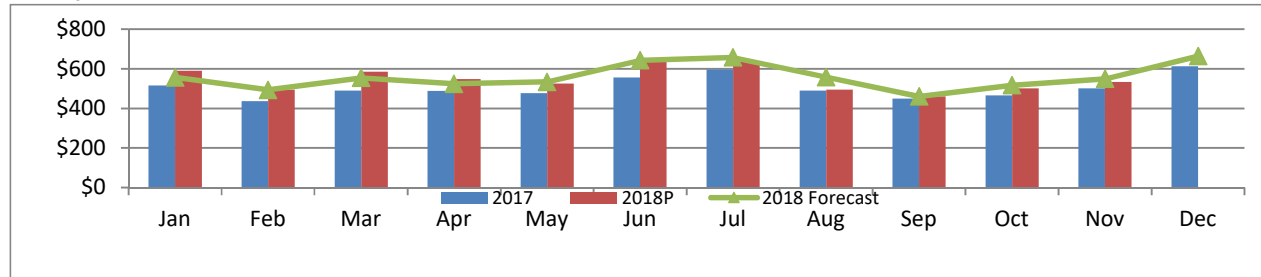
Monthly Indicators

Arrows represent increments of 1%

Monthly Arrivals

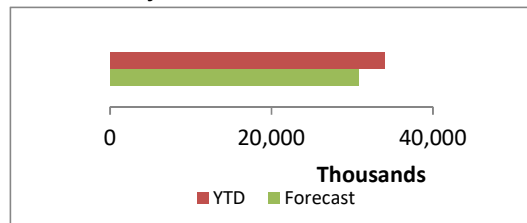


Monthly Visitor Expenditures (\$mil)

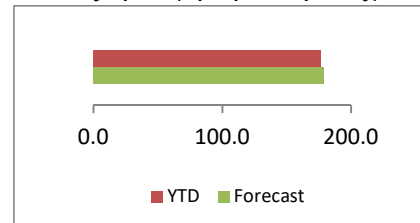


Annual Indicators

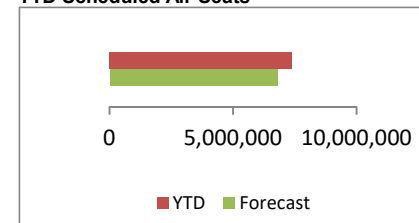
YTD Visitor Days



YTD Daily Spend (\$ per person per day)



YTD Scheduled Air Seats



\* Excludes Supplemental Business Expenditures

HTA Key Performance Indicators Dashboard

Forecasts as of August 2018

Hawai'i Tourism Authority Report Date: **Nov-18** Preliminary

Visitor Industry Performance Measures

Market: **U.S. EAST**

Key Performance Indicators

	% of Forecast*	YOY Rate	YTD	Forecast
Arrivals	↑ 108.9%	8.3%	1,956,288	1,796,968
Visitor Spending (\$mil)*	↑ 106.6%	9.0%	4,134.4	3,879.3
Visitor Days	↑ 108.0%	6.8%	19,372,093	17,933,054
Daily Spend (\$pppd)	↓ 98.7%	2.1%	213.4	216.3
Airlift (scheduled seats)	↑ 116.5%	10.2%	1,005,532	862,886

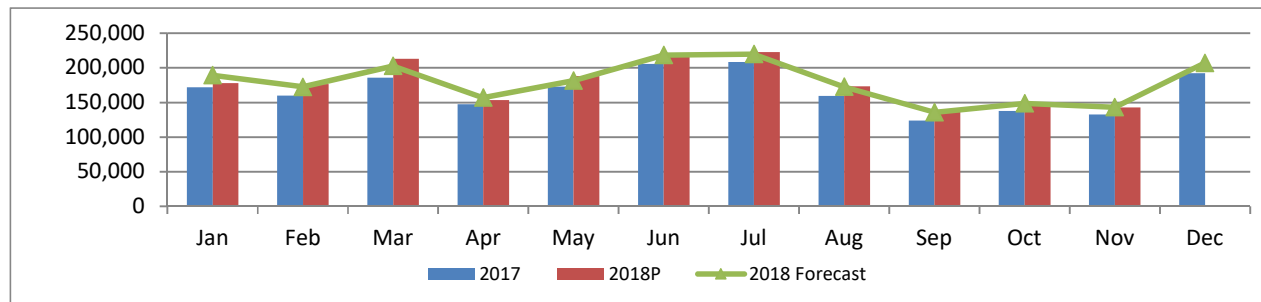
Arrivals	YOY Rate	YTD
O'ahu	7.4%	1,118,359
Maui	7.0%	727,713
Moloka'i	11.8%	15,245
Lāna'i	35.1%	24,307
Kaua'i	7.6%	378,013
Hawai'i Island	-2.8%	411,473

\*DBEDT Forecasts as of August 2018

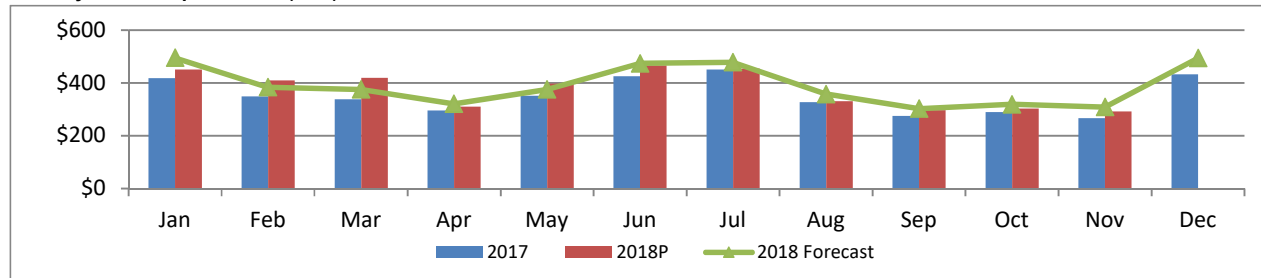
Arrows represent increments of 1%

Monthly Indicators

Monthly Arrivals

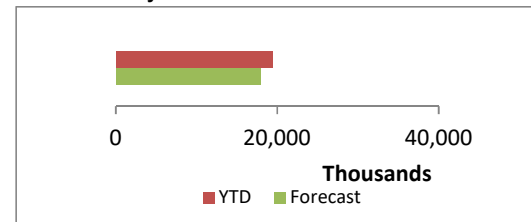


Monthly Visitor Expenditures (\$mil)

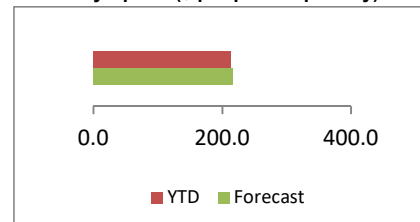


Annual Indicators

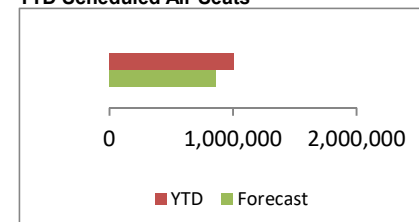
YTD Visitor Days



YTD Daily Spend (\$ per person per day)



YTD Scheduled Air Seats



\* Excludes Supplemental Business Expenditures

HTA Key Performance Indicators Dashboard

Forecasts as of August 2018

Hawai'i Tourism Authority Report Date: **Nov-18** Preliminary

Visitor Industry Performance Measures

Market: **CANADA**

Key Performance Indicators

	% of Forecast*	YOY Rate	YTD	Forecast
Arrivals	↑ 111.7%	3.4%	465,497	416,736
Visitor Spending (\$mil)*	↑ 111.4%	6.6%	960.7	862.7
Visitor Days	↑ 111.3%	2.4%	5,699,884	5,122,796
Daily Spend (\$pppd)	→ 100.1%	4.2%	168.5	168.4
Airlift (scheduled seats)	↑ 122.2%	4.7%	419,607	343,320

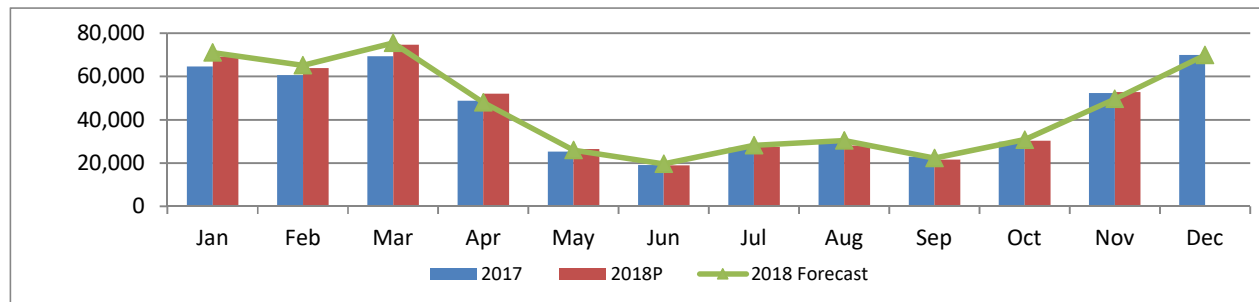
Arrivals	YOY Rate	YTD
O'ahu	3.3%	194,485
Maui	6.4%	240,884
Moloka'i	-2.7%	3,280
Lāna'i	24.0%	5,370
Kaua'i	5.9%	67,779
Hawai'i Island	-2.0%	88,032

\*DBEDT Forecasts as of August 2018

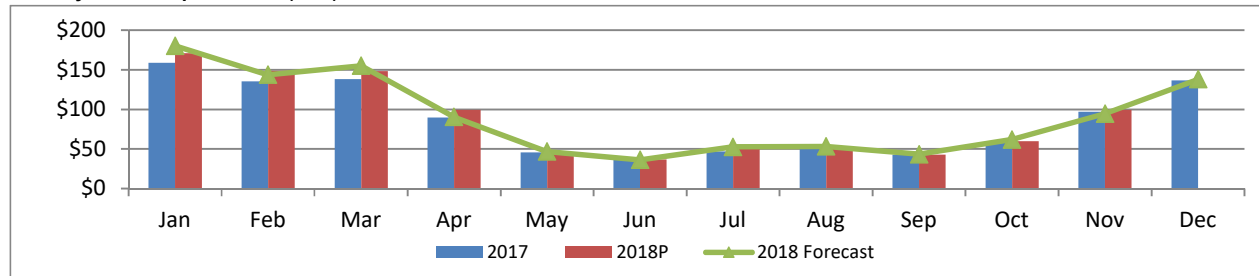
Arrows represent increments of 1%

Monthly Indicators

Monthly Arrivals

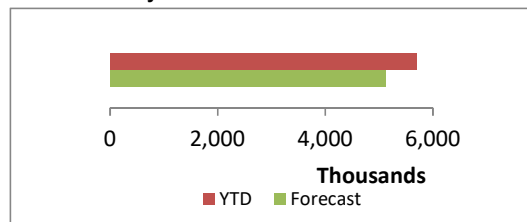


Monthly Visitor Expenditures (\$mil)

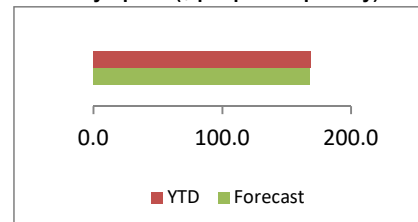


Annual Indicators

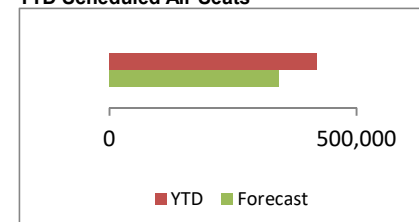
YTD Visitor Days



YTD Daily Spend (\$ per person per day)



YTD Scheduled Air Seats



\* Excludes Supplemental Business Expenditures



HTA Key Performance Indicators Dashboard

Forecasts as of August 2018

Hawai'i Tourism Authority Report Date: **Nov-18** Preliminary

Visitor Industry Performance Measures

Market: **JAPAN**

Key Performance Indicators

	% of Forecast*	YOY Rate	YTD	Forecast
Arrivals	↑ 109.4%	-1.5%	1,440,289	1,316,073
Visitor Spending (\$mil)*	↑ 107.9%	1.9%	2,124.5	1,968.2
Visitor Days	↑ 109.0%	-1.2%	8,583,844	7,874,421
Daily Spend (\$pppd)	→ 99.0%	3.1%	247.5	249.9
Airlift (scheduled seats)	↑ 123.1%	2.2%	1,868,301	1,517,867

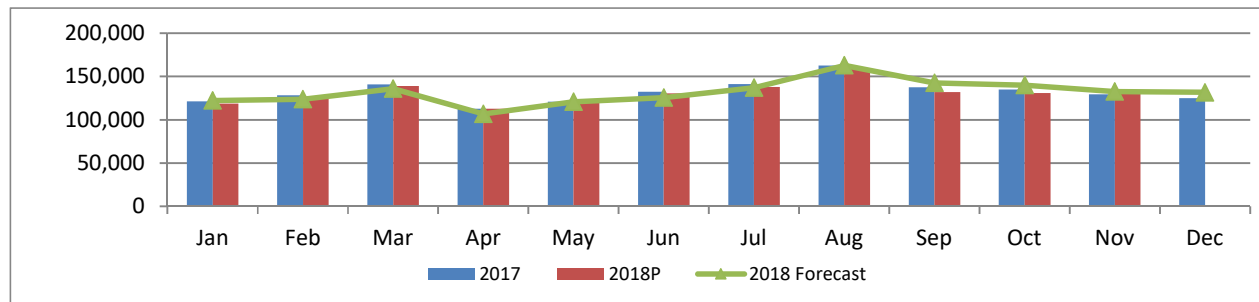
Arrivals	YOY Rate	YTD
O'ahu	-2.8%	1,358,391
Maui	-11.6%	47,466
Moloka'i	-44.9%	1,238
Lāna'i	-23.4%	1,760
Kaua'i	-0.7%	24,565
Hawai'i Island	-5.0%	164,582

\*DBEDT Forecasts as of August 2018

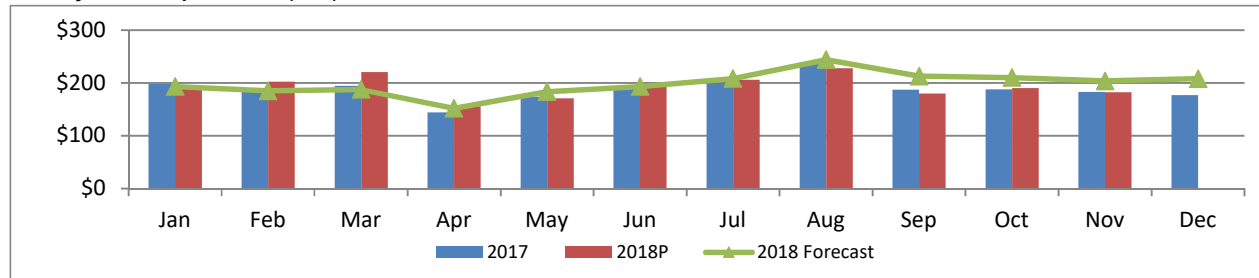
Monthly Indicators

Arrows represent increments of 1%

Monthly Arrivals

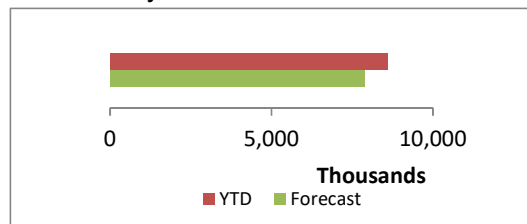


Monthly Visitor Expenditures (\$mil)

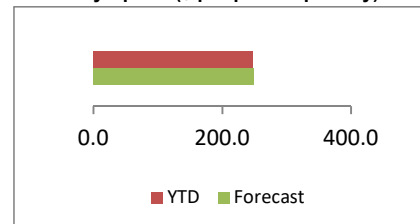


Annual Indicators

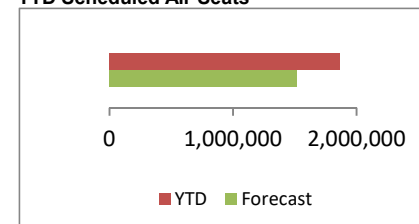
YTD Visitor Days



YTD Daily Spend (\$ per person per day)



YTD Scheduled Air Seats



\* Excludes Supplemental Business Expenditures

HTA Key Performance Indicators Dashboard

Forecasts as of August 2018

Hawai'i Tourism Authority Report Date: **Nov-18** Preliminary

Visitor Industry Performance Measures

Market: **CHINA**

Key Performance Indicators

	% of Forecast*	YOY Rate	YTD	Forecast
Arrivals	↓ 96.2%	-9.5%	128,485	133,622
Visitor Spending (\$mil)*	↔ 98.9%	-1.1%	348.6	352.3
Visitor Days	↔ 99.0%	-8.8%	979,084	988,477
Daily Spend (\$pppd)	↔ 99.9%	8.4%	356.0	356.4
Airlift (scheduled seats)	↑ 115.3%	-0.8%	148,452	128,732

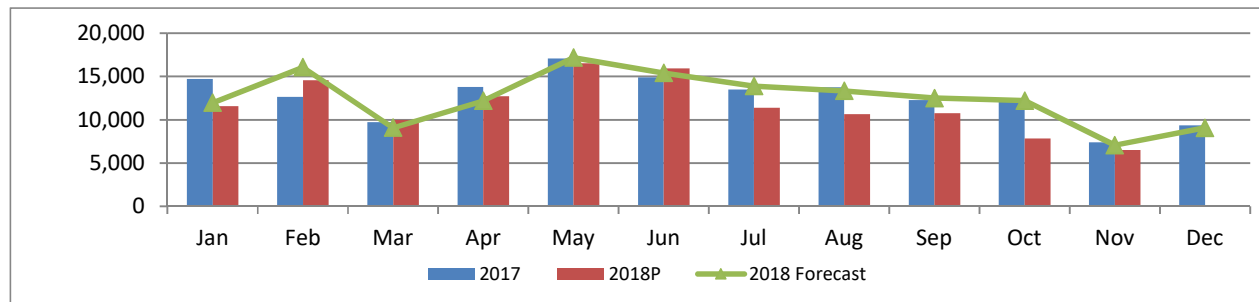
Arrivals	YOY Rate	YTD
O'ahu	-8.9%	125,199
Maui	-5.6%	27,490
Moloka'i	41.0%	1,111
Lāna'i	-18.5%	892
Kaua'i	-9.0%	4,022
Hawai'i Island	-15.8%	42,225

\*DBEDT Forecasts as of August 2018

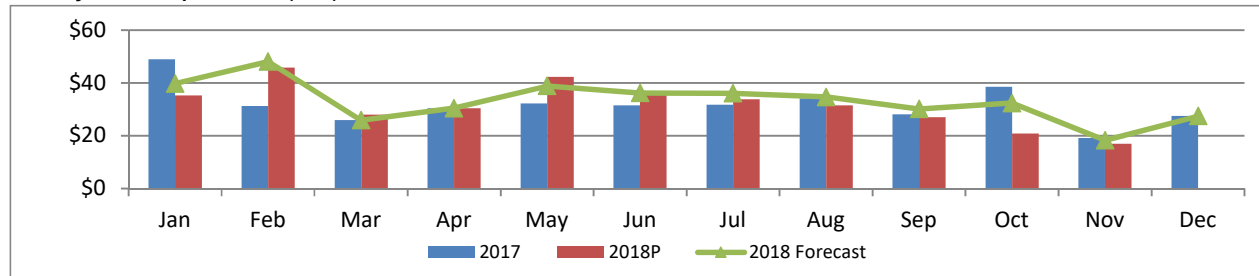
Monthly Indicators

Arrows represent increments of 1%

Monthly Arrivals

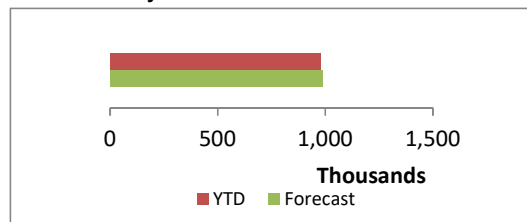


Monthly Visitor Expenditures (\$mil)

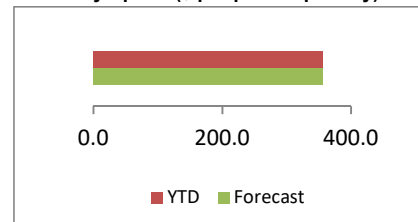


Annual Indicators

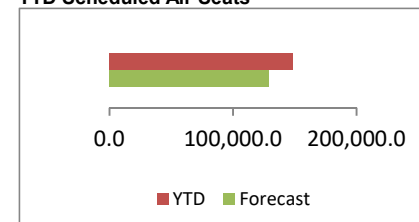
YTD Visitor Days



YTD Daily Spend (\$ per person per day)



YTD Scheduled Air Seats



\* Excludes Supplemental Business Expenditures

HTA Key Performance Indicators Dashboard

Forecasts as of August 2018

Hawai'i Tourism Authority Report Date: **Nov-18** Preliminary

Visitor Industry Performance Measures

Market: **KOREA**

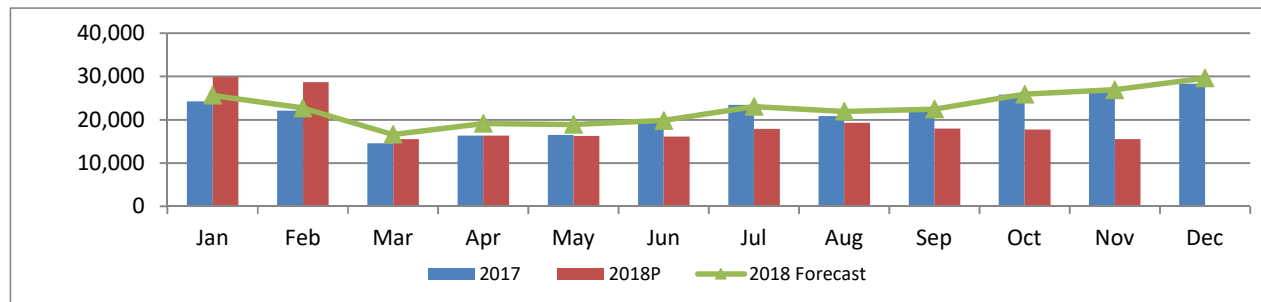
Key Performance Indicators					Arrivals		
	% of Forecast*	YOY Rate	YTD	Forecast		YOY Rate	YTD
Arrivals	↓ 97.9%	-9.1%	211,463	215,909	O'ahu	-9.9%	206,216
Visitor Spending (\$mil)*	→ 99.2%	5.6%	466.0	469.8	Maui	-28.3%	29,470
Visitor Days	→ 99.1%	-6.7%	1,581,433	1,595,869	Moloka'i	-16.9%	799
Daily Spend (\$pppd)	→ 100.1%	13.1%	294.7	294.4	Lāna'i	-12.7%	663
Airlift (scheduled seats)	↑ 118.5%	-4.3%	325,567	274,744	Kaua'i	-11.4%	8,609
					Hawai'i Island	-7.8%	22,946

\*DBEDT Forecasts as of August 2018

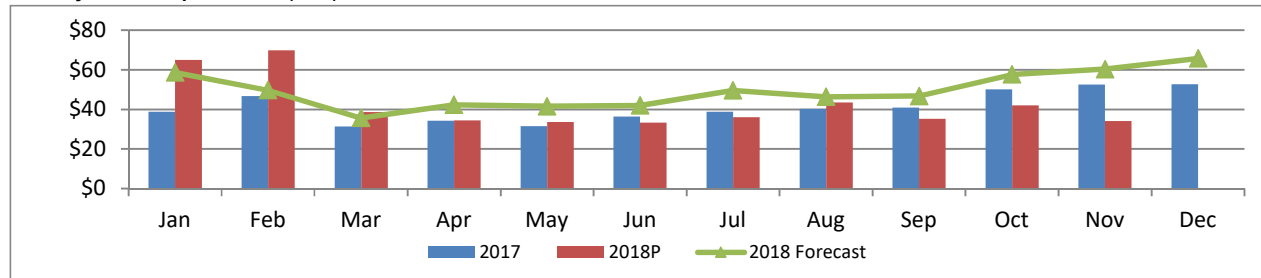
Arrows represent increments of 1%

Monthly Indicators

Monthly Arrivals

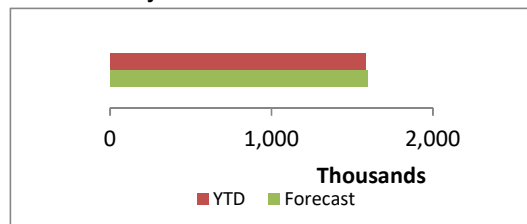


Monthly Visitor Expenditures (\$mil)

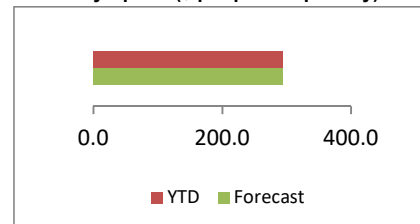


Annual Indicators

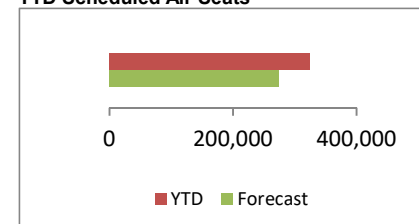
YTD Visitor Days



YTD Daily Spend (\$ per person per day)



YTD Scheduled Air Seats



\* Excludes Supplemental Business Expenditures

HTA Key Performance Indicators Dashboard

Forecasts as of August 2018

Hawai'i Tourism Authority Report Date: **Nov-18** Preliminary

Visitor Industry Performance Measures

Market: **TAIWAN**

Key Performance Indicators

	% of Forecast*	YOY Rate	YTD	Forecast
Arrivals	👉 98.7%	-7.7%	15,925	16,136
Visitor Spending (\$mil)*	👆 113.1%	6.8%	37.0	32.7
Visitor Days	👆 113.9%	3.9%	147,298	129,337
Daily Spend (\$pppd)	👉 99.3%	2.8%	251.0	252.8
Airlift (scheduled seats)	👆 121.8%	2.2%	29,070	23,868

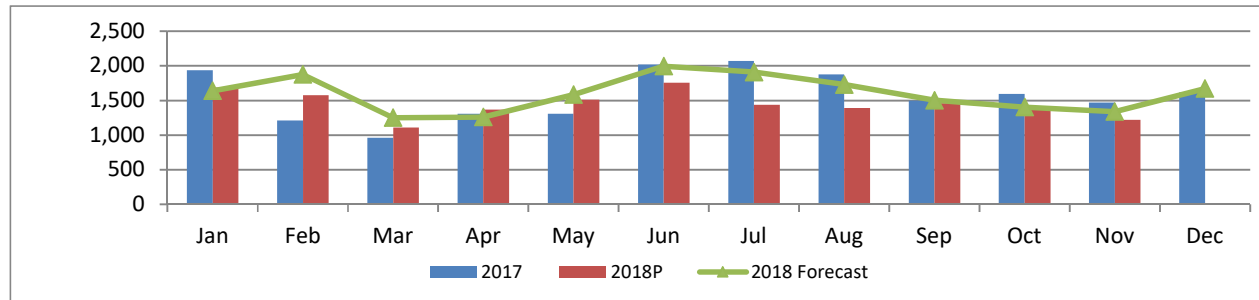
Arrivals	YOY Rate	YTD
O'ahu	-7.4%	15,312
Maui	16.6%	3,303
Moloka'i	271.9%	96
Lāna'i	427.4%	253
Kaua'i	-51.6%	560
Hawai'i Island	-9.7%	4,326

\*DBEDT Forecasts as of August 2018

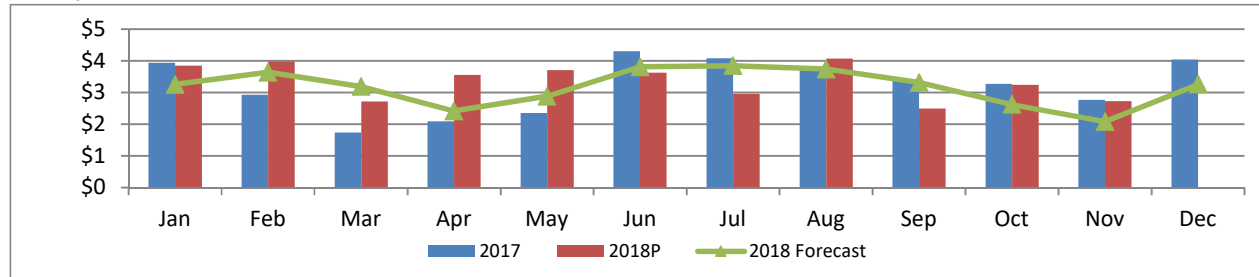
Monthly Indicators

Arrows represent increments of 1%

Monthly Arrivals

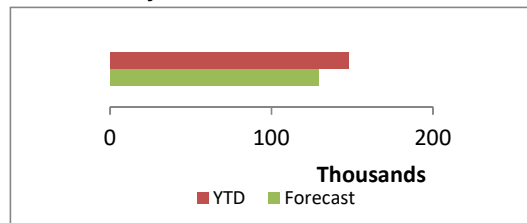


Monthly Visitor Expenditures (\$mil)

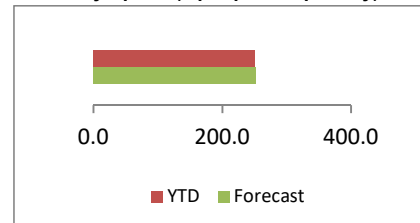


Annual Indicators

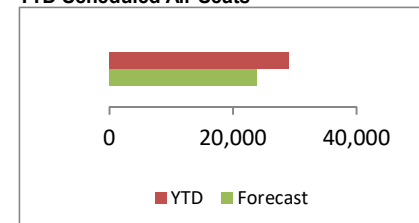
YTD Visitor Days



YTD Daily Spend (\$ per person per day)



YTD Scheduled Air Seats



\* Excludes Supplemental Business Expenditures

HTA Key Performance Indicators Dashboard

Forecasts as of August 2018

Hawai'i Tourism Authority Report Date: **Nov-18** Preliminary

Visitor Industry Performance Measures

Market: **OCEANIA**

Key Performance Indicators

	% of Forecast*	YOY Rate	YTD	Forecast
Arrivals	↑ 106.3%	4.1%	374,144	351,954
Visitor Spending (\$mil)*	→ 100.7%	2.9%	960.1	953.8
Visitor Days	↑ 105.8%	4.2%	3,595,797	3,397,664
Daily Spend (\$pppd)	↓ 95.1%	-1.3%	267.0	280.7
Airlift (scheduled seats)	↑ 121.9%	11.1%	487,833	400,306

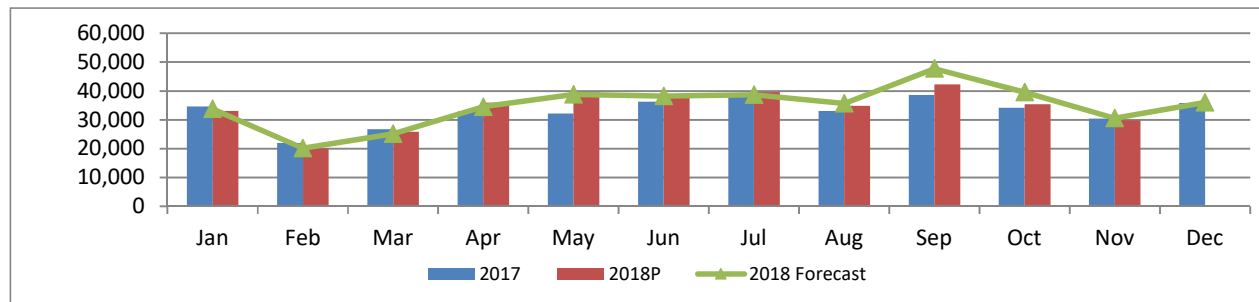
Arrivals	YOY Rate	YTD
O'ahu	4.5%	366,197
Maui	-5.6%	63,310
Moloka'i	-22.2%	3,627
Lāna'i	-18.7%	4,527
Kaua'i	-5.4%	30,157
Hawai'i Island	-20.8%	46,303

\*DBEDT Forecasts as of August 2018

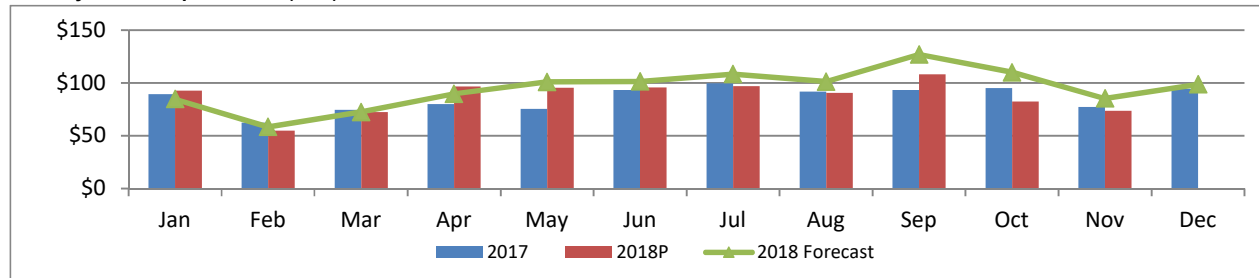
Monthly Indicators

Arrows represent increments of 1%

Monthly Arrivals

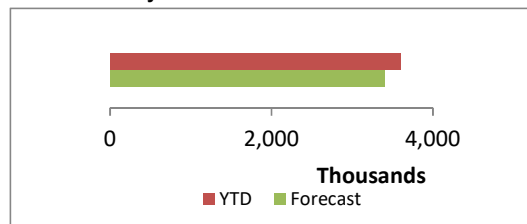


Monthly Visitor Expenditures (\$mil)

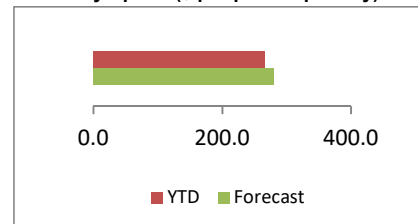


Annual Indicators

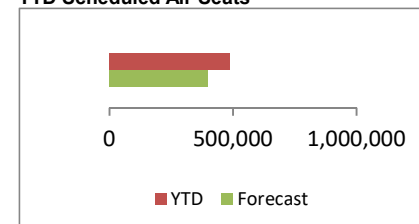
YTD Visitor Days



YTD Daily Spend (\$ per person per day)



YTD Scheduled Air Seats



\* Excludes Supplemental Business Expenditures

HTA Key Performance Indicators Dashboard

Forecasts as of August 2018

Hawai'i Tourism Authority Report Date: **Nov-18** Preliminary

Visitor Industry Performance Measures

Market: **EUROPE**

Key Performance Indicators

	% of Forecast*	YOY Rate	YTD	Forecast
Arrivals	↑ 106.7%	3.5%	133,648	125,237
Visitor Spending (\$mil)*	↑ 112.5%	5.8%	305.1	271.2
Visitor Days	↑ 108.5%	5.0%	1,758,556	1,620,135
Daily Spend (\$pppd)	↑ 103.7%	0.8%	173.5	167.4
Airlift (scheduled seats)	NA	NA	NA	NA

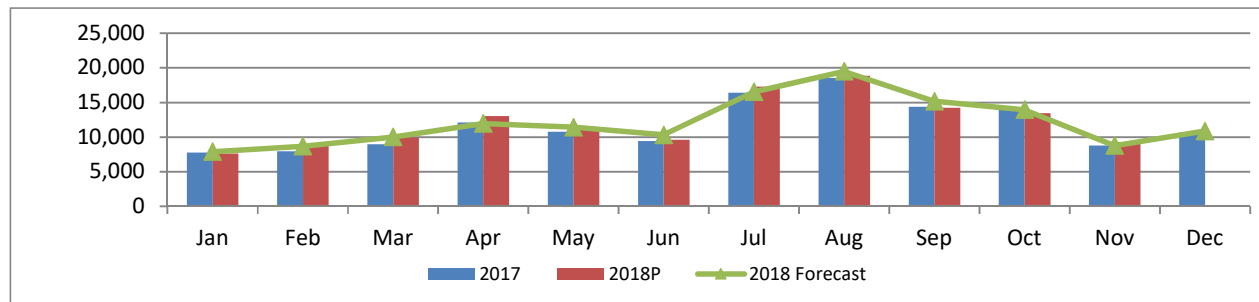
Arrivals	YOY Rate	YTD
O'ahu	5.5%	98,678
Maui	3.6%	58,300
Moloka'i	26.7%	2,590
Lāna'i	12.2%	1,406
Kaua'i	9.3%	34,681
Hawai'i Island	-6.7%	45,279

\*DBEDT Forecasts as of August 2018

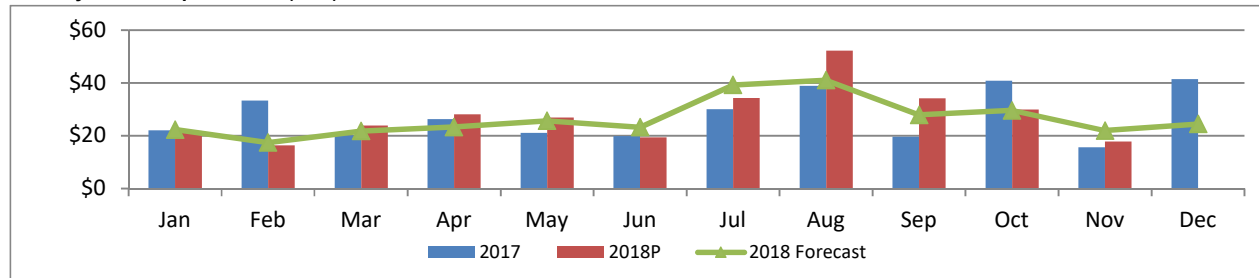
Arrows represent increments of 1%

Monthly Indicators

Monthly Arrivals

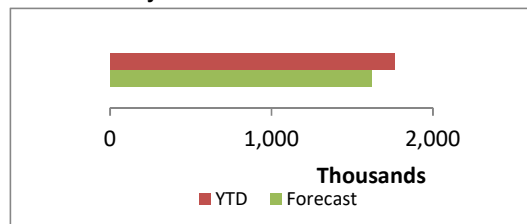


Monthly Visitor Expenditures (\$mil)

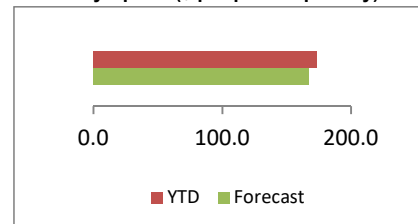


Annual Indicators

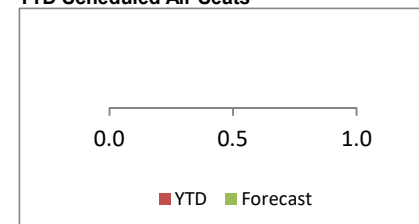
YTD Visitor Days



YTD Daily Spend (\$ per person per day)



YTD Scheduled Air Seats



\* Excludes Supplemental Business Expenditures

HTA Key Performance Indicators Dashboard

Forecasts as of August 2018

Hawai'i Tourism Authority Report Date: **Nov-18** Preliminary

Visitor Industry Performance Measures

Market: **LATIN AMERICA**

Key Performance Indicators

	% of Forecast*	YOY Rate	YTD	Forecast
Arrivals	↑ 113.7%	8.2%	23,410	20,595
Visitor Spending (\$mil)*	↑ 120.9%	9.0%	62.2	51.5
Visitor Days	↑ 111.8%	6.0%	245,682	219,786
Daily Spend (\$pppd)	↑ 108.2%	2.8%	253.3	234.1
Airlift (scheduled seats)	NA	NA	NA	NA

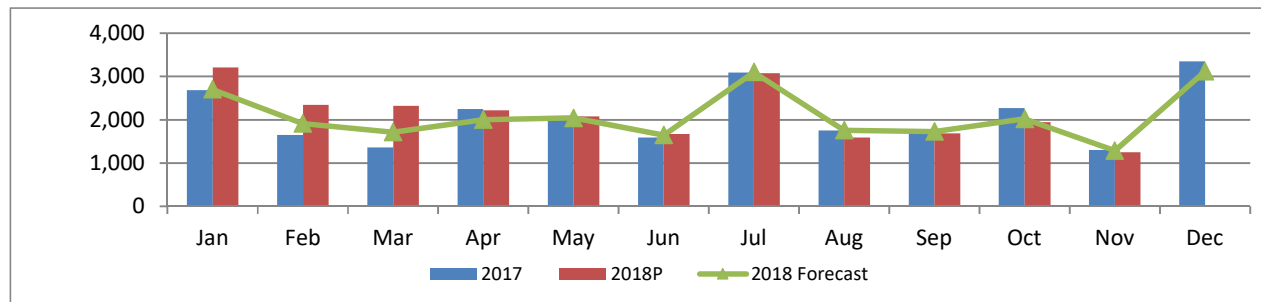
Arrivals	YOY Rate	YTD
O'ahu	10.7%	17,699
Maui	6.3%	8,692
Moloka'i	7.8%	345
Lāna'i	33.6%	371
Kaua'i	12.9%	2,899
Hawai'i Island	-1.7%	5,345

\*DBEDT Forecasts as of August 2018

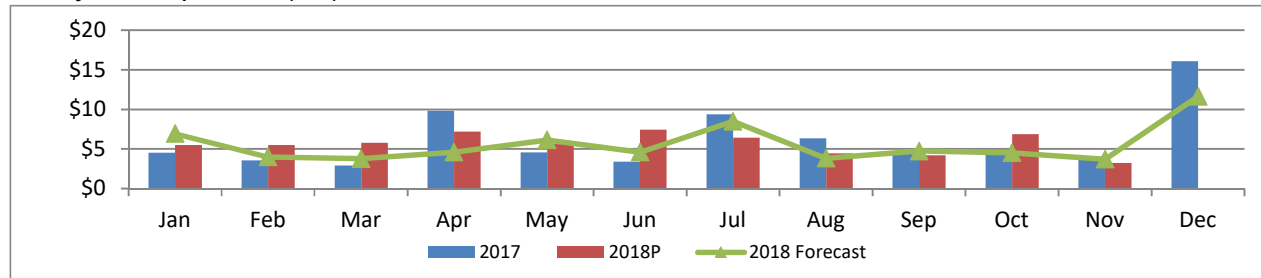
Monthly Indicators

Arrows represent increments of 1%

Monthly Arrivals

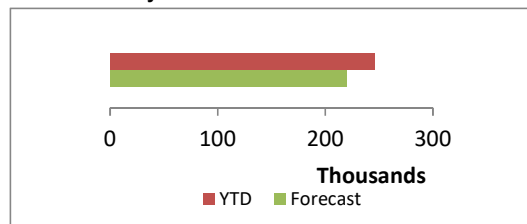


Monthly Visitor Expenditures (\$mil)

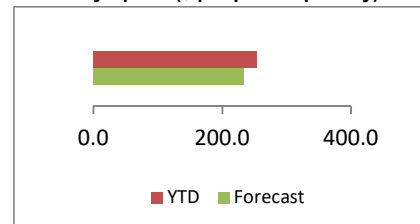


Annual Indicators

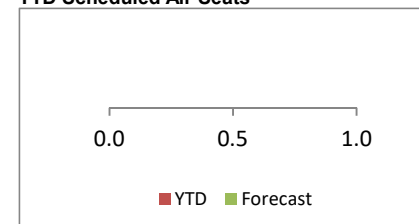
YTD Visitor Days



YTD Daily Spend (\$ per person per day)



YTD Scheduled Air Seats



\* Excludes Supplemental Business Expenditures

# **Agenda Item**

## **6**

**Presentation, Discussion and  
Action on HTA's Financial  
Reports for October and  
November 2018**



# HAWAII TOURISM

AUTHORITY

## Financial Statements – Executive Summary November 1, 2018 - November 30, 2018

### ***Tourism Special Fund:***

1. \$91.1M in cash and investments
  - a. Includes \$5M in Emergency Fund held as investments
  - b. Increase from October of \$2.4M due primarily to the following:
    - i. Recording \$6.6M in TAT revenues
    - ii. Offset by \$4.2M in expenditures
2. \$28.7M of prior year encumbrances being spent down
3. \$22.5M in Board allocations projected for June 30, 2019. A supporting schedule is embedded in these financial statements to provide greater detail. This number includes:
  - a. \$5M in Emergency Fund established under statute;
  - b. \$3M allocated by the Board for use during a significant economic downturn;
  - c. \$4.15M in funds held for the Center for Hawaiian Music & Dance;
  - d. \$9M earmarked for specific obligations, such as EUTF, ERS, and accrued vacation.
4. \$34.7M of the \$88.7M FY 2019 Budget utilized; contract paperwork currently being submitted for this year's expenditures.
5. Operating Income:
  - a. Recorded \$6.6M in TAT for November 2018, and \$32.9M in TAT YTD.
  - b. Incurred \$4.2M in program and other expenditures for November 2018.

### ***Convention Center Enterprise Special Fund:***

6. \$29.3M in cash
  - a. Increase of \$1.8M from October due to the following:
    - i. Receiving \$1.4M in TAT and \$1.5M in HCC operating revenue. This was offset by \$486K in operating expenditures and an increase of \$525K in accounts receivable due from AEG.

7. \$20.5M in cash with contractor or with DAGS, for R&M projects (as of September 2018).
  - a. Includes \$2M Emergency
  - b. Remaining encumbered or budgeted toward specific projects such as cooling tower replacement, furnishings and enhancements, wall rehabilitation, boiler replacement, and various equipment purchases and upgrades.
  - c. Reflects \$10.7M spent on current and future projects (in-progress costs or preliminary work); this includes recent costs expended on meeting room roof repairs.
8. \$19.3M in Board allocations projected for June 30, 2019. This includes funds targeted to fund future repair and maintenance projects, large equipment purchases, convention center operating contingencies, operating capital, and convention center incentives. The HTA Board instituted a budgeting practice of allocating approximately 4% of each year's budgeted gross expenditures toward increasing HCC's Repairs and Maintenance reserve.
9. \$2.1M of prior year encumbrances being spent down.
10. \$525K in accounts receivable for HCC F&B revenue as of November 30, 2018.
11. Operating Income:
  - a. Recorded \$1.4M in TAT for November 2018, and \$6.9M in TAT YTD.
  - b. Convention Center operations:
    - i. \$860K operating loss year-to-date (As of November 2018).
12. Spending according to Budget.

**Hawaii Tourism Authority**

Balance Sheet

348 - Tourism Special Fund

As of 11/30/18

	<u>Current Year</u>
Assets	
Current Assets	
Checking 348	86,099,140.38
Petty Cash	5,000.00
Investments	0.00
Savings	0.00
Other	<u>0.00</u>
Total Current Assets	86,104,140.38
Accounts Receivable	
Accounts Receivable	10.00
Accounts Receivable-Accrual	<u>0.00</u>
Total Accounts Receivable	<u>10.00</u>
Total Assets	<u>86,104,150.38</u>
Fund Balance	
Current year payables	
Accounts Payable	149.69
Credit Card Payable	<u>1,205.90</u>
Total Current year payables	1,355.59
Current year net assets	
	<u>13,928,678.86</u>
Total Current year net assets	13,928,678.86
Prior years	
Total Prior years	<u>72,174,115.93</u>
Total Fund Balance	<u>86,104,150.38</u>

**Hawaii Tourism Authority**  
**Balance Sheet**  
**361 - Convention Center Enterprise - Special Fund**  
**As of 11/30/18**

<b>Assets</b>	
<b>Current Assets</b>	
Checking 348	0.00
Investments	0.00
Savings	0.00
Checking 361	29,308,195.19
Other	<u>0.00</u>
<b>Total Current Assets</b>	<b>29,308,195.19</b>
<b>Accounts Receivable</b>	
Accounts Receivable	791,886.18
Accounts Receivable	0.00
Accounts Receivable-Accrual	<u>0.00</u>
<b>Total Accounts Receivable</b>	<b><u>791,886.18</u></b>
<b>Total Assets</b>	<b><u>30,100,081.37</u></b>
 <b>Fund Balance</b>	
<b>Current year payables</b>	
Accounts Payable	<u>0.00</u>
<b>Total Current year payables</b>	<b>0.00</b>
<b>Current year net assets</b>	
	<u>9,255,963.64</u>
<b>Total Current year net assets</b>	<b>9,255,963.64</b>
<b>Prior years</b>	
<b>Total Prior years</b>	<u>20,844,117.73</u>
<b>Total Fund Balance</b>	<b><u>30,100,081.37</u></b>

HTA Allocations  
FY 2019

HTA Allocations:

<p><b>Annual Budgets:</b>  <b>-\$87.5M HTA Tourism Special Fund</b>                  (\$79M TAT + \$4.9M prior year carryover + \$3.6M Funds set aside last year by HTA Board for FY19)</p> <p><b>-Convention Center Fund</b> (\$16.5M Revenues, \$15.5M Expenses, \$1M to R&amp;M Reserve)</p>
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<b>\$8M Emergency Funds</b>	
<p><b>\$5M Emergency Fund Reserve</b>                  (Established by Statute as a separate fund, to be used upon declaration of a tourism emergency by the Governor)</p>	<p><b>\$2.98M Mandated by Board</b> (to be used in the event of a significant economic downturn upon Board approval)                  [\$4.3M at June 30 2018; In FY 19, the Board allocated an additional \$1.25M out of this fund for Hawaii'i Island.]</p>

	6/30/2018		Projected 6/30/2019	
	<b>Convention Center Fund Long-Term Obligations and Commitments:</b>			
Reserve for Operations		1,512,988	1,512,988	1,512,988
Funds for R&M - (Of which, \$6,797,393 is designated by law) **		16,090,071	17,092,452	17,092,452
HCC MFF Commitments		750,000	750,000	750,000
<b>Total Long-Term Obligations and Commitments</b>		<b>18,353,059</b>	<b>19,355,440</b>	
** In an effort to build available funds for future significant HCC R&M projects, staff recommends a practice of allocating approximately 4% of each year's budgeted gross expenditures toward increasing HCC's R&M reserves.				

**Hawaii Tourism Authority**  
Statement of Revenues and Expenditures  
348 - Tourism Special Fund  
19 - FY 2019 Funds  
From 11/1/2018 Through 11/30/2018

	Total Budget - MicroixFY19	Current Period Actual	Current Year Actual	Total Budget Variance - MicroixFY19
<b>Revenue</b>				
Transient Accomodations Tax	79,000,000.00	6,583,333.33	32,916,666.65	(46,083,333.35)
Interest and Dividends	0.00	(175.02)	(501.36)	(501.36)
Miscellaneous	0.00	8,577.30	9,343.74	9,343.74
HCC Revenue	0.00	1,309.51	1,309.51	1,309.51
Industry Collaboration and Coordination	0.00	0.00	0.00	0.00
<b>Total Revenue</b>	<u>79,000,000.00</u>	<u>6,593,045.12</u>	<u>32,926,818.54</u>	<u>(46,073,181.46)</u>
<b>Expense</b>				
Hawaiian Culture	3,735,000.00	0.00	42,855.75	3,692,144.25
Natural Resources	2,180,000.00	0.00	906.10	2,179,093.90
Community	4,056,000.00	0.00	0.00	4,056,000.00
Communications	636,000.00	0.00	0.00	636,000.00
Career Development	720,000.00	50,000.00	50,000.00	670,000.00
Major Market Management	45,746,000.00	0.00	8,711.87	45,737,288.13
Business Destination Management	1,155,000.00	0.00	0.00	1,155,000.00
Access	2,713,000.00	0.00	0.00	2,713,000.00
Industry Collaboration and Coordination	55,000.00	12,141.24	11,212.78	43,787.22
Digital Marketing Projects	1,400,000.00	0.00	1,266.42	1,398,733.58
HTA Product Development	654,000.00	12,913.95	12,913.95	641,086.05
Sports Marketing	8,135,000.00	233,366.61	233,366.61	7,901,633.39
Festivals and Events	2,308,000.00	0.00	0.00	2,308,000.00
Brand Development Projects	275,000.00	0.00	0.00	275,000.00
Greetings	1,200,000.00	0.00	0.00	1,200,000.00
Safety and Security	1,910,000.00	0.00	5,000.00	1,905,000.00
Tourism Research	4,231,214.00	4,670.16	55,260.16	4,175,953.84
Governance	4,977,894.00	899,988.30	911,790.52	4,066,103.48
Industry Relations	1,357,000.00	8,550.00	64,705.52	1,292,294.48
<b>Total Expense</b>	<u>87,444,108.00</u>	<u>1,221,630.26</u>	<u>1,397,989.68</u>	<u>86,046,118.32</u>
<b>Net Income</b>	<u>(8,444,108.00)</u>	<u>5,371,414.86</u>	<u>31,528,828.86</u>	<u>39,972,936.86</u>

**Hawaii Tourism Authority**  
Statement of Revenues and Expenditures  
361 - Convention Center Enterprise Special Fund  
19 - FY 2019 Funds  
From 11/1/2018 Through 11/30/2018

	Total Budget - MicroixFY19	Current Period Actual	Current Year Actual	Total Budget Variance - MicroixFY19
Revenue				
Transient Accomodations Tax	16,500,000.00	1,375,000.00	6,875,000.00	(9,625,000.00)
Interest and Dividends	0.00	0.00	0.00	0.00
HCC Revenue	<u>9,725,250.00</u>	<u>1,483,360.23</u>	<u>2,867,196.67</u>	<u>(6,858,053.33)</u>
Total Revenue	<u>26,225,250.00</u>	<u>2,858,360.23</u>	<u>9,742,196.67</u>	<u>(16,483,053.33)</u>
Expense				
Governance	875,000.00	69,828.00	69,828.00	805,172.00
HCC Operating Expense	11,965,530.00	0.00	0.00	11,965,530.00
HCC Repair and Maintenance	5,414,443.00	0.00	0.00	5,414,443.00
HCC Sales and Marketing / MFF	<u>6,967,896.00</u>	<u>0.00</u>	<u>0.00</u>	<u>6,967,896.00</u>
Total Expense	<u>25,222,869.00</u>	<u>69,828.00</u>	<u>69,828.00</u>	<u>25,153,041.00</u>
Net Income	<u>1,002,381.00</u>	<u>2,788,532.23</u>	<u>9,672,368.67</u>	<u>8,669,987.67</u>

**Hawaii Tourism Authority**  
Statement of Revenues and Expenditures  
348 - Tourism Special Fund  
**Prior Year Funds**

	Total Budget - Revised	Current Period Actual	Current Year Actual	Total Budget Variance - Revised
<b>Revenue</b>				
Transient Accomodations Tax	0.00	0.00	0.00	0.00
Interest and Dividends	0.00	0.00	0.00	0.00
Miscellaneous	0.00	0.00	0.00	0.00
Refunds	0.00	0.00	0.00	0.00
Transfers - In	0.00	0.00	0.00	0.00
Business Destination Management	0.00	0.00	0.00	0.00
Industry Collaboration and Coordination	0.00	0.00	0.00	0.00
Governance	0.00	0.00	0.00	0.00
<b>Total Revenue</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Expense</b>				
Miscellaneous	0.00	0.00	0.00	0.00
Refunds	0.00	0.00	0.00	0.00
Transfers - In	0.00	0.00	0.00	0.00
Hawaiian Culture	1,703,716.94	42,473.39	504,644.64	1,199,072.30
Natural Resources	1,266,954.83	5,869.68	699,052.88	567,901.95
Community	1,465,470.95	30,605.86	546,906.77	918,564.18
Communications	434,050.58	8,528.16	139,148.23	294,902.35
Career Development	280,750.00	0.00	23,000.00	257,750.00
Major Market Management	24,998,960.33	1,465,570.51	9,053,839.06	15,945,121.27
Business Destination Management	623,119.53	50,161.48	254,367.98	368,751.55
Access	3,530,331.50	151,300.00	1,308,400.00	2,221,931.50
Industry Collaboration and Coordination	24,101.97	0.00	2,578.31	21,523.66
Digital Marketing Projects	2,465,107.02	85,142.06	503,033.28	1,962,073.74
HTA Product Development	120,794.30	5,584.34	54,184.34	66,609.96
Sports Marketing	2,775,102.26	508,700.00	1,844,409.27	930,692.99
Festivals and Events	958,381.11	130,200.00	501,200.00	457,181.11
Brand Development Projects	234,896.80	0.00	127,054.75	107,842.05
Greetings	905,595.44	358,750.00	452,750.00	452,845.44
Safety and Security	558,213.31	8,000.00	334,470.53	223,742.78
Tourism Research	2,152,865.34	121,256.42	580,296.40	1,572,568.94
Governance	946,904.96	45,669.48	211,762.32	735,142.64
Industry Relations	837,458.99	39,040.00	459,051.24	378,407.75
<b>Total Expense</b>	<u>46,282,776.16</u>	<u>3,056,851.38</u>	<u>17,600,150.00</u>	<u>28,682,626.16</u>
<b>Net Income</b>	<u>(46,282,776.16)</u>	<u>(3,056,851.38)</u>	<u>(17,600,150.00)</u>	<u>28,682,626.16</u>



**Hawaii Tourism Authority**  
Statement of Revenues and Expenditures  
361 - Convention Center Enterprise Special Fund  
**Prior Year Funds**

	Total Budget - Revised	Current Period Actual	Current Year Actual	Total Budget Variance - Revised
<b>Revenue</b>				
Transient Accomodations Tax	0.00	0.00	0.00	0.00
Interest and Dividends	0.00	0.00	0.00	0.00
Miscellaneous	0.00	0.00	0.00	0.00
Refunds	0.00	0.00	0.00	0.00
Transfers - In	0.00	0.00	0.00	0.00
HCC Revenue	0.00	0.00	0.00	0.00
HCC Operating Expense	0.00	0.00	0.00	0.00
<b>Total Revenue</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Expense</b>				
HCC Revenue	0.00	0.00	0.00	0.00
Governance	21,309.74	0.00	0.00	21,309.74
HCC Operating Expense	2,089,065.81	416,405.03	416,405.03	1,672,660.78
HCC Repair and Maintenance	0.00	0.00	0.00	0.00
HCC Sales and Marketing / MFF	354,962.93	0.00	0.00	354,962.93
Bond Debt Service	0.00	0.00	0.00	0.00
HCC Hawaiian Music and Dance Center	0.00	0.00	0.00	0.00
HCC Turtle Bay Conservation Due Diligence	27,356.00	0.00	0.00	27,356.00
<b>Total Expense</b>	<u>2,492,694.48</u>	<u>416,405.03</u>	<u>416,405.03</u>	<u>2,076,289.45</u>
<b>Net Income</b>	<u>(2,492,694.48)</u>	<u>(416,405.03)</u>	<u>(416,405.03)</u>	<u>2,076,289.45</u>

**Hawaii Convention Center**  
Facility  
Reforecast  
From 12/1/2018 Through 12/31/2018  
(In Whole Numbers)

	YTD Actual	Projected Next Month to 12/31/18	Reforecast	Budget	Variance	Prior Year Actual
<b>Direct Event Income</b>						
Rental Income (Net)	2,407,808	264,969	2,672,777	2,330,000	342,777	2,300,956
Service Revenue	750,549	45,768	796,317	887,100	(90,783)	908,564
<b>Total Direct Event Income</b>	<b>3,158,357</b>	<b>310,737</b>	<b>3,469,094</b>	<b>3,217,100</b>	<b>251,994</b>	<b>3,209,520</b>
Direct Service Expenses	1,658,168	155,410	1,813,578	1,790,900	(22,678)	1,870,174
<b>Net Direct Event Income</b>	<b>1,500,189</b>	<b>155,327</b>	<b>1,655,516</b>	<b>1,426,200</b>	<b>229,316</b>	<b>1,339,346</b>
<b>Ancillary Income</b>						
F&B Concession (Net)	559,670	21,700	581,370	605,000	(23,630)	596,056
F&B Catering (Net)	4,053,927	195,059	4,248,986	5,822,675	(1,573,689)	7,697,213
Event Parking (Net)	711,040	51,550	762,590	757,400	5,190	691,002
Electrical Services	191,317	10,400	201,717	233,400	(31,683)	261,850
Audio Visual	345,580	10,074	355,654	314,800	40,854	318,910
Internet Services	20,448	250	20,698	0	20,698	21,455
Rigging Services	74,615	1,285	75,900	76,900	(1,000)	102,494
First Aid Commissions	3,127	260	3,387	4,300	(913)	4,062
<b>Total Ancillary Income</b>	<b>5,959,724</b>	<b>290,578</b>	<b>6,250,302</b>	<b>7,814,475</b>	<b>(1,564,173)</b>	<b>9,693,042</b>
<b>Total Event Income</b>	<b>7,459,913</b>	<b>445,905</b>	<b>7,905,818</b>	<b>9,240,675</b>	<b>(1,334,857)</b>	<b>11,032,388</b>
<b>Other Operating Income</b>						
Non-Event Parking	53,851	4,600	58,451	55,200	3,251	62,373
Other Income	91,474	13,186	104,660	38,100	66,560	64,129
<b>Total Other Operating Income</b>	<b>145,325</b>	<b>17,786</b>	<b>163,111</b>	<b>93,300</b>	<b>69,811</b>	<b>126,502</b>
<b>Total Gross Income</b>	<b>7,605,238</b>	<b>463,691</b>	<b>8,068,929</b>	<b>9,333,975</b>	<b>(1,265,046)</b>	<b>11,158,890</b>
<b>Net Salaries &amp; Benefits</b>						
Salaries & Wages	4,049,506	454,064	4,503,570	4,989,000	485,430	4,159,961
Payroll Taxes & Benefits	1,049,291	125,765	1,175,056	1,169,500	(5,556)	1,102,710
Labor Allocations to Events	(459,830)	(24,197)	(484,027)	(409,251)	74,776	(407,543)
<b>Total Net Salaries &amp; Benefits</b>	<b>4,638,967</b>	<b>555,632</b>	<b>5,194,599</b>	<b>5,749,249</b>	<b>554,650</b>	<b>4,855,128</b>
<b>Other Indirect Expenses</b>						
Net Contracted Services	272,728	40,519	313,247	402,396	89,149	349,348
Operations	153,010	11,818	164,828	200,300	35,472	207,311
Repair & Maintenance	525,185	126,305	651,490	795,200	143,710	744,770
Operational Supplies	512,596	38,113	550,709	675,700	124,991	629,579
Insurance	117,412	56,477	173,889	176,100	2,211	202,371
Utilities	2,166,031	243,150	2,409,181	2,337,748	(71,433)	2,194,274
Meetings & Conventions	19,056	10,000	29,056	24,900	(4,156)	20,109
Promotions & Communications	55,289	4,000	59,289	42,400	(16,889)	39,073
General & Administrative	236,979	33,828	270,807	327,002	56,195	304,339
Management Fees	118,800	133,900	252,700	285,100	32,400	279,840
Other	181,080	8,111	189,191	77,200	(111,991)	569,676
<b>Total Other Indirect Expenses</b>	<b>4,358,166</b>	<b>706,221</b>	<b>5,064,387</b>	<b>5,344,046</b>	<b>279,659</b>	<b>5,540,690</b>
<b>Net Income (Loss) before CIP Funded Expenses</b>	<b>(1,391,895)</b>	<b>(798,161)</b>	<b>(2,190,056)</b>	<b>(1,759,320)</b>	<b>(430,736)</b>	<b>763,072</b>
CIP Funded Expenses	74,419	0	74,419	0	74,419	575,840
<b>Net Income (Loss) from Operations</b>	<b>(1,317,476)</b>	<b>(798,161)</b>	<b>(2,115,637)</b>	<b>(1,759,320)</b>	<b>(356,317)</b>	<b>1,338,912</b>
Fixed Asset Purchases	122,363	26,000	148,363	200,000	51,637	222,331
<b>Net Income (Loss) after Fixed Asset Purchases</b>	<b>(1,439,839)</b>	<b>(824,161)</b>	<b>(2,264,000)</b>	<b>(1,959,320)</b>	<b>(304,680)</b>	<b>1,116,581</b>

**Hawaii Convention Center**  
Facility  
Income Statement  
From 11/1/2018 Through 11/30/2018  
(In Whole Numbers)

	Current Month Actual	Current Month Budget	Variance	Current Month Prior Year	YTD Actual	YTD Budget	Variance	YTD Prior Year
Direct Event Income								
Rental Income (Net)	248,798	159,168	89,630	78,397	2,407,808	2,154,650	253,158	2,115,474
Service Revenue	56,623	63,670	(7,047)	100,727	750,549	855,650	(105,101)	848,344
Total Direct Event Income	305,420	222,838	82,582	179,124	3,158,357	3,010,300	148,057	2,963,818
Direct Service Expenses	134,998	128,845	(6,153)	157,595	1,658,168	1,689,665	31,496	1,753,433
Net Direct Event Income	170,422	93,993	76,429	21,529	1,500,189	1,320,636	179,553	1,210,385
Ancillary Income								
F&B Concession (Net)	31,110	40,240	(9,130)	7,844	559,670	577,010	(17,340)	542,947
F&B Catering (Net)	453,571	250,728	202,843	913,077	4,053,927	5,539,776	(1,485,849)	7,281,549
Event Parking (Net)	61,401	64,250	(2,849)	21,599	711,040	709,300	1,740	652,392
Electrical Services	10,584	11,200	(616)	8,124	191,317	226,600	(35,283)	257,582
Audio Visual	22,230	7,360	14,870	52,817	345,580	308,900	36,680	308,599
Internet Services	2,272	0	2,272	12,929	20,448	0	20,448	16,108
Rigging Services	2,441	10,400	(7,959)	7,174	74,615	70,900	3,715	99,478
First Aid Commissions	154	330	(176)	338	3,127	4,065	(938)	3,796
Total Ancillary Income	583,762	384,508	199,254	1,023,901	5,959,724	7,436,551	(1,476,827)	9,162,451
Total Event Income	754,185	478,501	275,684	1,045,431	7,459,913	8,757,187	(1,297,274)	10,372,836
Other Operating Income								
Non-Event Parking	5,830	4,600	1,230	3,108	53,851	50,600	3,251	59,150
Other Income	16,166	3,174	12,992	3,842	91,474	34,914	56,560	61,186
Total Other Operating Income	21,996	7,774	14,222	6,949	145,324	85,514	59,810	120,336
Total Gross Income	776,181	486,275	289,906	1,052,380	7,605,237	8,842,701	(1,237,464)	10,493,172
Net Salaries & Benefits								
Salaries & Wages	374,668	405,883	31,215	353,029	4,049,506	4,464,713	415,207	3,704,311
Payroll Taxes & Benefits	95,834	94,885	(949)	90,790	1,049,291	1,043,735	(5,556)	986,641
Labor Allocations to Events	(40,665)	(31,943)	8,722	(45,055)	(459,830)	(385,054)	74,776	(374,589)
Total Net Salaries & Benefits	429,837	468,825	38,988	398,763	4,638,967	5,123,394	484,427	4,316,362
Other Indirect Expenses								
Net Contracted Services	16,406	33,515	17,109	22,809	272,728	353,765	81,037	298,683
Operations	16,377	14,291	(2,086)	20,377	153,010	165,601	12,591	196,422
Repair & Maintenance	32,554	66,265	33,711	56,467	525,185	728,915	203,730	671,842
Operational Supplies	44,925	45,659	734	66,342	512,596	612,708	100,113	569,740
Insurance	10,738	11,756	1,018	14,955	117,412	164,355	46,943	161,389
Utilities	273,233	201,916	(71,317)	185,037	2,166,031	2,126,737	(39,294)	2,011,497
Meetings & Conventions	2,026	1,108	(918)	1,361	19,056	22,368	3,312	19,432
Promotions & Communications	2,290	3,533	1,243	2,096	55,289	38,863	(16,426)	36,335
General & Administrative	26,914	23,359	(3,555)	34,525	236,979	298,599	61,620	258,475
Management Fees	10,800	10,800	0	10,600	118,800	118,800	0	116,600
Other	22,235	6,384	(15,851)	(35,072)	181,080	70,824	(110,256)	587,496
Total Other Indirect	458,498	418,586	(39,912)	379,497	4,358,164	4,701,535	343,371	4,927,911
Net Income (Loss) before CIP Funded Expenses	(112,154)	(401,136)	288,982	274,120	(1,391,894)	(982,228)	(409,666)	1,248,898
CIP Funded Expenses	16,197	0	16,197	5,402	74,419	0	74,419	573,860
Net Income (Loss) from Operations	(95,957)	(401,136)	305,179	279,522	(1,317,475)	(982,228)	(335,246)	1,822,758
Fixed Asset Purchases	6,846	33,334	26,488	8,895	122,363	166,670	44,307	97,191
Net Income (Loss) After Fixed Asset Purchases	(102,803)	(434,470)	331,667	270,627	(1,439,837)	(1,148,898)	(290,939)	1,725,567

**Hawaii Convention Center**  
 Facility  
 Income Statement  
 From 11/1/2018 Through 11/30/2018  
 (In Whole Numbers)

	Current Month Actual	Current Month Budget	Variance	Current Month Prior Year	YTD Actual	YTD Budget	Variance	YTD Prior Year
<b>Revenues</b>								
Food & Beverage	873,290	461,388	411,902	1,380,085	8,443,921	9,811,731	(1,367,810)	11,981,270
Facility	432,658	330,302	102,356	294,159	4,730,750	4,483,279	247,471	4,499,262
<b>Total Revenues</b>	<b>1,305,947</b>	<b>791,690</b>	<b>514,257</b>	<b>1,674,244</b>	<b>13,174,672</b>	<b>14,295,010</b>	<b>(1,120,339)</b>	<b>16,480,531</b>
<b>Expenses</b>								
Food & Beverage	543,638	332,759	(210,879)	656,650	5,545,301	5,661,572	116,271	5,905,156
Facility	874,464	860,067	(14,397)	743,474	9,021,264	9,615,667	594,402	9,326,477
<b>Total Expenses</b>	<b>1,418,102</b>	<b>1,192,826</b>	<b>(225,276)</b>	<b>1,400,124</b>	<b>14,566,565</b>	<b>15,277,239</b>	<b>710,673</b>	<b>15,231,633</b>
<b>Net Income (Loss) before CIP Funded Expenses</b>	<b>(112,154)</b>	<b>(401,136)</b>	<b>288,982</b>	<b>274,120</b>	<b>(1,391,894)</b>	<b>(982,228)</b>	<b>(409,666)</b>	<b>1,248,898</b>
<b>CIP Funded Expenses</b>	<b>16,197</b>	<b>0</b>	<b>16,197</b>	<b>5,402</b>	<b>74,419</b>	<b>0</b>	<b>74,419</b>	<b>573,860</b>
<b>Net Income (Loss) from Operations</b>	<b>(95,957)</b>	<b>(401,136)</b>	<b>305,179</b>	<b>279,522</b>	<b>(1,317,475)</b>	<b>(982,228)</b>	<b>(335,247)</b>	<b>1,822,758</b>
<b>Fixed Asset Purchases</b>	<b>6,846</b>	<b>33,334</b>	<b>26,488</b>	<b>8,895</b>	<b>122,363</b>	<b>166,670</b>	<b>44,307</b>	<b>97,191</b>
<b>Net Income (Loss) after Fixed Asset Purchases</b>	<b>(102,803)</b>	<b>(434,470)</b>	<b>331,667</b>	<b>270,627</b>	<b>(1,439,838)</b>	<b>(1,148,898)</b>	<b>(290,940)</b>	<b>1,725,567</b>

# HAWAII TOURISM

AUTHORITY

Financial Statements – Executive Summary  
October 1, 2018 - October 31, 2018

***Tourism Special Fund:***

1. \$88.7M in cash and investments
  - a. Includes \$5M in Emergency Fund held as investments
  - b. Decrease from September of \$2.0M due primarily to the following:
    - i. Recording \$6.6M in TAT revenues
    - ii. Offset by \$8.6M in expenditures
2. \$31.7M of prior year encumbrances being spent down
3. \$22.5M in Board allocations projected for June 30, 2019. A supporting schedule is embedded in these financial statements to provide greater detail. This number includes:
  - a. \$5M in Emergency Fund established under statute;
  - b. \$3M allocated by the Board for use during a significant economic downturn;
  - c. \$4.15M in funds held for the Center for Hawaiian Music & Dance;
  - d. \$9M earmarked for specific obligations, such as EUTF, ERS, and accrued vacation.
4. \$7.7M of the \$88.7M FY 2019 Budget utilized; contract paperwork currently being submitted for this year's expenditures.
5. Operating Income:
  - a. Recorded \$6.6M in TAT for October 2018, and \$26.3M in TAT YTD.
  - b. Incurred \$8.6M in program and other expenditures for October 2018.

***Convention Center Enterprise Special Fund:***

6. \$27.5M in cash
  - a. Increase of \$1.4M from September due to the following:
    - i. Receiving \$1.4M in TAT
7. \$20.5M in cash with contractor or with DAGS, for R&M projects (as of September 2018).

- a. Includes \$2M Emergency
  - b. Remaining encumbered or budgeted toward specific projects such as cooling tower replacement, furnishings and enhancements, wall rehabilitation, boiler replacement, and various equipment purchases and upgrades.
  - c. Reflects \$10.7M spent on current and future projects (in-progress costs or preliminary work); this includes recent costs expended on meeting room roof repairs.
8. \$19.3M in Board allocations projected for June 30, 2019. This includes funds targeted to fund future repair and maintenance projects, large equipment purchases, convention center operating contingencies, operating capital, and convention center incentives. The HTA Board instituted a budgeting practice of allocating approximately 4% of each year's budgeted gross expenditures toward increasing HCC's Repairs and Maintenance reserve.
9. \$2.5M of prior year encumbrances being spent down.
10. \$267K in accounts receivable for HCC F&B revenue as of October 31, 2018.
11. Operating Income:
- a. Recorded \$1.4M in TAT for October 2018, and \$5.5M in TAT YTD.
  - b. Convention Center operations:
    - i. \$757K operating loss year-to-date (As of October 2018).
12. Spending according to Budget.



**Hawaii Tourism Authority**  
 Balance Sheet  
 348 - Tourism Special Fund  
 As of 10/31/2018

	Current Year
<b>Assets</b>	
Current Assets	
Checking 348	83,720,778.20
Petty Cash	5,000.00
Investments	0.00
Savings	0.00
Other	0.00
Total Current Assets	83,725,778.20
Accounts Receivable	
Accounts Receivable	0.00
Accounts Receivable-Accrual	0.00
Total Accounts Receivable	0.00
Total Assets	83,725,778.20
<b>Fund Balance</b>	
Current year payables	
Accounts Payable	(63,659.01)
Credit Card Payable	1,205.90
Total Current year payables	(62,453.11)
Current year net assets	
	11,614,115.38
Total Current year net assets	11,614,115.38
Prior years	
FY 2011 Funds	44,050.00
FY 2012 Funds	205,373.36
FY 2013 Funds	245,769.89
FY 2014 Funds	31,233,999.01
FY 2015 Funds	38,380,444.09
FY 2016 Funds	40,267,767.14
FY 2017 Funds	36,727,419.72
FY 2018 Funds	40,696,801.61
Unreserved Fund Balance	(115,627,508.89)
Total Prior years	72,174,115.93
Total Fund Balance	83,725,778.20

**Hawaii Tourism Authority**  
 Balance Sheet  
 361 - Convention Center Enterprise Special Fund  
 As of 10/31/2018

	Current Year
<b>Assets</b>	
Current Assets	
Checking 348	0.00
Investments	0.00
Savings	0.00
Checking 361	27,461,001.47
Other	0.00
Total Current Assets	27,461,001.47
Accounts Receivable	
Accounts Receivable	266,952.70
Accounts Receivable	0.00
Accounts Receivable-Accrual	0.00
Total Accounts Receivable	266,952.70
Total Assets	27,727,954.17
<b>Fund Balance</b>	
Current year payables	
Accounts Payable	0.00
Total Current year payables	0.00
Current year net assets	
	6,883,836.44
Total Current year net assets	6,883,836.44
Prior years	
FY 2013 Funds	14,533.57
FY 2014 Funds	2,183,441.28
FY 2015 Funds	15,629,628.73
FY 2016 Funds	5,066,786.48
FY 2017 Funds	734,405.58
FY 2018 Funds	1,139,398.30
FY 2019 Funds	18,353,058.99
Unreserved Fund Balance	(22,277,135.20)
Total Prior years	20,844,117.73
Total Fund Balance	27,727,954.17



HTA Allocations  
FY 2019

HTA Allocations:

<p><b>Annual Budgets:</b>  <b>-\$87.5M HTA Tourism Special Fund</b>                  (\$79M TAT + \$4.9M prior year carryover + \$3.6M Funds set aside last year by HTA Board for FY19)</p> <p><b>-Convention Center Fund</b> (\$16.5M Revenues, \$15.5M Expenses, \$1M to R&amp;M Reserve)</p>
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<b>\$8M Emergency Funds</b>	
<p><b>\$5M Emergency Fund Reserve</b>                  (Established by Statute as a separate fund, to be used upon declaration of a tourism emergency by the Governor)</p>	<p><b>\$2.98M Mandated by Board</b> (to be used in the event of a significant economic downturn upon Board approval)                  [\$4.3M at June 30 2018; In FY 19, the Board allocated an additional \$1.25M out of this fund for Hawaii'i Island.]</p>

	Projected			Projected	
	6/30/2018	6/30/2019		6/30/2018	6/30/2019
<b>Tourism Special Fund Long-Term Obligations and Commitments:</b>					
Carryover of FY 2018 to FY 2019 Budget (Use in FY 19)	4,269,476	-	Reserve for Operations	1,512,988	1,512,988
Use of Funds Held Last Year for FY 2019 Budget	939,632	-	Funds for R&M - (Of which, \$6,797,393 is designated by law) **	16,090,071	17,092,452
FY 2020 Budget / Operating Reserve	2,002,969	2,969	HCC MFF Commitments	750,000	750,000
International Access Funding (incl Kona)	1,125,233	1,125,233			
Center for Hawaiian Music & Dance	4,153,000	4,153,000			
Accrued Health Liability (Based on liability at FY17)	2,430,000	2,430,000			
Accrued Retirement Liability (FY 17)	6,300,000	6,300,000			
Accrued Vacation Liability	442,245	442,245			
HCC MFF Commitments *	-	-			
<b>Total Long-Term Obligations and Commitments</b>	<b>21,662,556</b>	<b>14,453,448</b>		<b>18,353,059</b>	<b>19,355,440</b>
<p>** In an effort to build available funds for future significant HCC R&amp;M projects, staff recommends a practice of allocating approximately 4% of each year's budgeted gross expenditures toward increasing HCC's R&amp;M reserves.</p>					
<p>*Used to replenish Emergency Funds.</p>					

**Hawaii Tourism Authority**  
Statement of Revenues and Expenditures  
348 - Tourism Special Fund  
19 - FY 2019 Funds  
From 10/1/2018 Through 10/31/2018

	Total Budget - MicroixFY19	Current Period Actual	Current Year Actual	Total Budget Variance - MicroixFY19
<b>Revenue</b>				
Transient Accomodations Tax	79,000,000.00	6,583,333.33	26,333,333.32	(52,666,666.68)
Interest and Dividends	0.00	202.87	(326.34)	(326.34)
Miscellaneous	0.00	0.00	766.44	766.44
HCC Revenue	0.00	0.00	0.00	0.00
Industry Collaboration and Coordination	0.00	0.00	0.00	0.00
<b>Total Revenue</b>	<u>79,000,000.00</u>	<u>6,583,536.20</u>	<u>26,333,773.42</u>	<u>(52,666,226.58)</u>
<b>Expense</b>				
Hawaiian Culture	3,735,000.00	21,949.66	42,855.75	3,692,144.25
Natural Resources	2,180,000.00	0.00	906.10	2,179,093.90
Community	4,056,000.00	0.00	0.00	4,056,000.00
Communications	636,000.00	0.00	0.00	636,000.00
Career Development	720,000.00	0.00	0.00	720,000.00
Major Market Management	45,746,000.00	8,711.87	8,711.87	45,737,288.13
Business Destination Management	1,155,000.00	0.00	0.00	1,155,000.00
Access	2,713,000.00	0.00	0.00	2,713,000.00
Industry Collaboration and Coordination	55,000.00	0.00	(928.46)	55,928.46
Digital Marketing Projects	1,400,000.00	1,266.42	1,266.42	1,398,733.58
HTA Product Development	654,000.00	0.00	0.00	654,000.00
Sports Marketing	8,135,000.00	0.00	0.00	8,135,000.00
Festivals and Events	2,308,000.00	0.00	0.00	2,308,000.00
Brand Development Projects	275,000.00	0.00	0.00	275,000.00
Greetings	1,200,000.00	0.00	0.00	1,200,000.00
Safety and Security	1,910,000.00	0.00	5,000.00	1,905,000.00
Tourism Research	4,231,214.00	30,000.00	50,590.00	4,180,624.00
Governance	4,977,894.00	4,689.80	11,802.22	4,966,091.78
Industry Relations	1,357,000.00	55,725.00	56,155.52	1,300,844.48
<b>Total Expense</b>	<u>87,444,108.00</u>	<u>122,342.75</u>	<u>176,359.42</u>	<u>87,267,748.58</u>
<b>Net Income</b>	<u>(8,444,108.00)</u>	<u>6,461,193.45</u>	<u>26,157,414.00</u>	<u>34,601,522.00</u>

**Hawaii Tourism Authority**  
Statement of Revenues and Expenditures  
361 - Convention Center Enterprise Special Fund  
19 - FY 2019 Funds  
From 10/1/2018 Through 10/31/2018

	Total Budget - MicroixFY19	Current Period Actual	Current Year Actual	Total Budget Variance - MicroixFY19
Revenue				
Transient Accomodations Tax	16,500,000.00	1,375,000.00	5,500,000.00	(11,000,000.00)
Interest and Dividends	0.00	0.00	0.00	0.00
HCC Revenue	9,725,250.00	0.00	1,383,836.44	(8,341,413.56)
Total Revenue	<u>26,225,250.00</u>	<u>1,375,000.00</u>	<u>6,883,836.44</u>	<u>(19,341,413.56)</u>
Expense				
Governance	875,000.00	0.00	0.00	875,000.00
HCC Operating Expense	11,965,530.00	0.00	0.00	11,965,530.00
HCC Repair and Maintenance	5,414,443.00	0.00	0.00	5,414,443.00
HCC Sales and Marketing / MFF	6,967,896.00	0.00	0.00	6,967,896.00
Total Expense	<u>25,222,869.00</u>	<u>0.00</u>	<u>0.00</u>	<u>25,222,869.00</u>
Net Income	<u>1,002,381.00</u>	<u>1,375,000.00</u>	<u>6,883,836.44</u>	<u>5,881,455.44</u>

**Hawaii Tourism Authority**  
Statement of Revenues and Expenditures  
348 - Tourism Special Fund  
Prior Year Funds

	Total Budget - Revised	Current Period Actual	Current Year Actual	Total Budget Variance - Revised
<b>Revenue</b>				
Transient Accomodations Tax	0.00	0.00	0.00	0.00
Interest and Dividends	0.00	0.00	0.00	0.00
Miscellaneous	0.00	0.00	0.00	0.00
Refunds	0.00	0.00	0.00	0.00
Transfers - In	0.00	0.00	0.00	0.00
Business Destination Management	0.00	0.00	0.00	0.00
Industry Collaboration and Coordination	0.00	0.00	0.00	0.00
Governance	0.00	0.00	0.00	0.00
<b>Total Revenue</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Expense</b>				
Miscellaneous	0.00	0.00	0.00	0.00
Refunds	0.00	0.00	0.00	0.00
Transfers - In	0.00	0.00	0.00	0.00
Hawaiian Culture	1,703,716.94	111,724.66	462,171.25	1,241,545.69
Natural Resources	1,266,954.83	37,949.51	693,183.20	573,771.63
Community	1,465,470.95	296,491.14	516,300.91	949,170.04
Communications	434,050.58	37,296.05	130,620.07	303,430.51
Career Development	280,750.00	23,000.00	23,000.00	257,750.00
Major Market Management	24,998,960.33	5,485,686.09	7,588,268.55	17,410,691.78
Business Destination Management	623,119.53	81,664.25	204,206.50	418,913.03
Access	3,530,331.50	334,600.00	1,157,100.00	2,373,231.50
Industry Collaboration and Coordination	24,101.97	0.00	2,578.31	21,523.66
Digital Marketing Projects	2,465,107.02	117,242.22	417,891.22	2,047,215.80
HTA Product Development	120,794.30	0.00	48,600.00	72,194.30
Sports Marketing	2,775,102.26	1,067,709.27	1,335,709.27	1,439,392.99
Festivals and Events	958,381.11	92,000.00	371,000.00	587,381.11
Brand Development Projects	234,896.80	38,427.25	127,054.75	107,842.05
Greetings	905,595.44	35,000.00	94,000.00	811,595.44
Safety and Security	558,213.31	218,439.12	326,470.53	231,742.78
Tourism Research	2,152,865.34	127,826.57	459,039.98	1,693,825.36
Governance	946,904.96	109,993.91	166,092.84	780,812.12
Industry Relations	837,458.99	214,893.38	420,011.24	417,447.75
<b>Total Expense</b>	<u>46,282,776.16</u>	<u>8,429,943.42</u>	<u>14,543,298.62</u>	<u>31,739,477.54</u>
<b>Net Income</b>	<u>(46,282,776.16)</u>	<u>(8,429,943.42)</u>	<u>(14,543,298.62)</u>	<u>31,739,477.54</u>

**Hawaii Tourism Authority**  
Statement of Revenues and Expenditures  
361 - Convention Center Enterprise Special Fund  
Prior Year Funds

	Total Budget - Revised	Current Period Actual	Current Year Actual	Total Budget Variance - Revised
<b>Revenue</b>				
Transient Accomodations Tax	0.00	0.00	0.00	0.00
Interest and Dividends	0.00	0.00	0.00	0.00
Miscellaneous	0.00	0.00	0.00	0.00
Refunds	0.00	0.00	0.00	0.00
Transfers - In	0.00	0.00	0.00	0.00
HCC Revenue	0.00	0.00	0.00	0.00
HCC Operating Expense	0.00	0.00	0.00	0.00
<b>Total Revenue</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Expense</b>				
HCC Revenue	0.00	0.00	0.00	0.00
Governance	21,309.74	0.00	0.00	21,309.74
HCC Operating Expense	2,089,065.81	0.00	0.00	2,089,065.81
HCC Repair and Maintenance	0.00	0.00	0.00	0.00
HCC Sales and Marketing / MFF	354,962.93	0.00	0.00	354,962.93
Bond Debt Service	0.00	0.00	0.00	0.00
HCC Hawaiian Music and Dance Center	0.00	0.00	0.00	0.00
HCC Turtle Bay Conservation Due Diligence	27,356.00	0.00	0.00	27,356.00
<b>Total Expense</b>	<u>2,492,694.48</u>	<u>0.00</u>	<u>0.00</u>	<u>2,492,694.48</u>
<b>Net Income</b>	<u>(2,492,694.48)</u>	<u>0.00</u>	<u>0.00</u>	<u>2,492,694.48</u>

**Hawaii Convention Center**  
Facility  
Reforecast  
From 11/1/2018 Through 12/31/2018  
(In Whole Numbers)

	YTD Actual	Projected Next Month to 12/31/18	Reforecast	Budget	Variance	Prior Year Actual
<b>Direct Event Income</b>						
Rental Income (Net)	2,159,010	517,697	2,676,707	2,330,000	346,707	2,300,956
Service Revenue	693,927	64,667	758,594	887,100	(128,506)	908,564
Total Direct Event Income	2,852,937	582,364	3,435,301	3,217,100	218,201	3,209,520
Direct Service Expenses	1,523,170	312,356	1,835,526	1,790,900	(44,626)	1,870,174
Net Direct Event Income	1,329,767	270,008	1,599,775	1,426,200	173,575	1,339,346
<b>Ancillary Income</b>						
F&B Concession (Net)	528,560	46,759	575,319	605,000	(29,681)	596,056
F&B Catering (Net)	3,600,356	502,924	4,103,280	5,822,675	(1,719,395)	7,697,213
Event Parking (Net)	649,639	103,400	753,039	757,400	(4,361)	691,002
Electrical Services	180,733	22,200	202,933	233,400	(30,467)	261,850
Audio Visual	323,350	23,910	347,260	314,800	32,460	318,910
Internet Services	18,176	1,310	19,486	0	19,486	21,455
Rigging Services	72,174	3,941	76,115	76,900	(785)	102,494
First Aid Commissions	2,973	435	3,408	4,300	(892)	4,062
Total Ancillary Income	5,375,961	704,880	6,080,841	7,814,475	(1,733,634)	9,693,042
Total Event Income	6,705,728	974,888	7,680,616	9,240,675	(1,560,059)	11,032,388
<b>Other Operating Income</b>						
Non-Event Parking	48,021	9,200	57,221	55,200	2,021	62,373
Other Income	75,308	28,360	103,668	38,100	65,568	64,129
Total Other Operating Income	123,329	37,560	160,889	93,300	67,589	126,502
Total Gross Income	6,829,057	1,012,448	7,841,505	9,333,975	(1,492,470)	11,158,890
<b>Net Salaries &amp; Benefits</b>						
Salaries & Wages	3,674,838	831,701	4,506,539	4,989,000	482,461	4,159,961
Payroll Taxes & Benefits	953,457	220,650	1,174,107	1,169,500	(4,607)	1,102,710
Labor Allocations to Events	(419,166)	(56,140)	(475,306)	(409,251)	66,055	(407,543)
Total Net Salaries & Benefits	4,209,129	996,211	5,205,340	5,749,249	543,909	4,855,128
<b>Other Indirect Expenses</b>						
Net Contracted Services	256,322	68,592	324,914	402,396	77,482	349,348
Operations	136,633	23,044	159,677	200,300	40,623	207,311
Repair & Maintenance	492,631	152,849	645,480	795,200	149,720	744,770
Operational Supplies	467,670	93,515	561,185	675,700	114,515	629,579
Insurance	106,673	68,819	175,492	176,100	608	202,371
Utilities	1,892,798	411,300	2,304,098	2,337,748	33,650	2,194,274
Meetings & Conventions	17,030	13,100	30,130	24,900	(5,230)	20,109
Promotions & Communications	52,999	8,000	60,999	42,400	(18,599)	39,073
General & Administrative	210,065	62,407	272,472	327,002	54,530	304,339
Management Fees	108,000	144,700	252,700	285,100	32,400	279,840
Other	158,845	18,079	176,924	77,200	(99,724)	569,676
Total Other Indirect Expenses	3,899,666	1,064,405	4,964,071	5,344,046	379,975	5,540,690
Net Income (Loss) before CIP Funded Expenses	(1,279,738)	(1,048,168)	(2,327,906)	(1,759,320)	(568,586)	763,072
CIP Funded Expenses	58,223	0	58,223	0	58,223	575,840
Net Income (Loss) from Operations	(1,221,515)	(1,048,168)	(2,269,684)	(1,759,320)	(510,364)	1,338,912
Fixed Asset Purchases	115,516	36,500	152,016	200,000	47,984	222,331
Net Income (Loss) after Fixed Asset Purchases	(1,337,032)	(1,084,668)	(2,421,700)	(1,959,320)	(462,380)	1,116,581

**Hawaii Convention Center**  
Facility  
Income Statement  
From 10/1/2018 Through 10/31/2018  
(In Whole Numbers)

	Current Month Actual	Current Month Budget	Variance	Current Month Prior Year	YTD Actual	YTD Budget	Variance	YTD Prior Year
Direct Event Income								
Rental Income (Net)	194,834	220,473	(25,639)	216,031	2,159,010	1,995,482	163,528	2,037,077
Service Revenue	147,708	111,880	35,828	113,529	693,927	791,980	(98,053)	747,616
Total Direct Event Income	342,542	332,353	10,189	329,560	2,852,937	2,787,462	65,474	2,784,693
Direct Service Expenses	218,940	217,017	(1,923)	179,642	1,523,170	1,560,820	37,650	1,595,838
Net Direct Event Income	123,602	115,336	8,266	149,917	1,329,767	1,226,643	103,124	1,188,855
Ancillary Income								
F&B Concession (Net)	49,583	104,760	(55,177)	13,831	528,560	536,770	(8,210)	535,103
F&B Catering (Net)	603,354	701,401	(98,047)	1,152,272	3,600,356	5,289,048	(1,688,692)	6,368,472
Event Parking (Net)	59,931	82,100	(22,169)	74,589	649,639	645,050	4,589	630,792
Electrical Services	62,532	92,600	(30,068)	20,573	180,733	215,400	(34,667)	249,459
Audio Visual	80,758	66,220	14,538	16,637	323,350	301,540	21,810	255,782
Internet Services	16,726	0	16,726	1,981	18,176	0	18,176	3,179
Rigging Services	11,766	500	11,266	14,841	72,174	60,500	11,674	92,304
First Aid Commissions	400	445	(45)	311	2,973	3,735	(762)	3,458
Total Ancillary Income	885,051	1,048,026	(162,975)	1,295,035	5,375,961	7,052,043	(1,676,082)	8,138,550
Total Event Income	1,008,653	1,163,362	(154,710)	1,444,952	6,705,728	8,278,686	(1,572,958)	9,327,405
Other Operating Income								
Non-Event Parking	2,888	4,600	(1,713)	8,378	48,021	46,000	2,021	56,043
Other Income	35,128	3,174	31,954	9,069	75,308	31,740	43,568	57,344
Total Other Operating Income	38,015	7,774	30,241	17,446	123,328	77,740	45,588	113,387
Total Gross Income	1,046,668	1,171,136	(124,468)	1,462,398	6,829,057	8,356,426	(1,527,369)	9,440,792
Net Salaries & Benefits								
Salaries & Wages	387,302	405,883	18,581	347,207	3,674,838	4,058,830	383,992	3,351,282
Payroll Taxes & Benefits	94,850	94,885	35	87,512	953,457	948,850	(4,607)	895,851
Labor Allocations to Events	(53,819)	(46,375)	7,444	(42,221)	(419,166)	(353,111)	66,055	(329,534)
Total Net Salaries & Benefits	428,332	454,393	26,061	392,498	4,209,129	4,654,569	445,440	3,917,599
Other Indirect Expenses								
Net Contracted Services	15,539	32,615	17,076	32,883	256,322	320,250	63,928	275,874
Operations	32,031	17,091	(14,940)	22,672	136,633	151,310	14,677	176,045
Repair & Maintenance	53,013	66,265	13,252	66,806	492,631	662,650	170,019	615,376
Operational Supplies	65,479	63,333	(2,146)	67,552	467,670	567,049	99,379	503,399
Insurance	14,370	18,452	4,082	15,822	106,673	152,599	45,926	146,434
Utilities	255,170	215,288	(39,882)	197,657	1,892,798	1,924,821	32,023	1,826,460
Meetings & Conventions	1,718	3,608	1,890	4,901	17,030	21,260	4,230	18,071
Promotions & Communications	5,408	3,533	(1,875)	204	52,999	35,330	(17,669)	34,239
General & Administrative	27,698	27,325	(373)	18,325	210,065	275,240	65,175	223,950
Management Fees	10,800	10,800	0	10,600	108,000	108,000	0	106,000
Other	71,856	6,384	(65,472)	5,602	158,845	64,440	(94,405)	622,568
Total Other Indirect	553,081	464,694	(88,387)	443,025	3,899,667	4,282,949	383,282	4,548,414
Net Income (Loss) before CIP Funded Expenses	65,255	252,049	(186,795)	626,875	(1,279,739)	(581,092)	(698,647)	974,778
CIP Funded Expenses	38,735	0	38,735	5,402	58,222	0	58,222	572,081
Net Income (Loss) from Operations	103,989	252,049	(148,060)	632,277	(1,221,517)	(581,092)	(640,425)	1,546,859
Fixed Asset Purchases	12,090	33,334	21,244	8,895	115,517	100,002	(15,515)	83,640
Net Income (Loss) After Fixed Asset Purchases	91,899	218,715	(126,817)	623,382	(1,337,034)	(681,094)	(655,940)	1,463,219



**Hawaii Convention Center**  
Facility  
Income Statement  
From 10/1/2018 Through 10/31/2018  
(In Whole Numbers)

	Current Month Actual	Current Month Budget	Variance	Current Month Prior Year	YTD Actual	YTD Budget	Variance	YTD Prior Year
<b>Revenues</b>								
Food & Beverage	1,189,722	1,257,464	(67,742)	1,631,241	7,570,632	9,350,343	(1,779,711)	10,601,185
Facility	619,964	589,692	30,272	485,725	4,298,093	4,152,977	145,115	4,205,103
<b>Total Revenues</b>	<b>1,809,686</b>	<b>1,847,156</b>	<b>(37,470)</b>	<b>2,116,966</b>	<b>11,868,724</b>	<b>13,503,320</b>	<b>(1,634,596)</b>	<b>14,806,287</b>
<b>Expenses</b>								
Food & Beverage	735,021	643,578	(91,443)	655,672	5,001,663	5,328,813	327,150	5,248,506
Facility	1,009,411	951,529	(57,882)	834,420	8,146,800	8,755,600	608,799	8,583,003
<b>Total Expenses</b>	<b>1,744,432</b>	<b>1,595,107</b>	<b>(149,325)</b>	<b>1,490,091</b>	<b>13,148,464</b>	<b>14,084,413</b>	<b>935,949</b>	<b>13,831,509</b>
Net Income (Loss) before CIP Funded Expenses	65,255	252,049	(186,795)	626,875	(1,279,739)	(581,092)	(698,647)	974,778
CIP Funded Expenses	38,735	0	38,735	5,402	58,222	0	58,222	572,081
Net Income (Loss) from Operations	103,990	252,049	(148,060)	632,277	(1,221,517)	(581,092)	(640,425)	1,546,859
Fixed Asset Purchases	12,090	33,334	21,244	8,895	115,517	100,002	(15,515)	83,640
Net Income (Loss) after Fixed Asset Purchases	91,900	218,715	(126,816)	623,382	(1,337,034)	(681,094)	(655,940)	1,463,219



# **Agenda Item**

## **8**

**Presentation by AEG  
Regarding an Update of  
Hawai'i Convention Center  
Recent Operational Activities  
and Sales Initiatives**



# November 2018

HTA Board of Directors Update  
December 2018 Report





# ***Agenda***

- **Financials – November 2018**
- **HCC ROI**
- **Sales & Marketing Update**



# 2018 Facility Financial Update

Facility	2018 November	2018 November YTD	2018 Reforecast	2018 Budget	Variance	2017 Actual
Occupancy	22%	29%	29%	31%	(2%)	33%
Number of Events	27	188	204	205	(1)	182
Gross Revenue	\$1,305,900	\$13,174,700	\$13,931,800	\$15,072,400	(\$1,140,600)	\$17,586,400
Gross Expenses	\$1,408,700	\$14,614,500	\$16,195,800	\$17,031,700	\$835,900	\$16,469,800
Net Income(Loss)	(\$102,800)	(\$1,439,800)	(\$2,264,000)	(\$1,959,300)	(\$304,700)	\$1,116,600

# 2018 Food & Beverage Update

Food & Beverage	2018 November	2018 November YTD	2018 Reforecast	2018 Budget	Variance	2017 Actual
<b>F&amp;B Revenue</b>	<b>\$873,300</b>	<b>\$8,443,900</b>	<b>\$8,801,600</b>	<b>\$10,303,900</b>	<b>(\$1,502,300)</b>	<b>\$12,768,900</b>
F&B Expenses	\$543,600	\$5,545,300	\$5,801,100	\$6,025,100	\$224,000	\$6,383,200
Net Income	\$329,700	\$2,898,600	\$3,000,500	\$4,278,800	(\$1,278,300)	\$6,385,700
% of flow through	38%	35%	34%	42%	(8%)	50%



## 2018 ROI NOVEMBER YTD

HCC Revenue + State Revenue + Tax Revenue  
= \$396.7M

HCC Expense \$20.2M

***ROI = For every dollar spent by HCC we returned  
\$19.61 to the State***

# HCC Sales Updates

- Converted 11,557 room nights in November 2018; bringing November YTD room nights to 89,037.
- Working through the end of the year to achieve **room night goal of 232,000?**
- **Closed International Federation of Employee Benefit Plans 2030 and 2035 last week representing over 80,000 room nights**
- The tentative pipeline total is 641,092. Focus continues to be to convert these to Definite.



# General Managers Forum



## PLEASE SAVE THE DATE FOR OUR NEXT GENERAL MANAGERS' FORUM

Friday, February 22, 2019  
12:00 pm to 3:00 pm  
Hawai'i Convention Center

*Lunch will be served. Agenda and meeting details to follow.*

For any questions, please contact David Kliman at [david@klimangroup.com](mailto:david@klimangroup.com)



# Waikiki General Managers Meeting



[Login](#)

[Sign Up](#)



**General Managers' Forum Microsite  
Hosted by the Hawai'i Convention Center**

The image shows the exterior of the Hawai'i Convention Center, a large glass and steel building. In the foreground, there are several tall palm trees and three flagpoles with the American, Hawaiian, and United Nations flags. The sky is clear and blue.



# Client Advisory Board Meeting



**PLEASE SAVE THE DATE FOR OUR NEXT  
CUSTOMER ADVISORY BOARD MEETING**

**February 20 to 22, 2019  
Hawai'i Convention Center**

**You are also welcome to attend the MCI General Managers' Forum which will  
take place on February 22nd from 12pm to 3pm after the CAB Meeting**

*Agenda and other details to follow*

**For questions, please contact David Kliman at [david@klimangroup.com](mailto:david@klimangroup.com) or visit [cab.hawaiiconvention.com](http://cab.hawaiiconvention.com)**

**HAWAII**  
CONVENTION CENTER  
Where Business and Aloha Meet



Wishing you a Happy New Year



CONVENTION CENTER

Where Business and Aloha Meet

# **Agenda Item**

## **9**

**Report of the Audit Standing  
Committee on the Financial  
Audit for Fiscal Year 2018**





**HAWAII TOURISM AUTHORITY**  
**REPORT TO THE BOARD OF DIRECTORS**  
**For the Year Ended June 30, 2018**

The Board of Directors,  
Hawaii Tourism Authority:

We have audited the financial statements of the Hawaii Tourism Authority (Authority) as of and for the year ended June 30, 2018, and have issued our report thereon dated December 12, 2018. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our 2016 agreement, as amended, with the Office of the Auditor of the State of Hawaii and in our engagement letter dated July 6, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal control in a separate Report to Management dated December 12, 2018 and in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* dated December 12, 2018.

### Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing in the 2016 agreement, as amended, with the Office of the Auditor of the State of Hawaii and in our engagement letter dated July 6, 2018.

### Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, our firm, and our affiliated firms, as appropriate, have complied with all relevant ethical requirements regarding independence.

### Qualitative Aspects of the Entity's Accounting Practices

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note (1) to the financial statements. Except for the adoption of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, there have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2018 that had a material effect on the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive estimates affecting the financial statements are the depreciation of fixed assets, valuation of other postemployment benefits liability, and valuation of the pension liability.

Management's estimates of the valuation of investments, depreciation of fixed assets, valuation of other postemployment benefits liability, and valuation of the pension liability are based on the key factors and assumptions described in Note (1) to the financial statements. We evaluated the key factors and assumptions used to develop those estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Authority's financial statements relate to the reconciliation of the governmental funds balance sheet to the statement of net position; the reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the statement of activities; the disclosure of the amounts due to the State Department of Budget and Finance; and the required disclosure of the State's Employees' Retirement System, eligibility requirements, retirement benefits, and certain related financial matters.



### Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### Uncorrected and Corrected Misstatements

For purposes of this report, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements, if any, related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedules summarize the misstatements that we identified as a result of our audit procedures, were brought to the attention of, and corrected by, management.

### Disagreements with Management

For purposes of this report, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### Representations Requested from Management

We have requested certain written representations from management, which are included in the attached management representation letter dated December 12, 2018.

### Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditor for other information in documents containing the Authority's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Other Matters

The net position of the Authority as of June 30, 2017 has been restated for the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditor.

\* \* \* \* \*

This report is intended solely for the use of the Board of Directors and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

CW ASSOCIATES, CPAs

Honolulu, Hawaii  
December 12, 2018



Client: 1793.A - Hawaii Tourism Authority  
Engagement: 495 - GOV - Hawaii Tourism Authority  
Period Ending: 6/30/2018  
Trial Balance: 3000.10 - TB - Tourism Special Fund  
Workpaper: 3110.30 - Adjusting Journal Entries - Tourism Special Fund

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 101</b>		<b>5100.30</b>		
To accrue additional accounts payable per review of subsequent disbursements.				
5000-348-18	Exp - Contract - Tourism		330,900.00	
2000-348-00	Accounts Payable			330,900.00
<b>Total</b>			<b>330,900.00</b>	<b>330,900.00</b>
<b>Adjusting Journal Entries JE # 102</b>		<b>5100.30</b>		
To exclude from accounts payable improperly accrued invoice for subsequent year services.				
2000-348-00	Accounts Payable		200,000.00	
5000-348-18	Exp - Contract - Tourism			200,000.00
<b>Total</b>			<b>200,000.00</b>	<b>200,000.00</b>
<b>Adjusting Journal Entries JE # 301</b>		<b>3200.12</b>		
CAJE to rollforward Tourism Special Fund balance.				
3950-348-00	Fund Balance Adjustment		5,340,445.00	
4200-348-00	Interest and Dividends		23,938.00	
5000-348-17	Exp - Contract - Tourism		830,598.00	
5100-348-17	Exp - Personnel - Tourism		65,510.00	
5200-348-00	General and Administrative		11,169.00	
4210-348-00	Change in FV of Investments			9,589.00
5000-348-17	Exp - Contract - Tourism			729,154.00
5000-348-17	Exp - Contract - Tourism			5,377,306.00
5100-348-17	Exp - Personnel - Tourism			131,753.00
5200-348-00	General and Administrative			23,858.00
<b>Total</b>			<b>6,271,660.00</b>	<b>6,271,660.00</b>
<b>Adjusting Journal Entries JE # 302</b>		<b>5100.20</b>		
CAJE to accrue for A/P obligations at year end.				
3000-348-18	Reserve for Encum - Tourism		2,479,687.00	
5000-348-18	Exp - Contract - Tourism		2,448,513.00	
5200-348-00	General and Administrative		31,174.00	
2000-348-00	Accounts Payable			2,479,687.00
3100-348-18	Unreserved - Tourism			2,479,687.00
<b>Total</b>			<b>4,959,374.00</b>	<b>4,959,374.00</b>
<b>Adjusting Journal Entries JE # 303</b>		<b>4400.20</b>		
CAJE to record prepaid expenses at year-end.				
1300-348-00	Prepaid Expenses		547,592.64	
3100-348-18	Unreserved - Tourism		547,592.64	
3000-348-18	Reserve for Encum - Tourism			547,592.64
5000-348-18	Exp - Contract - Tourism			540,304.68
5200-348-00	General and Administrative			7,287.96
<b>Total</b>			<b>1,095,185.28</b>	<b>1,095,185.28</b>



Client: 1793.A - Hawaii Tourism Authority  
Engagement: 495 - GOV - Hawaii Tourism Authority  
Period Ending: 6/30/2018  
Trial Balance: 3000.10 - TB - Tourism Special Fund  
Workpaper: 3110.30 - Adjusting Journal Entries - Tourism Special Fund

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 304</b>		<b>3200.60</b>		
CAJE to properly reclassify revenues.				
4000-348-17	Revenue - Tourism		28,644.98	
4000-348-18	Revenue - Tourism		138,033.02	
4000-398-17	Revenue - Protocol		3,750.00	
4900-348-00	Miscellaneous			170,428.00
<b>Total</b>			<b>170,428.00</b>	<b>170,428.00</b>
<b>Adjusting Journal Entries JE # 305</b>		<b>4150.20</b>		
CAJE to reclassify investment-related balances.				
4000-348-18	Revenue - Tourism		28,595.71	
5200-348-00	General and Administrative		32,808.76	
4200-348-00	Interest and Dividends			61,404.47
<b>Total</b>			<b>61,404.47</b>	<b>61,404.47</b>
<b>Adjusting Journal Entries JE # 306</b>		<b>4150.20</b>		
CAJE to record investment income and checking account interest for the year ended. This income was not reported to DAGS.				
1000-348-00	Checking 348		111,930.42	
4200-348-00	Interest and Dividends			111,930.42
<b>Total</b>			<b>111,930.42</b>	<b>111,930.42</b>
<b>Adjusting Journal Entries JE # 307</b>		<b>3200.60</b>		
CAJE to accrue for wages payable at YE.				
5100-348-18	Exp - Personnel - Tourism		101,361.00	
2100-348-00	Accrued Payroll			101,361.00
<b>Total</b>			<b>101,361.00</b>	<b>101,361.00</b>
<b>Adjusting Journal Entries JE # 308</b>		<b>3200.60</b>		
CAJE to record accounts receivable for refund from vendors.				
1200-348-00	Accounts Receivable		300.00	
1200-348-00	Accounts Receivable		1,031.04	
1200-348-00	Accounts Receivable		1,600.00	
1200-348-00	Accounts Receivable		15,000.00	
1200-348-00	Accounts Receivable		16,000.00	
1200-348-00	Accounts Receivable		24,000.00	
5000-348-18	Exp - Contract - Tourism			57,931.04
<b>Total</b>			<b>57,931.04</b>	<b>57,931.04</b>
<b>Adjusting Journal Entries JE # 309</b>		<b>3200.60</b>		
CAJE to properly state expenditures for the year ended 6/30/18.				
5000-348-18	Exp - Contract - Tourism		4,000.00	
1000-348-00	Checking 348			4,000.00
<b>Total</b>			<b>4,000.00</b>	<b>4,000.00</b>

Client: **1793.A - Hawaii Tourism Authority**  
Engagement: **495 - GOV - Hawaii Tourism Authority**  
Period Ending: **6/30/2018**  
Trial Balance: **3000.10 - TB - Tourism Special Fund**  
Workpaper: **3110.40 - Reclassifying Journal Entries - Tourism Special Fund**

Account	Description	W/P Ref	Debit	Credit
<b>Reclassifying Journal Entries JE # 201</b>		<b>7100.60</b>		
To reclassify G&A and other expenses from contract expenses.				
5200-348-00	General and Administrative		700,603.09	
5300-348-00	Other		208,298.38	
5000-348-15	Exp - Contract - Tourism			1,183.71
5000-348-16	Exp - Contract - Tourism			9,115.79
5000-348-17	Exp - Contract - Tourism			395,230.22
5000-348-18	Exp - Contract - Tourism			496,210.97
5000-398-17	Exp - Contract - Protocol			886.86
5000-398-18	Exp - Contract - Protocol			6,273.92
<b>Total</b>			<b>908,901.47</b>	<b>908,901.47</b>
<b>Reclassifying Journal Entries JE # 202</b>		<b>7300.20</b>		
To reclassify external transfers for report purposes.				
4960-348-00	Transfers - Out of/(into) HTA		30,000.00	
4950-348-00	Transfers			30,000.00
<b>Total</b>			<b>30,000.00</b>	<b>30,000.00</b>



Client: 1793.A - Hawaii Tourism Authority  
Engagement: 495 - GOV - Hawaii Tourism Authority  
Period Ending: 6/30/2018  
Trial Balance: 3000.20 - TB - Convention Center Enterprise Special Fund  
Workpaper: 3120.30 - Adjusting Journal Entries - Convention Center Fund

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 101</b>		<b>5100.30</b>		
To accrue additional accounts payable per review of subsequent disbursements.				
5000-361-18	Exp - Contract - Conv		190,800.00	
2000-361-00	Accounts Payable			190,800.00
<b>Total</b>			<b>190,800.00</b>	<b>190,800.00</b>
<b>Adjusting Journal Entries JE # 301</b>		<b>3200.12</b>		
CAJE to rollforward Convention Center Fund balance.				
3950-361-00	Fund Balance Adjustment		12,595,715.00	
4150-361-00	HCC Revenue		138,113.00	
4200-361-00	Interest and Dividends		3,111.00	
5000-361-18	Exp - Contract - Conv		429,057.00	
4210-361-00	Change in FV of Investments			3,660.00
5000-361-17	Exp - Contract - Conv			290,833.00
5100-361-17	Exp - Personnel - Conv			14,969.00
5600-361-00	Bond Debt Service			6,425,917.00
5600-361-00	Bond Debt Service			6,430,617.00
<b>Total</b>			<b>13,165,996.00</b>	<b>13,165,996.00</b>
<b>Adjusting Journal Entries JE # 302</b>		<b>5100.20</b>		
CAJE to accrue for A/P obligations at year end.				
3000-361-18	Reserve for Encum - Conv		278,995.00	
5000-361-18	Exp - Contract - Conv		278,995.00	
2000-361-00	Accounts Payable			278,995.00
3100-361-18	Unreserved - Conv			278,995.00
<b>Total</b>			<b>557,990.00</b>	<b>557,990.00</b>
<b>Adjusting Journal Entries JE # 303</b>		<b>3200.60</b>		
CAJE to properly reclassify debt service payments.				
5600-361-00	Bond Debt Service		20,000,000.00	
5000-361-18	Exp - Contract - Conv			20,000,000.00
<b>Total</b>			<b>20,000,000.00</b>	<b>20,000,000.00</b>
<b>Adjusting Journal Entries JE # 304</b>		<b>5300.20</b>		
CAJE to record unpaid matured interest on bond debt.				
5600-361-00	Bond Debt Service		6,426,917.00	
5600-361-00	Bond Debt Service		12,856,534.00	
2500-361-00	Due to Dept of B&F - Current			19,283,451.00
<b>Total</b>			<b>19,283,451.00</b>	<b>19,283,451.00</b>



Client: **1793.A - Hawaii Tourism Authority**  
Engagement: **495 - GOV - Hawaii Tourism Authority**  
Period Ending: **6/30/2018**  
Trial Balance: **3000.20 - TB - Convention Center Enterprise Special Fund**  
Workpaper: **3120.30 - Adjusting Journal Entries - Convention Center Fund**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 305</b>		<b>4150.20</b>		
CAJE to reclassify investment-related balances.				
5200-361-00	General and Administrative		11,585.97	
4200-361-00	Interest and Dividends			11,585.97
<b>Total</b>			<b>11,585.97</b>	<b>11,585.97</b>
<b>Adjusting Journal Entries JE # 306</b>		<b>3200.60</b>		
CAJE to reclassify investment income from revenue.				
4000-361-18	Revenue - Conv		39,204.49	
4200-361-00	Interest and Dividends			39,204.49
<b>Total</b>			<b>39,204.49</b>	<b>39,204.49</b>
<b>Adjusting Journal Entries JE # 307</b>		<b>3200.60</b>		
CAJE to accrue for wages payable at YE.				
5100-361-18	Exp - Personnel - Conv		10,874.00	
2100-361-00	Accrued Payroll			10,874.00
<b>Total</b>			<b>10,874.00</b>	<b>10,874.00</b>
<b>Adjusting Journal Entries JE # 308</b>		<b>3200.60</b>		
CAJE to properly reclassify HCC revenue.				
4000-361-17	Revenue - Conv		156,345.53	
4000-361-18	Revenue - Conv		10,967,651.47	
4150-361-00	HCC Revenue			11,073,309.00
4900-361-00	Miscellaneous			50,688.00
<b>Total</b>			<b>11,123,997.00</b>	<b>11,123,997.00</b>
<b>Total Adjusting Journal Entries</b>			<b>64,383,898.46</b>	<b>64,383,898.46</b>
<b>Total All Journal Entries</b>			<b>64,383,898.46</b>	<b>64,383,898.46</b>

Client: **1793.A - Hawaii Tourism Authority**  
 Engagement: **495 - GOV - Hawaii Tourism Authority**  
 Period Ending: **6/30/2018**  
 Trial Balance: **3000.20 - TB - Convention Center Enterprise Special Fund**  
 Workpaper: **3120.40 - Reclassifying Journal Entries - Convention Center Fund**

Account	Description	W/P Ref	Debit	Credit
<b>Reclassifying Journal Entries</b>				
<b>Reclassifying Journal Entries JE # 201</b>		<b>7100.60</b>		
To reclassify other expense from contract expenses.				
5300-361-00	Other		113,458.80	
5000-361-18	Exp - Contract - Conv			113,458.80
<b>Total</b>			<b>113,458.80</b>	<b>113,458.80</b>
<b>Reclassifying Journal Entries JE # 202</b>				
<b>Reclassifying Journal Entries JE # 202</b>		<b>3200.60</b>		
To reclassify receipt of working capital refund from HCC from HCC revenue to expenses.				
4150-361-00	HCC Revenue		427,428.00	
5000-361-18	Exp - Contract - Conv			427,428.00
<b>Total</b>			<b>427,428.00</b>	<b>427,428.00</b>
<b>Total Reclassifying Journal Entries</b>			<b>540,886.80</b>	<b>540,886.80</b>
<b>Total All Journal Entries</b>			<b>540,886.80</b>	<b>540,886.80</b>



Client: **1793.A - Hawaii Tourism Authority**  
 Engagement: **495 - GOV - Hawaii Tourism Authority**  
 Period Ending: **6/30/2018**  
 Trial Balance: **3000.30 - TB - Tourism Emergency Special Fund**  
 Workpaper: **3130.30 - Adjusting Journal Entries - Tourism Emergency Special Fund**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 301</b>		<b>4150.20</b>		
CAJE to reclassify investments from cash.				
1100-991-00	Investments		799,976.00	
1000-991-00	Cash - Emergency			799,976.00
<b>Total</b>			<b>799,976.00</b>	<b>799,976.00</b>
	<b>Total Adjusting Journal Entries</b>		<b>799,976.00</b>	<b>799,976.00</b>
	<b>Total All Journal Entries</b>		<b>799,976.00</b>	<b>799,976.00</b>



**HAWAII TOURISM AUTHORITY**  
**MANAGEMENT REPRESENTATION LETTER**  
**For the Year Ended June 30, 2018**

To CW Associates, CPAs:

This representation letter is provided in connection with your audit of the financial statements of the Hawaii Tourism Authority (Authority), a component unit of the State of Hawaii, which comprise the statement of net position of governmental activities as of June 30, 2018, and the related statement of activities, the financial position of each major fund, and the aggregate remaining fund information of the Authority and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the basic financial statements present fairly, in all material respects, the various opinion units of the Authority in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

As part of your engagement, you assisted in the preparation of the financial statements and the related notes to the financial statements. We have designated individuals with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes. In addition, you have provided us with trial balances prepared from our general ledger for use during your audit and proposed adjustments to our accounts. We are in agreement with those adjustments.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, make it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Except where otherwise stated below, immaterial matters less than \$3,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of the financial statements and through the date of this representation letter, the following:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the 2016 agreement with the Office of the Auditor of the State of Hawaii and in our engagement letter dated July 6, 2018, for the preparation and fair presentation of the financial statements of the Authority in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.



Financial Statements (continued)

4. We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
5. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
6. We have a process to track the status of audit findings and recommendations, if any.
7. We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
8. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
9. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
10. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure, if any, have been adjusted or disclosed.
11. There are no uncorrected misstatements whose effects in the current period, as determined by management, are material, both individually and in the aggregate, to the financial statements taken as a whole. We have corrected all identified material misstatements.
12. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
13. All related organizations are properly disclosed, if any.
14. All funds and activities are properly classified.
15. All funds that meet the quantitative criteria in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
16. All components of net position, nonspendable fund balance, and restricted and committed fund balances are properly classified and, if applicable, approved.
17. Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
18. All revenues within the statement of activities have been properly classified as program revenues or general revenues.
19. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
20. All interfund and intra-entity transactions and balances have been properly classified and reported.
21. Special items and extraordinary items, if any, have been properly classified and reported.
22. Deposit and investment risks have been properly and fully disclosed.
23. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
24. All required supplementary information is measured and presented within the prescribed guidelines.
25. With regard to investments and other instruments reported at fair value:
  - a. The underlying assumptions are reasonable and they appropriately reflect management’s intent and ability to carry out its stated courses of action.
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
  - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.


Information Provided

26. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
27. All transactions have been recorded in the accounting records and are reflected in the financial statements.
28. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
29. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the financial statements.
30. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
31. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements, if any.
32. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, if any.
33. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
34. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
35. We have disclosed to you all guarantees, whether written or oral, under which the Authority is contingently liable, if any.
36. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
37. We have identified and disclosed to you the laws, regulations, and provisions of contracts and agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
38. There are no:
  - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB Statement No. 62.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62.



Information Provided (continued)

39. We have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
40. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
41. With respect to the required supplementary information accompanying the financial statements:
  - a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with GASB-34.
  - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with GASB-34.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
42. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.

  
\_\_\_\_\_  
Marc Y. Togashi

Vice President, Finance

*December 12, 2018*  
\_\_\_\_\_  
Date

**HAWAII TOURISM AUTHORITY  
(A Component Unit of the State of Hawaii)**

**FINANCIAL STATEMENTS**

**June 30, 2018**

**(With Independent Auditor's Report Thereon)**



**CW Associates**

*A Hawaii Certified Public Accounting Corporation*

**HAWAII TOURISM AUTHORITY**  
**(A Component Unit of the State of Hawaii)**

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**For the Year Ended June 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

Office of the Auditor  
State of Hawaii

The Board of Directors  
Hawaii Tourism Authority

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hawaii Tourism Authority (Authority) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### ***Opinions on the Financial Statements***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparisons thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

As discussed in Note 1 to the financial statements, the financial statements of the Authority are intended to present the financial position and the changes in financial position of only that portion of the component units of the State of Hawaii that are attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2018, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Application of this statement was effective as of July 1, 2017. As discussed in Note 10 to the financial statements, the 2017 beginning net position of the Authority has been restated for the adoption of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Report on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

CW ASSOCIATES, CPAs

Honolulu, Hawaii  
December 12, 2018

**HAWAII TOURISM AUTHORITY**  
**(A Component Unit of the State of Hawaii)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Year Ended June 30, 2018**

The Hawaii Tourism Authority (Authority) was established on January 1, 1999 by Act 156, Session Laws of Hawaii 1998. The Authority is responsible for developing and implementing a strategic tourism marketing plan to enhance and promote the tourism industry in the State of Hawaii (State). As management of the Authority, we offer readers of these basic financial statements, this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2018. This discussion and analysis is designed to assist the reader in focusing on the Authority's significant financial issues and activities and to identify any significant changes in the Authority's financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements as a whole.

**Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, accounted for on an economic resources measurement focus using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the fiscal year's revenues and expenses are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods. Government-wide financial statements are comprised of the following:

- *The Statement of Net Position*, which presents all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- *The Statement of Activities*, which presents information showing the Authority's revenues and expenses for the fiscal year. Functional activities are highlighted in this statement, whereby direct and indirect functional costs are shown, net of related program revenue. This statement shows the extent to which the various functions depend on taxes and nonprogram revenues for support.

**HAWAII TOURISM AUTHORITY  
(A Component Unit of the State of Hawaii)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**For the Year Ended June 30, 2018**

**Overview of the Basic Financial Statements (continued)**

***Fund Financial Statements***

A fund is a grouping of related accounts, which is used to maintain control over resources that have been segregated for specific activities or objectives.

*Governmental Funds* – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities of the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation on pages 17 and 18 to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains three governmental funds (Tourism Special Fund, Convention Center Enterprise Special Fund, and Tourism Emergency Special Fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each of these funds.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**HAWAII TOURISM AUTHORITY**  
**(A Component Unit of the State of Hawaii)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**For the Year Ended June 30, 2018**

**Overview of the Basic Financial Statements (continued)**

***Condensed Financial Information***

The following are summaries from the Authority's government-wide financial statements as of and for the years ended June 30, 2018 and 2017:

Condensed Statements of Net Position

As of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current assets	\$ 98,492,000	\$ 89,717,000
Capital assets, net of depreciation	204,031,000	206,362,000
Investments – noncurrent	800,000	11,585,000
Other noncurrent assets	<u>19,885,000</u>	<u>15,933,000</u>
Total assets	<u>323,208,000</u>	<u>323,597,000</u>
Deferred outflows of resources	<u>1,951,000</u>	<u>2,331,000</u>
Total assets and deferred outflows of resources	<u>\$ 325,159,000</u>	<u>\$ 325,928,000</u>
Liabilities		
Current liabilities	\$ 227,743,000	\$ 42,419,000
Noncurrent liabilities	<u>11,943,000</u>	<u>212,418,000</u>
Total liabilities	<u>239,686,000</u>	<u>254,837,000</u>
Deferred inflows of resources	<u>607,000</u>	<u>399,000</u>
Net position		
Invested in capital assets, net of related debt	43,806,000	29,557,000
Restricted	<u>41,060,000</u>	<u>41,135,000</u>
Total net position	<u>84,866,000</u>	<u>70,692,000</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 325,159,000</u>	<u>\$ 325,928,000</u>



**HAWAII TOURISM AUTHORITY**  
**(A Component Unit of the State of Hawaii)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**For the Year Ended June 30, 2018**

**Overview of the Basic Financial Statements (continued)**

**Condensed Financial Information (continued)**

Condensed Statements of Activities

For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Expenses		
Hawaii Convention Center management		
Contract	\$ 15,241,000	\$ 15,544,000
Interest on debt obligation to State Department of Budget and Finance	9,350,000	10,316,000
Depreciation	7,278,000	7,251,000
Payroll	281,000	309,000
Other	113,000	184,000
Pension	94,000	94,000
Postemployment	45,000	41,000
Administrative and general	12,000	11,000
Total Hawaii Convention Center management expenses	<u>32,414,000</u>	<u>33,750,000</u>
Tourism and marketing		
Contract	68,781,000	68,548,000
Payroll	2,064,000	2,173,000
Administrative and general	745,000	510,000
Pension	693,000	647,000
Postemployment	330,000	289,000
Other	208,000	135,000
Total tourism and marketing expenses	<u>72,821,000</u>	<u>72,302,000</u>
Total expenses	<u>105,235,000</u>	<u>106,052,000</u>
Revenues		
Program		
Charges for services	10,508,000	10,147,000
General		
Transient accommodations tax	108,500,000	108,500,000
Other	431,000	300,000
Total revenues	<u>119,439,000</u>	<u>118,947,000</u>
Transfers	<u>(30,000)</u>	<u>(30,000)</u>
Change in net position	14,174,000	12,865,000
Net position – beginning of year, as restated	<u>70,692,000</u>	<u>57,827,000</u>
Net position – end of year	<u>\$ 84,866,000</u>	<u>\$ 70,692,000</u>

**HAWAII TOURISM AUTHORITY  
(A Component Unit of the State of Hawaii)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**For the Year Ended June 30, 2018**

**Overview of the Basic Financial Statements (continued)**

*Financial Analysis*

*Current Assets* increased by approximately \$8,775,000, or 10%, primarily due to an increase in cash of approximately \$15,400,000, partially offset by a decrease in other current assets of approximately \$6,115,000. Cash is primarily available for current contracts. Other current assets consists of prepaid expenses and unspent funds held by Anschutz Entertainment Group (AEG) and the Department of Accounting and General Services (DAGS) for emergency capital improvements, repair or maintenance purchases, and various capital improvement projects for the Hawaii Convention Center (Center) that are expected to be expended in the subsequent year.

*Capital Assets* decreased by approximately \$2,331,000, or 1%, primarily due to the recording of current year depreciation expense of approximately \$7,278,000, partially offset by an increase of approximately \$4,947,000 in construction in progress relating to improvements at the Center and other capital asset purchases. A substantial portion of the Authority's capital asset additions pertains to renovations and improvements to the Center. See Note 5 to the financial statements.

*Investments* decreased by approximately \$10,785,000, or 93%, due to the majority of the investments being liquidated to cash and transferred to DAGS.

*Other Noncurrent Assets* increased by approximately \$3,952,000, or 25%. This represents unspent funds held by AEG and DAGS for emergency capital improvements, repair or maintenance purchases, and funds earmarked for various capital improvement projects for the Center.

*Current Liabilities* increased by approximately \$185,324,000, or 437%, primarily due to an increase in current amounts due to the State Department of Budget and Finance (Budget and Finance) of approximately \$189,750,000. Amounts due to Budget and Finance pertain to current year reimbursements for debt service payments on general obligation bonds whose proceeds were used to fund the construction of the Center.

*Noncurrent Liabilities* decreased by approximately \$200,475,000, or 94%, primarily due to a decrease in amounts due to Budget and Finance subsequent to the ensuing year.

*Net position* went from a net position of approximately \$70,692,000 (restated due to the adoption of GASB Statement No. 75 – See Note 10) at June 30, 2017 to a net position of approximately \$84,866,000 at June 30, 2018 due to the operating results of the Authority.

During the period from October 1992 through April 1998, the State issued a series of general obligation bonds, proceeds of which were used to fund the construction of the Center. These bonds are obligations of the State and are secured by the State's full faith and credit. The debt service for the general obligation bonds is appropriated by the Legislature from general funds. The Authority's statutorily required Reimbursable General Obligation payments are funded by an allocated portion of the State's transient accommodations tax (TAT) revenue and revenue generated from the operation of the Center.

**HAWAII TOURISM AUTHORITY**  
**(A Component Unit of the State of Hawaii)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**For the Year Ended June 30, 2018**

**Overview of the Basic Financial Statements (continued)**

*Financial Analysis (continued)*

Effective July 1, 2002, the Convention Center Fund was established by Act 253. In accordance with Act 253, the Convention Center Fund was placed within the Authority and was created to receive all revenues generated from the Center's operations and an allocated portion of the revenues received from the State's TAT. Act 253 further states that all funds collected by the Convention Center Fund are to be used to pay all expenses arising from the use and operation of the Center and to pay any and all debt service relating to the Center. However, responsibility for debt service payments to the bondholders on the general obligation bonds referred to above remains with the State through Budget and Finance.

As noted above, effective July 1, 2002, Act 253 established the Convention Center Fund, which provided the Authority the ability to reimburse Budget and Finance for debt service payments with funds from the Center's operations and an allocated portion of the State's TAT. Management believes the Authority did not have the legal capacity over these funds, or the means to budget for payment of the debt service obligations during the period from July 1, 2000 to June 30, 2002.

Subsequent to June 30, 2002, Budget and Finance informed the Authority that it is required to meet the debt service obligations on the bonds for the period from July 1, 2000 to June 30, 2002. The Authority did not believe it was required to meet these obligations for periods prior to the establishment of the Convention Center Fund and, accordingly, had not recorded this liability in its financial statements. This matter was contested with Budget and Finance.

Budget and Finance contended that its appropriations from the State's General Fund during the period from July 1, 2000 to June 30, 2002 did not include TAT funds specifically allocated for the purpose of servicing the periods' debt service obligations on the bonds.

There is no dispute that from June 30, 2000 to July 1, 2002, the TAT receipts intended for debt service, which prior to July 1, 2000 was allocated to the Convention Center Authority (Chapter 206X, HRS), and subsequent to June 30, 2002 to the Authority (pursuant to HRS Section 237D), were being collected and received by the General Fund. During this period, debt service to bondholders was made. What was disputed was whether the Authority was obligated to reimburse Budget and Finance for the debt service payments made during the period from July 1, 2000 to June 30, 2002.

On August 4, 2011, the State Attorney General opined in favor of Budget and Finance and the Authority increased its liability to Budget and Finance by \$52,865,435, consisting of principal and interest of \$12,690,000 and \$40,175,435, respectively, at June 30, 2011.



**HAWAII TOURISM AUTHORITY**  
**(A Component Unit of the State of Hawaii)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**For the Year Ended June 30, 2018**

**Overview of the Basic Financial Statements (continued)**

*Financial Analysis (continued)*

Pursuant to HRS Section 26-7, the Attorney General is responsible for administering and furnishing legal opinions to the Governor and the various state departments and agencies within the Executive Branch, including the HTA. Although the HTA board of directors does not agree with the legal opinion of the Attorney General, it must comply with its opinion as the official legal entity statutorily responsible for rendering legal opinions to all state departments and agencies within the Executive branch.

On September 28, 2011, the repayment schedule between the Authority and Budget and Finance was amended to incorporate the repayment of the \$52,865,435 by extending the payment term from 2025 to 2027. There were no changes made to the Authority's annual amount of principal and interest payments.

On June 29, 2018, Act 086, Session Laws of Hawaii 2018, canceled the remaining outstanding balance of approximately \$224,110,000 on the debt service payments, effective July 1, 2018.

*Expenses* decreased by approximately \$817,000, or 1%, primarily due to a decrease in interest expense on the debt obligation to the State Department of Budget and Finance in the current year as compared to the prior fiscal year.

*Revenues* increased by approximately \$492,000, or 0.4%, primarily due to an increased in program revenues of approximately \$361,000.

**Financial Analysis of the Authority's Individual Funds**

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental Funds***

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of the Authority's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of approximately \$76,051,000, an increase of approximately \$732,000 in comparison with the prior fiscal year. The Authority's entire fund balance is committed to indicate that it can only be used for specific purposes pursuant to formal action of the Authority's board of directors.

**HAWAII TOURISM AUTHORITY  
(A Component Unit of the State of Hawaii)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**For the Year Ended June 30, 2018**

**Financial Analysis of the Authority's Individual Funds (continued)**

***Governmental Funds (continued)***

The Tourism Special Fund is used to account for functions related to the development and promotion of the tourism industry. At the end of the current fiscal year, committed fund balance of the Tourism Special Fund was approximately \$69,970,000, an increase of 8% from the prior fiscal year. As a measure of the Tourism Special Fund's liquidity, it may be useful to compare the committed fund balance to total fund expenditures. Committed fund balance represents 97% of total Tourism Special Fund expenditures, an increase of 7% from the prior fiscal year.

The Convention Center Enterprise Special Fund was established by Act 253, Session Laws of Hawaii 2002 (Act 253) to receive all revenues generated from the operation of the Center and an allocated portion of the revenues received from the State's TAT. Funds collected by the Convention Center Enterprise Special Fund are used to pay all expenses arising from the use and operation of the Center and to reimburse Budget and Finance for debt service payments on general obligation bonds issued for construction of the Hawaii Convention Center. In accordance with Act 253, the operations of the Convention Center Enterprise Special Fund are included in the Authority's financial statements. At the end of the current fiscal year, the Convention Center Enterprise Special Fund had a committed fund balance of approximately \$1,082,000.

The Tourism Emergency Special Fund was established by Hawaii Revised Statutes Section 201B-10. Monies in the Tourism Emergency Special Fund shall be used exclusively to provide for the development and implementation of emergency measures to respond to any tourism emergency including providing emergency assistance to tourists during the tourism emergency. At the end of the current fiscal year, the Tourism Emergency Special fund had a committed fund balance of approximately \$5,000,000.

**Capital Asset and Debt Administration**

***Capital Assets***

As of June 30, 2018, the Authority had approximately \$204,031,000 invested in capital assets as shown in the following table. There was a net decrease (additions, disposals, and depreciation) of approximately \$2,331,000 from the end of the prior fiscal year.

	<u>2018</u>	<u>2017</u>
Capital assets		
Land	\$ 131,497,000	\$ 131,497,000
Buildings and improvements	211,630,000	211,528,000
Furniture, fixtures, and equipment	5,380,000	5,440,000
Construction in progress	<u>10,151,000</u>	<u>5,305,000</u>
Total capital assets	358,658,000	353,770,000
Less accumulated depreciation	<u>154,627,000</u>	<u>147,408,000</u>
Total capital assets, net	<u>\$ 204,031,000</u>	<u>\$ 206,362,000</u>

**HAWAII TOURISM AUTHORITY**  
**(A Component Unit of the State of Hawaii)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**For the Year Ended June 30, 2018**

**Capital Asset and Debt Administration (continued)**

*Capital Assets (continued)*

Additional information regarding the Authority's capital assets can be found in Note 5 to the financial statements.

*Indebtedness*

As of June 30, 2018, the Authority had approximately \$224,110,000 of amounts due to Budget and Finance compared to approximately \$234,761,000 as of June 30, 2017, which represents a decrease of 5% from prior year. Additional information regarding the Authority's indebtedness can be found in Note 8 to the financial statements.

**HAWAII TOURISM AUTHORITY**  
**(A Component Unit of the State of Hawaii)**

**STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES**

**As of June 30, 2018**

Current assets	
Cash and cash equivalents	\$ 97,121,616
Accounts receivable	57,931
Other current assets	<u>1,312,744</u>
Total current assets	<u>98,492,291</u>
Noncurrent assets	
Investments	<u>799,976</u>
Capital assets	
Land	131,496,508
Construction in progress	10,151,187
Other capital assets, net	<u>62,383,446</u>
Capital assets, net of depreciation	204,031,141
Other noncurrent assets	<u>19,884,586</u>
Total noncurrent assets	<u>224,715,703</u>
Total assets	<u>323,207,994</u>
Deferred outflows of resources related to postemployment	344,648
Deferred outflows of resources related to pensions	<u>1,606,392</u>
Total deferred outflows of resources	<u>1,951,040</u>
Total assets and deferred outflows of resources	<u>\$ 325,159,034</u>

(Continued)



**HAWAII TOURISM AUTHORITY**  
**(A Component Unit of the State of Hawaii)**

**STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES (Continued)**

**As of June 30, 2018**

Current liabilities	
Vouchers payable	\$ 3,398,330
Due to State Department of Budget and Finance (See Note 8)	224,110,234
Accrued payroll	112,235
Accrued vacation	<u>122,552</u>
Total current liabilities	<u>227,743,351</u>
Long-term liabilities	
Accrued vacation, net of current position	221,037
Postemployment liability	5,564,284
Pension liability, net	<u>6,157,263</u>
Total long-term liabilities	<u>11,942,584</u>
Total liabilities	<u>239,685,935</u>
Deferred inflows of resources related to postemployment	7,418
Deferred inflows of resources related to pensions	<u>599,873</u>
Total deferred inflows of resources	<u>607,291</u>
Total liabilities and deferred inflows of resources	<u>240,293,226</u>
Net position	
Net investment in capital assets	43,805,852
Restricted	<u>41,059,956</u>
Total net position	<u>84,865,808</u>
Total liabilities and net position	<u>\$325,159,034</u>

See accompanying notes to the financial statements.

**HAWAII TOURISM AUTHORITY**  
**(A Component Unit of the State of Hawaii)**

**STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES**

**For the Year Ended June 30, 2018**

	Functional Programs		
	Hawaii Convention Center Management	Tourism and Marketing	Total
Expenses			
Contracts	\$ 15,241,377	\$ 68,780,078	\$ 84,021,455
Interest on debt obligation to State Department of Budget and Finance	9,349,517	-	9,349,517
Depreciation	7,277,970	-	7,277,970
Payroll	281,415	2,063,522	2,344,937
Pension	94,454	693,024	787,478
Administrative and general	11,586	744,609	756,195
Postemployment	44,932	329,671	374,603
Other	113,459	208,298	321,757
Total expenses	\$ 32,414,710	\$ 72,819,202	105,233,912
Program revenues – charge for services			10,507,768
Net expenses			94,726,144
General revenues			
Transient accommodations tax			108,500,000
Interest			197,076
Net increase in the fair value of investments			13,249
Other			221,116
Total general revenues			108,931,441
Transfers to others			(30,000)
Change in net position			14,175,297
Net position at June 30, 2017, as restated (See Note 10)			70,690,511
Net position at June 30, 2018			\$ 84,865,808

See accompanying notes to the financial statements.

**HAWAII TOURISM AUTHORITY**  
**(A Component Unit of the State of Hawaii)**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

As of June 30, 2018

	<u>Tourism Special Fund</u>	<u>Convention Center Enterprise Special Fund</u>	<u>Tourism Emergency Special Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash in bank	\$72,075,948	\$20,845,644	\$4,200,024	\$ 97,121,616
Investments	-	-	799,976	799,976
Accounts receivable	57,931	-	-	57,931
Other assets	547,592	-	-	547,592
<b>Total assets</b>	<u><u>\$72,681,471</u></u>	<u><u>\$20,845,644</u></u>	<u><u>\$ 5,000,000</u></u>	<u><u>\$ 98,527,115</u></u>
<b>Liabilities</b>				
Vouchers payable	\$ 2,610,587	\$ 469,795	\$ -	\$ 3,080,382
Due to State Department of Budget and Finance	-	19,283,451	-	19,283,451
Accrued wages and employee benefits payable	101,361	10,874	-	112,235
<b>Total liabilities</b>	<u><u>2,711,948</u></u>	<u><u>19,764,120</u></u>	<u><u>-</u></u>	<u><u>22,476,068</u></u>
<b>Fund balances</b>				
Committed	69,969,523	1,081,524	5,000,000	76,051,047
<b>Total fund balances</b>	<u><u>69,969,523</u></u>	<u><u>1,081,524</u></u>	<u><u>5,000,000</u></u>	<u><u>76,051,047</u></u>
<b>Total liabilities and fund balances</b>	<u><u>\$72,681,471</u></u>	<u><u>\$20,845,644</u></u>	<u><u>\$ 5,000,000</u></u>	
Amounts reported in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.				204,031,141
Difference between accounting for amounts held by AEG and DAGS for future capital expenditures in the statement of net position and in the governmental funds.				20,649,738
Vouchers payable for accrual of construction in progress for capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.				(317,948)
Unmatured debt obligation to the State Department of Budget and Finance, including accrued interest, are not due and payable in the current period and, therefore, are not reported in the governmental funds. See Note 8.				(204,826,783)
Accrued vacation, postemployment liability, and net pension liability reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in the governmental funds.				(12,065,136)
Deferred outflows of resources and deferred inflows of resources related to postemployment and pensions are not reported in governmental funds.				<u>1,343,749</u>
<b>Net position of governmental activities</b>				<u><u>\$ 84,865,808</u></u>

See accompanying notes to the financial statements.



**HAWAII TOURISM AUTHORITY**  
(A Component Unit of the State of Hawaii)

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2018**

	Tourism Special Fund	Convention Center Enterprise Special Fund	Tourism Emergency Special Fund	Total Governmental Funds
<b>Revenues</b>				
Transient accommodations tax	\$ 82,000,000	\$ 26,500,000	\$ -	\$ 108,500,000
Hawaii Convention Center operations	-	10,507,768	-	10,507,768
Interest	149,397	47,679	-	197,076
Net increase in the fair value of investments	9,589	3,660	-	13,249
Other	170,428	50,688	-	221,116
<b>Total revenues</b>	<b>82,329,414</b>	<b>37,109,795</b>	<b>-</b>	<b>119,439,209</b>
<b>Expenditures</b>				
Contract expenditures	68,780,078	19,393,998	-	88,174,076
Interest on debt obligation to State Department of Budget and Finance	-	26,426,917	-	26,426,917
Personnel	2,638,209	359,569	-	2,997,778
Administrative and general	744,609	11,586	-	756,195
Other	208,298	113,459	-	321,757
<b>Total expenditures</b>	<b>72,371,194</b>	<b>46,305,529</b>	<b>-</b>	<b>118,676,723</b>
Excess (deficiency) of revenues over expenditures	9,958,220	(9,195,734)	-	762,486
<b>Other financing sources (uses)</b>				
Transfers in (out)	(4,940,679)	4,940,679	-	-
Transfers to others	(30,000)	-	-	(30,000)
<b>Total other financing sources (uses)</b>	<b>(4,970,679)</b>	<b>4,940,679</b>	<b>-</b>	<b>(30,000)</b>
Excess of revenues over expenditures and other financing sources (uses)	4,987,541	(4,255,055)	-	732,486
Fund balances at June 30, 2017	64,981,982	5,336,579	5,000,000	
Fund balances at June 30, 2018	<b>\$ 69,969,523</b>	<b>\$ 1,081,524</b>	<b>\$ 5,000,000</b>	
Amounts reported in the statement of activities are different because:				
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.				
This is the amount by which depreciation exceeded capital expenditures for the year.				(1,283,051)
Difference between accounting for cash paid to AEG and DAGS for future capital expenditures in the statement of activities and in the governmental funds.				(1,842,299)
Repayment of debt obligation principal is an expenditure in the government funds, but the payment reduces long-term liabilities in the statement of net position.				16,580,000
Difference between accounting for interest expense in the statement of activities and in the governmental funds.				497,400
Accrued vacation, postemployment liability and net pension liability reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.				(509,239)
Change in net position				<b>\$ 14,175,297</b>

See accompanying notes to the financial statements.

**HAWAII TOURISM AUTHORITY**  
(A Component Unit of the State of Hawaii)

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
(BUDGETARY BASIS) – TOURISM SPECIAL FUND, CONVENTION CENTER ENTERPRISE SPECIAL FUND,  
AND TOURISM EMERGENCY SPECIAL FUND**

**For the Year Ended June 30, 2018**

	Tourism Special Fund			Convention Center Enterprise Special Fund			Variance- Favorable (Unfavorable)
	Original Budget	Final Budget	Actual (Budgetary Basis)	Original Budget	Final Budget	Actual (Budgetary Basis)	
Revenues							
Transient accommodations tax	\$ 88,515,000	\$ 88,515,000	\$ 82,000,000	\$ 26,500,000	\$ 26,500,000	\$ 26,500,000	\$ -
Hawaii Convention Center Operations	-	-	-	21,383,616	21,383,616	10,645,881	(10,737,735)
Interest	-	-	140,526	-	-	39,204	39,204
Other	-	-	170,428	-	-	50,688	50,688
Total revenues	<u>88,515,000</u>	<u>88,515,000</u>	<u>82,310,954</u>	<u>47,883,616</u>	<u>47,883,616</u>	<u>37,235,773</u>	<u>(10,647,843)</u>
Expenditures							
	<u>88,515,000</u>	<u>88,515,000</u>	<u>77,448,886</u>	<u>52,854,295</u>	<u>52,854,295</u>	<u>40,358,132</u>	<u>(12,496,163)</u>
Excess (deficiency) of revenues over expenditures	-	-	4,862,068	(4,970,679)	(4,970,679)	(3,122,359)	1,848,320
Other financing sources (uses)	-	-	(30,000)	4,970,679	4,970,679	4,940,679	(30,000)
Excess of revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,832,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,818,320</u>	<u>\$ 1,818,320</u>

(Continued)

**HAWAII TOURISM AUTHORITY**  
(A Component Unit of the State of Hawaii)

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
(BUDGETARY BASIS) – TOURISM SPECIAL FUND, CONVENTION CENTER ENTERPRISE SPECIAL FUND,  
AND TOURISM EMERGENCY SPECIAL FUND (Continued)**

For the Year Ended June 30, 2018

	Tourism Emergency Special Fund				Variance- Favorable (Unfavorable)
	Original Budget	Final Budget	Actual (Budgetary Basis)	-	
Revenues					
Transient accommodations tax	\$ -	\$ -	\$ -	\$ -	-
Hawaii Convention Center Operations	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
Other financing sources	-	-	-	-	-
Excess of revenues over expenditures and other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	-

See accompanying notes to the financial statements.

**HAWAII TOURISM AUTHORITY**  
**(A Component Unit of the State of Hawaii)**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2018**

**(1) Summary of Significant Accounting Policies**

The accompanying basic financial statements of the Hawaii Tourism Authority (Authority), a discretely presented component unit of the State of Hawaii (State), have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting and presentation policies used in the preparation of such financial statements.

**(a) *The Financial Reporting Entity***

The Authority was established on January 1, 1999 by Act 156, Session Laws of Hawaii 1998, and was placed within the State of Hawaii, Department of Business, Economic Development, and Tourism, for administrative purposes only. The Authority is responsible for developing a strategic tourism marketing plan and developing measures of effectiveness to assess the overall benefits and effectiveness of the marketing plan as it relates to the State's tourism industry, employment, taxes, and lesser known and underutilized destinations. In addition, effective July 1, 2000, control and management of the Hawaii Convention Center (Center) were transferred to the Authority from the Convention Center Authority (CCA) by Executive Order No. 3817. Effective July 1, 2002, the Center, by statute, became the responsibility of the Authority. The Center, which opened to the general public in June 1998, is used for a variety of events including conventions and trade shows, public shows, and spectator events. The Center offers approximately 350,000 square feet of rentable space including 51 meeting rooms.

The Authority is governed by a board of directors comprising of 12 voting members, including those recommended by the State Legislature. The Governor of the State appoints the 12 voting members.

The accompanying basic financial statements present the financial position and the changes in financial position of the Authority and do not purport to, and do not, present fairly the financial position and changes in financial position of the State. The State Comptroller publishes financial statements for the State annually, which includes the Authority's financial activities.

**(b) *Government-Wide and Fund Financial Statements***

The government-wide financial statements, which are the statement of net position and the statement of activities, report information of all of the nonfiduciary activities of the Authority. For the most part, the effect of interfund activity has been removed from these government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.



**HAWAII TOURISM AUTHORITY  
(A Component Unit of the State of Hawaii)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(1) Summary of Significant Accounting Policies (continued)**

***(b) Government-Wide and Fund Financial Statements (continued)***

Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function. Resources that are dedicated internally are reported as general revenues rather than program revenues.

The Authority uses funds to report on its financial position and the results of its operations in its fund financial statements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities.

A fund is a separate fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which the resources are to be spent and the means by which spending activities are controlled.

Separate financial statements are provided for governmental funds and fiduciary funds. However, the fiduciary funds are not included in the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide statement of net position as of June 30, 2018 reports restricted net position of \$41,059,956, which is restricted by enabling legislation with oversight by the Authority's board of directors.

**Governmental Funds**

Governmental funds are those through which the governmental functions of the Authority are financed. The Authority's major funds are as follows:

**Tourism Special Fund** –The Tourism Special Fund (Tourism Fund) is used to account for functions related to the development and promotion of the tourism industry.

**Convention Center Enterprise Special Fund** – The Convention Center Enterprise Special Fund (Convention Center Fund) is used to account for functions related to the operation and management of the Center.

**Tourism Emergency Special Fund** – The Tourism Emergency Special Fund (Emergency Fund) is used to account for functions related to the maintenance of a tourism emergency fund.

**HAWAII TOURISM AUTHORITY**  
**(A Component Unit of the State of Hawaii)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(1) Summary of Significant Accounting Policies (continued)**

***(c) Basis of Accounting***

The government-wide statement of net position and statement of activities are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included in the statement of net position.

The modified-accrual basis of accounting is followed for the governmental funds in the fund financial statements. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). "Measurable" means the amounts are determinable. "Available" means the amounts are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Authority considers receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year. Expenditures are generally recognized under the modified-accrual basis of accounting when the related fund liability is incurred.

***(d) Transient Accommodations Tax***

In accordance with Sections 201B-11 and 237D-6.5, Hawaii Revised Statutes (HRS), the primary source of funding for the Authority's Tourism Fund and Convention Center Fund is the transient accommodations tax (TAT) collected by the State. The TAT is assessed at a rate of 10.25% (9.25% prior to January 1, 2018) on the gross rental proceeds derived from providing transient accommodations.

Effective July 1, 2015, the maximum amount of funding of TAT revenues that may be deposited into the Convention Center Fund and the Tourism Fund was \$26,500,000 and \$82,000,000, respectively. Effective July 1, 2018, the maximum amount of funding of TAT revenues that may be deposited into the Convention Center Fund and the Tourism Fund was \$16,500,000 and \$79,000,000, respectively.

Of the total TAT revenues deposited into the Tourism Fund, 0.5% is allocated to a subaccount in the Tourism Fund to provide funding for the safety and security budget, pursuant to Section 237D-6.5; and beginning July 1, 2007, funds shall be deposited into the Emergency Fund, established in Section 201 B-10, in a manner sufficient to maintain a fund balance of \$5,000,000 in fund.

Effective July 1, 2013, of the total TAT revenues deposited into the Tourism Fund, \$1,000,000 shall be allocated for the operation of a Hawaiian center and the museum of Hawaiian music and dance at the Center.

**HAWAII TOURISM AUTHORITY  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(1) Summary of Significant Accounting Policies (continued)**

**(e) Investments**

Investments are reported at fair value within the fair value hierarchy established by GAAP. Investments in U.S. Federal agency obligations are reported at fair value based on quoted prices or other observable inputs, including pricing matrices.

**Fair Value Measurements**

The Authority measures the fair value of assets and liabilities as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value, as follows:

**Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2** – Inputs other than quoted market prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.

**Level 3** – Unobservable inputs for an asset or liability reflecting the reporting entity's own assumptions. Level 3 inputs are used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation methodologies used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.



**HAWAII TOURISM AUTHORITY**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(1) Summary of Significant Accounting Policies (continued)**

***(f) Capital Assets***

Capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the statement of net position. Capital assets acquired by purchase are recorded at cost. Donated fixed assets are valued at the estimated fair market value on the date received. Maintenance, repairs, minor replacements, and renewals are charged to operations as incurred. Major replacements, renewals, and betterments are capitalized. Capital assets are defined as assets with an initial individual cost of \$5,000 or more for furniture, fixtures, and equipment and \$100,000 or more for buildings and improvements, and are depreciated on the straight-line method over the estimated useful lives of the respective assets (buildings and improvements – 30 years and furniture, fixtures, and equipment – five to seven years). Depreciation is recorded on capital assets in the government-wide statement of activities.

***(g) Accrued Vacation***

Employees hired on or before July 1, 2001 earn vacation at the rate of one and three-quarters working days for each month of service. Employees hired after July 1, 2001 earn vacation at rates ranging between one and two working days for each month of service, depending upon the employees' years of service and job classifications. Each employee is allowed to accumulate a maximum of 90 days of vacation as of the end of the calendar year. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements, or expected to be paid with expendable available financial resources.

***(h) Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System of the State of Hawaii (ERS), and additions to/deductions from the ERS's fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at their fair value.

**HAWAII TOURISM AUTHORITY**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(1) Summary of Significant Accounting Policies (continued)**

***(i) Postemployment Benefits Other Than Pensions (OPEB)***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Hawaii Employers-Union Health Benefits Trust Fund (EUTF), and additions to/deductions from the EUTF's fiduciary net position have been determined on the same basis as they are reported by the EUTF. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at their fair value.

***(j) Marketing Contractors***

The Authority contracts with the following nine major marketing contractors to provide tourism, planning, implementation, and other services to assist the Authority in executing its marketing mission:

- Hawaii Visitors and Convention Bureau – United States of America
- a.Link LLC, dba Hawaii Tourism Japan – Japan
- Hills Balfour Limited – Europe
- Aviareps Marketing Garden (Holdings) Ltd. – Korea
- The Walshe Group, dba Hawaii Tourism Oceania – Australia and New Zealand
- The Happy Traveller LLC dba Brandstory Inc. PTE Ltd. – China & Hong Kong
- JWJ Marketing Co. Ltd. – Taiwan
- VoX International Inc. – Canada
- Aviareps Malaysia – South-East Asia

***(k) Center Contract***

The Authority contracts with Anschutz Entertainment Group (AEG), a private contractor, to manage and operate the Center. AEG is on a cost-reimbursement contract whereby it is reimbursed by the Authority for costs incurred in operating the Center. AEG also assumes responsibility for the Center's sales and marketing efforts. The Authority's contract with AEG extends through December 31, 2018. In October 2018, the Authority's board of directors authorized extending the AEG contract by one year to December 31, 2019. The management fees paid to AEG for the year ended June 30, 2018 amounted to \$437,800.

***(l) Intrafund and Interfund Transactions***

Transfers of financial resources within the same fund are eliminated. Transfers from funds receiving revenues to funds through which the resources are to be expended and funds disbursed to fiduciary funds are recorded as transfers.

**HAWAII TOURISM AUTHORITY**  
**(A Component Unit of the State of Hawaii)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(1) Summary of Significant Accounting Policies (continued)**

***(m) Use of Estimates***

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and it is reasonably possible that such differences will occur within the near term.

***(n) Recently Adopted Accounting Standards***

GASB Statement No. 75

During fiscal year 2018, the Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements in which:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

Statement No. 75 replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.

The adoption of Statement No. 75 has no impact on the Authority's governmental fund financial statements, which continue to report expenditures in the amount of statutorily required payments. However, adoption has resulted in the restatement of the Authority's fiscal year 2017 government-wide financial statements to reflect the reporting of a net OPEB liability in accordance with the provisions of Statement No. 75. See Note 10 for the effect of the restatement.



**HAWAII TOURISM AUTHORITY**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(1) Summary of Significant Accounting Policies (continued)**

**(n) Recently Adopted Accounting Standards (continued)**

GASB Statement No. 81

GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement are effective for reporting periods beginning after December 15, 2016. This Statement has no impact on the Authority's financial statements.

GASB Statement No. 83

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this Statement is to provide financial statement users with information about asset retirement obligations that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Authority has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 84

The GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Authority has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 85

The GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This Statement did not have a material effect on the Authority's financial statements.

**HAWAII TOURISM AUTHORITY**  
**(A Component Unit of the State of Hawaii)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(1) Summary of Significant Accounting Policies (continued)**

**(n) Recently Adopted Accounting Standards (continued)**

GASB Statement No. 86

The GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This Statement did not have a material effect on the Authority’s financial statements.

GASB Statement No. 87

The GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Authority has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 88

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. The Authority has not yet determined the effect this Statement will have on its financial statements.

**HAWAII TOURISM AUTHORITY**  
**(A Component Unit of the State of Hawaii)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(1) Summary of Significant Accounting Policies (continued)**

***(n) Recently Adopted Accounting Standards (continued)***

GASB Statement No. 89

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement replaces Paragraph 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The Authority has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 90

The GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The Authority has not yet determined the effect this Statement will have on its financial statements.

**(2) Budgeting and Budgetary Control**

The budget of the Authority is a detailed operating plan identifying estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, services, and activities to be provided during the fiscal year, (2) the estimated revenues available to finance the operating plan, and (3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented, and controlled. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated throughout the fiscal year. Amounts reflected as budgeted revenues in the statement of revenues and expenditures – budget and actual (budgetary basis) – Tourism Fund, Convention Center Fund, and Emergency Fund are those estimates as compiled and reviewed by the Authority.

The final legally adopted budget in the accompanying statement of revenues and expenditures – budget and actual (budgetary basis) – Tourism Special Fund, Convention Center Enterprise Special Fund, and Tourism Emergency Special Fund represents the original appropriations, transfers, and other legally authorized legislative and executive changes.



**HAWAII TOURISM AUTHORITY**  
**(A Component Unit of the State of Hawaii)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(2) Budgeting and Budgetary Control (Continued)**

Budgetary control is maintained at the appropriation line item level as established in the appropriations act. The governor is authorized to transfer appropriations within a state agency; however, transfers of appropriations between state agencies generally require legislative authorization. Records and reports reflecting the detail level of control are maintained by and are available at the Authority. During the fiscal year ended June 30, 2018, there were no expenditures in excess of appropriations at the legal level of budgetary control.

To the extent not expended or encumbered, Tourism Special Fund appropriations generally lapse at the end of the fiscal year for which the appropriations were made. The State Legislature specifies the lapse dates and any other contingencies, which may terminate the authorizations for other appropriations.

Budgets adopted by the State Legislature for the Tourism Special Fund, Convention Center Enterprise Special Fund, and Tourism Emergency Special Fund are presented in the accompanying statement of revenues and expenditures – budget and actual (budgetary basis) – Tourism Special Fund, Convention Center Enterprise Special Fund, and Tourism Emergency Special Fund. The Authority’s annual budget is prepared on the modified-accrual basis of accounting with several differences, principally related to (1) encumbrance of purchase orders and contract obligations and (2) accrued expenditures.

A reconciliation of the budgetary to GAAP basis operating results of the Tourism Special Fund, Convention Center Enterprise Special Fund, and Tourism Emergency Special Fund for the fiscal year ended June 30, 2018 is as follows:

	Tourism Special Fund	Convention Center Enterprise Special Fund	Tourism Emergency Special Fund
Excess of revenues over expenditures and other financing sources (uses) – budgetary basis	\$ 4,832,068	\$ 1,818,320	\$ -
Reserved for encumbrances	46,055,367	2,485,915	-
Expenditures for liquidation of prior fiscal year encumbrances	(44,294,863)	(1,825,090)	-
Net accrued revenues and expenditures	<u>(1,605,031)</u>	<u>(6,734,200)</u>	<u>-</u>
Excess of revenues over expenditures and other financing sources (uses) – GAAP basis	<u>\$ 4,987,541</u>	<u>\$ (4,255,055)</u>	<u>\$ -</u>

**HAWAII TOURISM AUTHORITY**  
**(A Component Unit of the State of Hawaii)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(3) Cash**

***(a) Cash in Department of Accounting and General Services***

The State Director of Finance is responsible for the safekeeping of all monies deposited into the State Treasury. The HRS authorizes the Director of Finance to invest in obligations of or guaranteed by the U.S. Government, obligations of the State, federally-insured savings and checking accounts, time certificates of deposit, and repurchase agreements with federally-insured financial institutions. Deposits not covered by federal deposit insurance are fully collateralized by government securities held in the name of the State by third party custodians.

The State Director of Finance pools and invests any monies of the Authority, which in the Director's judgment, are in excess of the amount necessary for meeting the specific requirements of the Authority. Investment earnings are allocated to the Authority based on its equity interest in the pooled monies.

For purposes of the financial statements, the Authority considers all cash held in the State Treasury and investments with maturity of three months or less when purchased to be cash equivalents.

***(b) Cash in Bank***

The Authority requires that the financial institutions pledge collateral based on the daily available bank balances. All securities pledged as collateral are held by the Authority's fiscal agents in the name of the Authority. At June 30, 2018, the Authority's deposits with the financial institution totaled \$97,121,616 and had a corresponding bank balance of \$129,374.

***(c) Custodial Credit Risk***

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's custodial risk resulting from uninsured and uncollateralized amounts totaled \$0 at June 30, 2018.

**HAWAII TOURISM AUTHORITY**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(4) Investments**

At June 30, 2018, the fair value measurements reportable by the Authority consisted of investments in U.S. federal agency obligations valued at quoted market prices, a Level 1 valuation input. There were no investments for which Level 2 and 3 valuation inputs were required. The following table presents the fair value of the Authority's investments by level of input at June 30, 2018:

	Fair Value at June 30, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Emergency Funds				
U.S. Federal agency notes	\$ 799,976	\$ 799,976	\$ -	\$ -
Total Authority's investments	<u>\$ 799,976</u>	<u>\$ 799,976</u>	<u>\$ -</u>	<u>\$ -</u>

The following table presents the Authority's investments by maturity period at June 30, 2018:

Investment type	Fund	Fair Value	Maturity (in years)	
			Less than 1	1-5
U.S. Federal agency notes	Emergency Fund	\$ 799,976	\$ 799,976	\$ -
Total Authority's investments		<u>\$ 799,976</u>	<u>\$ 799,976</u>	<u>\$ -</u>

**HAWAII TOURISM AUTHORITY**  
**(A Component Unit of the State of Hawaii)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(4) Investments (Continued)**

**(a) Interest Rate Risk**

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy generally limits maturities on investments to not more than five years from the date of investment.

**(b) Credit Risk**

The Authority's investment policy limits its investments to investments in U.S. Treasury securities, certificates of deposit, U.S. government or agency obligations, commercial paper, federally insured savings accounts, and money market funds.

**(c) Custodial Risk**

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Authority or the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's and the State's investments are held at broker/dealer firms that are protected by the Securities Investor Protection Corporation (SIPC) up to a maximum amount. In addition, excess-SIPC coverage is provided by the firms' insurance policies. The Authority and the State require the institutions to set aside, in safekeeping, certain types of securities to collateralize repurchase agreements. The Authority and the State monitor the market value of these securities and obtain additional collateral when appropriate.



**HAWAII TOURISM AUTHORITY**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(5) Capital Assets**

The following is a summary of changes in capital assets during the fiscal year ended June 30, 2018:

	Balance at 6/30/2017	Additions	Deductions	Balance at 6/30/2018
Capital assets not being depreciated				
Land	\$131,496,508	\$ -	\$ -	\$131,496,508
Construction in progress	<u>5,304,999</u>	<u>4,846,188</u>	<u>-</u>	<u>10,151,187</u>
Total capital assets not being depreciated	<u>136,801,507</u>	<u>4,846,188</u>	<u>-</u>	<u>141,647,695</u>
Other capital assets				
Buildings and improvements	211,528,761	100,800	-	211,629,561
Furniture, fixtures, and equipment	<u>5,439,537</u>	<u>-</u>	<u>(58,719)</u>	<u>5,380,818</u>
Total other capital assets	<u>216,968,298</u>	<u>100,800</u>	<u>(58,719)</u>	<u>217,010,379</u>
Less accumulated depreciation for				
Buildings and improvements	143,200,961	7,028,619	-	150,229,580
Furniture, fixtures, and equipment	<u>4,206,721</u>	<u>249,351</u>	<u>(58,719)</u>	<u>4,397,353</u>
Total accumulated depreciation	<u>147,407,682</u>	<u>7,277,970</u>	<u>(58,719)</u>	<u>154,626,933</u>
Total capital assets, net	<u>\$206,362,123</u>	<u>\$(2,330,982)</u>	<u>\$ -</u>	<u>\$204,031,141</u>

Depreciation expense charged to the Hawaii Convention Center management function amounted to \$7,277,970 for the fiscal year ended June 30, 2018. At June 30, 2018, vouchers payable include \$317,948 in accrued additions to construction in progress.

**(6) Other Assets**

Other assets represent unspent funds held by AEG and the Department of Accounting and General Services (DAGS) for emergency capital improvements, repair or maintenance purchases, and various capital improvement projects. At June 30, 2018, unspent funds amounted to \$20,649,738.

**HAWAII TOURISM AUTHORITY  
(A Component Unit of the State of Hawaii)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(7) Accrued Vacation**

The following is a summary of changes in accrued vacation payable during the fiscal year ended June 30, 2018:

Balance at June 30, 2017	\$344,847
Additions	157,448
Deletions	<u>(158,706)</u>
Balance at June 30, 2018	343,589
Less current portion	<u>(122,552)</u>
 Total accrued vacation, long-term	 <u>\$221,037</u>

**(8) Due to State Department of Budget and Finance**

During the period from October 1992 through April 1998, the State issued a series of general obligation bonds whose proceeds were used to fund the construction of the Center. These bonds are obligations of the State and are secured by the State's full faith and credit. The debt service for the general obligation bonds is to be primarily funded by an allocated portion of the State's TAT revenue and revenue generated from the operation of the Center. Through June 30, 2000 and from July 1, 2000 to June 30, 2002, these funds were collected and accounted for by the Convention Center Authority (CCA) and State Department of Budget and Finance (Budget and Finance), respectively.

Effective July 1, 2002, the Convention Center Fund was established by Act 253. In accordance with Act 253, the Convention Center Fund was placed within the Authority and was created to receive all revenues generated from the Center's operations and an allocated portion of the revenues received from the State's TAT. Act 253 further states that all funds collected by the Convention Center Fund are to be used to pay all expenses arising from the use and operation of the Center and to pay any and all debt service relating to the Center. However, responsibility for debt service payments to the bondholders on the general obligation bonds referred to above remains with the State through Budget and Finance.

The creation of the Convention Center Fund provided the Authority the ability to reimburse Budget and Finance for debt service payments in accordance with a predetermined payment plan, which had been assigned to the Authority by the CCA. The terms of the payment plan required the Authority to reimburse Budget and Finance for principal and interest payments at an imputed interest rate of 6% through January 1, 2027. The payment plan was not directly related to the actual debt service on the general obligation bonds issued to finance the Center. The Authority's ability to meet its obligations in accordance with the payment plan was dependent upon the funds received by the Convention Center Fund. At June 30, 2018, the outstanding principal and aggregate interest amounts required to be reimbursed by the Authority were \$160,225,289 and \$77,641,953, respectively. Effective July 1, 2018, Act 086, Session Laws of Hawaii 2018, canceled the remaining outstanding amount on the debt service payments.



**HAWAII TOURISM AUTHORITY  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(8) Due to State Department of Budget and Finance (continued)**

For the year ended June 30, 2018, the Authority was required to reimburse Budget and Finance \$26,426,917 for principal and interest. For the year ended June 30, 2018, the Authority recorded \$9,349,517 of interest expense on the debt obligation to the Budget and Finance in the statement of activities. At June 30, 2018, the statement of net position reflected the total outstanding liabilities of the Authority as follows:

Matured interest	\$ 19,283,451
Unmatured current interest	44,601,494
Unmatured current principal	<u>160,225,289</u>
Total	<u>\$ 224,110,234</u>

Total due to Budget and Finance activity during the year was as follows:

June 30, 2017	\$ 234,760,717
Additions	9,349,517
Reductions	<u>(20,000,000)</u>
June 30, 2018	<u>\$ 224,110,234</u>

**(9) Employee Benefits**

**(a) Employees' Retirement System of the State of Hawaii**

**Plan Description**

Generally, all full-time employees of the State and counties are required to be members of the ERS, a cost-sharing multiple-employer defined benefit pension plan that administers the State's pension benefits program. Benefits, eligibility and contribution requirements are governed by HRS Chapter 88 and can be amended through legislation. The ERS issues publicly available annual financial reports that can be obtained at <http://www.ers.ehawaii.gov>.

**HAWAII TOURISM AUTHORITY**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(9) Employee Benefits (continued)**

*(a) Employees' Retirement System of the State of Hawaii (continued)*

**Benefits Provided**

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability and death benefits with three membership classes known as the noncontributory, contributory and hybrid retirement classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% or 2%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

Each retiree's original retirement allowance is increased on each July 1 beginning the calendar year after retirement. Retirees first hired as members prior to July 1, 2012 receive a 2.5% increase each year of their original retirement allowance without a ceiling. Retirees first hired as members after June 30, 2012 receive a 1.5% increase each year of their original retirement allowance without a ceiling. The annual increase is not compounded.

The following summarizes the provisions relevant to the largest employee groups of the respective membership class.

**Noncontributory Class**

*Retirement Benefits*

General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with 10 years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.

*Disability Benefits*

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. 10 years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.

**HAWAII TOURISM AUTHORITY  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(9) Employee Benefits (continued)**

*(a) Employees' Retirement System of the State of Hawaii (continued)*

**Noncontributory Class (continued)**

*Death Benefits*

For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or dependent children, no benefit is payable.

Ordinary death benefits are available to employees who were active at time of death with at least 10 years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/reentry into a new reciprocal beneficiary relationship) and dependent children (up to age 18) receive a benefit equal to a percentage of the member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension and the dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

**Contributory Class for Members Hired Prior to July 1, 2012**

*Retirement Benefits*

General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. Employees with five years of credited service are eligible to retire at age 55.

*Disability Benefits*

Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. 10 years of credited service is required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.



**HAWAII TOURISM AUTHORITY  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(9) Employee Benefits (continued)**

**(a) Employees' Retirement System of the State of Hawaii (continued)**

**Contributory Class for Membes Hired Prior to July 1, 2012 (continued)**

*Death Benefits*

For service-connected deaths, the designated beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation to the surviving spouse/reciprocal beneficiary until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

**Contributory Class for Members Hired After June 30, 2012**

*Retirement Benefits*

General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with 10 years of credited service are eligible to retire at age 60.

*Disability and Death Benefits*

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. 10 years of credited service is required for ordinary disability. Ordinary disability benefits are 1.75% of average final compensation for each year of service for police officers and firefighters and are payable immediately, without an actuarial reduction, at a minimum of 30% of average final compensation.

Death benefits for contributory members hired after June 30, 2012 are generally the same as those for contributory members hired June 30, 2012 and prior.

**HAWAII TOURISM AUTHORITY**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(9) Employee Benefits (continued)**

*(a) Employees' Retirement System of the State of Hawaii (continued)*

**Hybrid Class for Members Hired Prior to July 1, 2012**

*Retirement Benefits*

General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.

*Disability Benefits*

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. 10 years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

*Death Benefits*

For service-connected deaths, the designated surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150%, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

**HAWAII TOURISM AUTHORITY  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(9) Employee Benefits (continued)**

*(a) Employees' Retirement System of the State of Hawaii (continued)*

**Hybrid Class for Members Hired After June 30, 2012**

*Retirement Benefits*

General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with 10 years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60. Sewer workers, water safety officers, and emergency medical technicians may retire with 25 years of credited service at age 55.

*Disability and Death Benefits*

Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least 10 years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

**Contributions**

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for fiscal year 2017 were 25% for police officers and firefighters and 17% for all other employees. Contributions to the pension plan from the Authority was \$306,935 for the year ended June 30, 2018.

On May 18, 2017, the Governor signed into law Act 17 SLH 2017. Per Act 17, future employer contributions from the State and counties are expected to increase pursuant to a phased-in contribution rate increase over four years beginning July 1, 2017. The rate for police and firefighters increases to 28% on July 1, 2017; 31% on July 1, 2018; 36% on July 1, 2019; and 41% on July 1, 2020, and the rate for all other employees increases to 18% on July 1, 2017; 19% on July 1, 2018; 22% on July 1, 2019; and 24% on July 1, 2020.



**HAWAII TOURISM AUTHORITY**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(9) Employee Benefits (continued)**

**(a) Employees' Retirement System of the State of Hawaii (continued)**

**Contributions (continued)**

The employer is required to make all contributions for noncontributory members. Contributory members hired prior to July 1, 2012 are required to contribute 7.8% of their salary, except for police officers and firefighters who are required to contribute 12.2% of their salary. Contributory members hired after June 30, 2012 are required to contribute 9.8% of their salary, except for police officers and firefighters who are required to contribute 14.2% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the Authority's proportionate share of the net pension liability is \$6,157,263. The Authority's proportionate share of the State's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State allocates the net pension liability to the various departments and agencies based upon a systematic methodology.

There was no change in actuarial assumptions as of June 30, 2016 to June 30, 2017. There were no changes between the measurement date, June 30, 2017, and the reporting date, June 30, 2018, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2018, the Authority recognized pension expense of \$787,478. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 91,831	\$ (79,398)
Changes of assumptions	778,448	-
Net difference between projected and actual earnings on pension plan investments	404,852	(502,875)
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	24,326	(17,600)
The Authority's contributions subsequent to the measurement date	<u>306,935</u>	<u>-</u>
Total	<u>\$ 1,606,392</u>	<u>\$ (599,873)</u>

**HAWAII TOURISM AUTHORITY  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(9) Employee Benefits (continued)**

*(a) Employees' Retirement System of the State of Hawaii (continued)*

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

The \$306,935 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30th	
2019	\$ 165,024
2020	\$ 245,622
2021	\$ 206,552
2022	\$ 80,843
2023	\$ 1,543

**Actuarial Assumptions**

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions adopted by the Board of Trustees of the ERS, on December 12, 2016, based on the most recent experience study dated July 5, 2016:

Inflation	2.50%
Payroll growth rate	3.50%
Investment rate of return, compounded annually including inflation	7.00%

There were no changes to ad hoc postemployment benefits including cost of living adjustments (COLA). Post-retirement mortality rates are based on the 2016 Public Retirees of Hawaii mortality table with adjustments based on generational projections of the BB projection table for 2016 and full generational projections in future years. Pre-retirement mortality rates are based on multiples of the RP-2014 mortality table based on the occupation of the member.

**HAWAII TOURISM AUTHORITY  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(9) Employee Benefits (continued)**

**(a) Employees' Retirement System of the State of Hawaii (continued)**

**Actuarial Assumptions (continued)**

The long-term expected rate of return on pension plan investments was determined using a "top down approach" of the Bespoke Client-Constrained Simulation-based Optimization Model (a statistical technique known as "re-sampling with replacement" that directly keys in on specific plan-level risk factors as stipulated by the ERS Board) in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Strategic Allocation (risk-based classes)</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad growth	63.0%	5.80%
Principal protection	7.0%	0.02%
Real return	10.0%	3.60%
Crisis risk offset	<u>20.0%</u>	3.10%
 Total Investments	 <u><u>100.00%</u></u>	

**Discount Rate**

The discount rate used to measure the net pension liability was 7.00%, consistent with the rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the State will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**HAWAII TOURISM AUTHORITY  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(9) Employee Benefits (continued)**

*(a) Employees' Retirement System of the State of Hawaii (continued)*

**Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
The Authority's proportionate share of the net pension liability	\$7,981,700	\$6,157,263	\$4,652,922

**Pension Plan Fiduciary Net Position**

The pension plan's fiduciary net position is determined on the same basis used by the pension plan. The ERS financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report. ERS's complete financial statements are available at <http://www.ers.ehawaii.gov>.

**HAWAII TOURISM AUTHORITY  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(9) Employee Benefits (continued)**

***(b) Postemployment Healthcare and Life Insurance Benefits***

**Plan Descriptions**

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH of 2001, the State contributes to the Hawaii Employer – Union Health Benefits Trust Fund (EUTF), an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues a publicly available annual financial report that can be obtained at <http://eutf.hawaii.gov>.

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with 10 or more years of credited service, and 50% of the base monthly contribution for employees retiring with fewer than 10 years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996, but before July 1, 2001, and who retire with less than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

**State of Hawaii Employees Covered by Benefit Terms**

Inactive plan members or beneficiaries currently receiving benefits	35,374
Inactive plan members entitled to but not yet receiving benefits	8,124
Active plan members	<u>50,101</u>
 Total plan members	 <u>93,599</u>

**HAWAII TOURISM AUTHORITY  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(9) Employee Benefits (continued)**

**(b) Postemployment Healthcare and Life Insurance Benefits (continued)**

**Contributions**

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the Authority were \$344,648 for the year ended June 30, 2018. The employer is required to make all contributions for members.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the Authority reported a net OPEB liability of \$5,564,284. The net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

There were no changes between the measurement date, July 1, 2017, and the reporting date, June 30, 2018, that are expected to have a significant effect on the net OPEB liability.

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$374,603. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ (7,418)
The Authority's contributions subsequent to the measurement date	<u>344,648</u>	<u>-</u>
Total	<u>\$ 344,648</u>	<u>\$ (7,418)</u>



**HAWAII TOURISM AUTHORITY  
(A Component Unit of the State of Hawaii)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(9) Employee Benefits (continued)**

***(b) Postemployment Healthcare and Life Insurance Benefits (continued)***

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)**

The \$344,648 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30th	
2019	\$ (1,854)
2020	\$ (1,854)
2021	\$ (1,854)
2022	\$ (1,856)

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions adopted by the Board of Trustees of the Hawaii Employer-Union Health Benefits Trust Fund of the State of Hawaii, on January 8, 2018, based on the experience study covering the five year period ended June 30, 2015:

Inflation	2.50%
Payroll growth rate	3.50% to 7.00%, including inflation
Investment rate of return	7.00% per year, compounded annual including inflation

**Healthcare Cost Trend Rates**

PPO*	Initial rates of 6.60%, 6.60% and 9.00%; declining to a rate of 4.86% after 14 years
HMO*	Initial rate of 9.00%; declining to a rate of 4.86% after 14 years
Part B & Base Monthly Contribution (BMC)	Initial rates of 2.00% and 5.00%; declining to a rate of 4.70% after 14 years
Dental	3.50%
Vision	2.50%
Life Insurance	0.00%

\* Blended rates for medical and prescription drug

**HAWAII TOURISM AUTHORITY  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(9) Employee Benefits (continued)**

***(b) Postemployment Healthcare and Life Insurance Benefits (continued)***

**Actuarial Assumptions (continued)**

Mortality rates are based on system-specific mortality tables utilizing scale BB to project generational mortality improvement.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following table:

<u>Strategic Allocation (risk-based classes)</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equity	19.0%	5.50%
International equity	19.0%	7.00%
U.S. microcap	7.0%	7.00%
Private equity	10.0%	9.25%
REITs	6.0%	5.85%
Core real estate	10.0%	3.80%
Global options	7.0%	5.50%
Core bonds	3.0%	0.55%
Long treasuries	7.0%	1.90%
Trend following	7.0%	1.75%
TIPS	<u>5.0%</u>	0.50%
Total Investments	<u><u>100.00%</u></u>	

**HAWAII TOURISM AUTHORITY**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(9) Employee Benefits (continued)**

***(b) Postemployment Healthcare and Life Insurance Benefits (continued)***

**Single Discount Rate**

The discount rate used to measure the net OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00% and the municipal bond rate of 3.56% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-year Municipal GO AA index”). Beginning with the fiscal year 2019 contribution, the State’s funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**OPEB Plan Fiduciary Net Position**

The OPEB plan’s fiduciary net position has been determined on the same basis used by the OPEB plan. The EUTF’s financial statements are prepared using the accrual basis of accounting under which revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the cash flows. Employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued EUTF financial report. EUTF’s complete financial statements are available at <http://eutf.hawaii.gov>.

**HAWAII TOURISM AUTHORITY**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(9) Employee Benefits (continued)**

**(b) Postemployment Healthcare and Life Insurance Benefits (continued)**

**Changes in Net OPEB Liability**

The following table represents a schedule of changes in the net OPEB liability of the Authority. The ending balances are as of the measurement date, July 1, 2017.

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Beginning balance	\$5,780,610	\$ 288,377	\$5,492,233
Service cost	98,857	-	98,857
Interest on the total OPEB liability	300,174	-	300,174
Employer contributions	-	295,134	(295,134)
Net investment income	-	29,549	(29,549)
Benefit payments	(148,411)	(148,411)	-
Administrative expense	-	(76)	76
Other	-	2,373	(2,373)
Net changes	<u>250,620</u>	<u>178,569</u>	<u>72,051</u>
Ending balance	<u>\$6,031,230</u>	<u>\$ 466,946</u>	<u>\$5,564,284</u>

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates**

The following table presents the Authority's net OPEB liability calculated using the discount rate of 7.00%, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate:

	<u>1% Decrease (6%)</u>	<u>Discount Rate (7%)</u>	<u>1% Increase (8%)</u>
The Authority's proportionate share of the net OPEB liability	\$6,530,703	\$5,564,284	\$4,782,250



**HAWAII TOURISM AUTHORITY**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(9) Employee Benefits (continued)**

*(b) Postemployment Healthcare and Life Insurance Benefits (continued)*

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates (continued)**

The following table presents the Authority's net OPEB liability calculated using the assumed healthcare cost trend rate, as well as what the Authority's net OPEB liability would be if it were calculated using the trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
The Authority's proportionate share of the net OPEB liability	\$ 4,737,221	\$ 5,564,284	\$ 6,608,130

**(10) Restatement of 2017 Net Position**

The net position of the Authority as of June 30, 2017 has been restated for the adoption of GASB Statement No. 75. The amount and impact of the restatement is as follows:

	Total Governmental Activities
Postemployment liability as reported	\$ 2,430,933
Postemployment liability as restated	(5,492,233)
Deferred outflows of resources related to postemployment as reported	-
Deferred outflows of resources related to postemployment as restated	295,134
Impact on net position	(2,766,166)
Net position at June 30, 2017 as reported	73,456,677
Net position at June 30, 2017 as restated	\$ 70,690,511

**HAWAII TOURISM AUTHORITY  
(A Component Unit of the State of Hawaii)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2018**

**(11) Commitments and Contingencies**

**(a) *Accumulated Sick Leave Pay***

Employees hired on or before July 1, 2001 earn sick leave credits at the rate of one and three-quarters working days for each month of service. Employees hired after July 1, 2001 earn sick leave credit at the rate of one and one-quarter or one and three-quarters working days for each month of service depending upon the employees' years of service and job classification. Sick leave credits may accumulate without limit, but may be taken only in the event of illness and is not convertible to pay upon termination of employment. However, an employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the ERS. At June 30, 2018, accumulated sick leave was \$740,437 for the Authority.

**(b) *Deferred Compensation Plan***

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all state employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investment of funds and assets in the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Accordingly, the assets and liabilities of the State's deferred compensation plan are not reported in the accompanying basic financial statements.

**(c) *Legal Contingencies***

The Authority may be subject to legal proceedings, claims, and litigation arising in the ordinary course of business for which it may seek the advice of legal counsel. Management estimates that the cost to resolve such matters, if any, would not be material to the financial statements. However, it is reasonably possible that such estimates may change within the near term.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors  
Hawaii Tourism Authority:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hawaii Tourism Authority (Authority), a component unit of the State of Hawaii, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 12, 2018.

Internal Control over Financial Reporting

The management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the Authority's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

CW ASSOCIATES, CPAs

Honolulu, Hawaii  
December 12, 2018