

HTA Board Meeting
Thurs., December 22, 2022

TESTIMONY



December 22, 2022

George Kam, Chair
Board of Directors
Hawai'i Tourism Authority
1801 Kalākaua Avenue
Honolulu, Hawai'i 96815

Aloha e Chair Kam,

Testimony from the Hawai'i Visitors and Convention Bureau supporting a two RFP solution to the Hawai'i Destination Brand Marketing & Management Services for the United States Major Market Area Contract (Agenda Item #16)

TESTIMONY

- HTA's position has evolved over the course of the two previous attempts to procure RFP 22-01. Your most current preference emerged during mediation – a two contract solution – one contract for brand marketing specifically for the U.S. and a separate contract for overall destination management, not attached to any particular MMA.
- Forcing your current vision into a single RFP defies the mediated agreement and HTA's stated position in that agreement.
- Further, and in light of the two previous failed solicitations, protests and rescissions by the HOPA, it is critical that HTA approach this third procurement attempt with due care and take the time necessary to get it right. As has been pointed out by the HOPA in his December 5, 2022, rescission letters and at recent WAM hearings, HTA should utilize the resources and guidance from the Attorney General, State Procurement Office and DBEDT ensure that the third round of RFPs are executed correctly, from the written RFP thru the evaluation procedures to the award. Governor Green has made this a top priority for his new Administration.
- The HOPA was clear in his December 5, 2022, rescission letter that HTA and DBEDT need to learn from the mistakes made in the two previous failed attempts:

"Given the emerging and erratic market coming out of the COVID-19 pandemic, which is not expected to be in full recovery until 2025 and the evolving needs of the community, it is clear to us that to address the needs

*of the current market more effectively, it is no longer in the best interest of the State and people of Hawaii (sic) to enter into **one single RFP (emphasis added)**. We must have two contracts one for marketing communications and travel trade and one for destination brand management, communication, education, and community based economic development. A single contract would not only put us at a competitive disadvantage in the market but also in dealing with the community.”*

- It is also critical that the RFP for destination management have a clear definition of the scope of services to be provided under the contract. This section of the previous RFPs called for a destination management SUPPORT plan (DSMP) not the destination management plan itself. The DSMP outline did not clearly state HTA’s expectations, and the two finalists offered significantly different interpretations for what each thought HTA was after. Later, during the successful mediation that was undertaken, a good foundation for a destination management plan emerged.
- Finally, a separate, boots-on-the-ground destination management contractor is needed to execute HTA’s desired scope and be the resource for all the GMT contractors who support the central Hawai’i centric program. The recent Hawai’i Tourism Japan RFP reinforces that HTA wants its GMTs to continue to have a Destination Management SUPPORT Plan and it is inconsistent to force the Destination Management Plan itself into a geographically defined RFP like the HTUSA RFP.

Mahalo,



John Monahan
President & CEO

**Hawai'i Tourism Authority
Regular Board Meeting**

Executive Boardroom A, Hawai'i Convention Center
Thursday, December 22, 2022, 9:30 a.m.

Testimony

The Council for Native Hawaiian Advancement (CNHA) submits testimony offering comments on Agenda Item #16, relating to RFP 22-01, the Hawai'i Destination Brand Marketing & Management Services for the United States Major Market Area Contract. CNHA maintains that the 11th hour decision of the former Department of Budget and Economic Development and Tourism (DBEDT) Director to rescind CNHA's award and cancel the RFP is not only wholly unsupported by the facts and the law, but is manifestly unfair. CNHA has participated in the procurement process in good faith and in a manner that embodies the spirit of aloha. We indulged the State's attempts to broker a resolution to our competitor's protest, despite the fact that the procurement code does not require us to do so. For our efforts, CNHA has been repeatedly disadvantaged by DBEDT's failure to resolve the protest "expeditiously." Simultaneously, public faith in the state's laws, as well as the state agencies involved, continues to erode, as evidenced, among other things, by the overwhelming public outcry against the former DBEDT Director's decision during the HTA board meeting on Dec. 7, 2022.

If left undisturbed, the decision to rescind CNHA's award will set the precedent that a single state actor can undo a robust and fair procurement on a lark and without adequate justification—an unfair and anti-competitive result that the Procurement Code is specifically intended to avoid. CNHA maintains that this decision was unlawful, and we therefore humbly ask the State of Hawai'i to reverse the rescission of RFP 22-01 and instead to affirm CNHA's full award of the Hawai'i Destination Brand Marketing & Management Services for the United States Major Market Area contract. Until this matter is resolved, we will continue to explore all available options. Having said that, CNHA is still open to working with the new Governor and his DBEDT leadership team to do what's best for our visitor industry, and the people of Hawai'i.

Mahalo nui for the opportunity to testify.

Respectfully,

J. Kūhiō Lewis, CEO
Council for Native Hawaiian Advancement



Hilton
2005 Kalia Rd
Honolulu HI 96815

December 22, 2022

George Kam
Chairman
Board of Directors
Hawaii Tourism Authority
1801 Kalakaua Ave
Honolulu HI 96815

Dear Chair Kam,

In reference to HTA's Board Meeting on December 22, 2022, Agenda item #16, Discussion, Recommendation, and Approval on Hawai'i Destination Brand Marketing & Management Services for the United States Major Market Area Contract, I am providing testimony in support of creating a resolution with two RFPs.

- During recent mediation, as part of the procurement process of RFP 22-01, it was discovered that two RFPs would be advantageous given the two distinct and unique skill sets required for optimal execution of the proposal; one for brand and one for destination management.
- In the statement made by the HOPA on December 5th, asking that HTA and DBEDT learn from the mistakes of the past, it was evident that RFP 22-01, in its current state, requires a change as the way it was written did not serve the best interest of the State of Hawaii.
- Hawaii is beginning to see its domestic US visitor base choose vacations to alternate international destinations which have become less restrictive and more appealing due to the strong US dollar versus most foreign currencies. In addition, international source markets have been slow to recover, including the all too valuable Japan source market. Hawaii has never needed a marketing expert, nor destination management expert with deep experience and expertise in their respective fields, as much as we do now.

Sincerely,

Duke Ah Moo
Vice President and Commercial Director
Hawaii and French Polynesia



December 21, 2022

Gerard C. Gibson
President
Hawaii Hotel Alliance

George Kam, Chair
David Arakawa, Vice-Chair
The Board of Directors
Hawaii Tourism Authority
1801 Kalakaua Avenue
Honolulu, HI 96815

Thank you Chair Kam, Vice-Chair Arakawa and the HTA Board of Directors for your time today.

My name is Jerry Gibson, President of the Hawai'i Hotel Alliance. The Hawaii Hotel Alliance applauds the Hawai'i Tourism Authority's decision to solicit bids for two distinct contracts to support Destination Marketing and separately HTA's efforts to provide additional Destination Management programming for the State of Hawai'i.

Further the Hawaii Hotel Alliance supports the request by the Hawaii Visitors and Conventions Bureau for a limited extension of their current marketing efforts on behalf of the Hawaii Tourism Authority. This extension will ensure continuity in our State's coordinated marketing efforts targeting visitors leading though the vital summer season in 2023.

The tourism industry in Hawaii is currently facing significant headwinds. After two cataclysmic years of COVID, we are staring down the barrel of a looming recession, grappling with inflation that is increasing operating costs in what is already the most expensive operating market in the country, all while losing visitors to competing markets that are investing nine-figure sums in into destination marketing such as Florida, the Caribbean and Mexico.

Hotels in Hawaii typically realize peak REVPAR and occupancy during this time of year, but for the first time in recent memory this is not currently true. In fact, many properties in Hawaii - particularly in Waikiki, are doing worse than our first year out of COVID or when tourism bottomed out at the peak of the Great Recession in 2007. Exacerbating a soft holiday season are the lagging forward looking bookings and projections for the first quarter of 2023, which are off pace by double digits.

In light of these challenges, it is essential that marketing efforts towards the important US market continue without interruption. Extending the current marketing contract with the Hawaii Tourism Authority through the summer of 2023 will allow for a continued focus on marketing towards visitors within the critical booking window taking us through the crucial summer season and setting us up for Q4. The success of the summer of 2023 will have a significant impact on the health of the tourism industry, the job security of nearly a quarter million *Kama'aina* across our islands and their families who depend on tourism, and the state's financial bottom line. At the same time, we infuse the tax system with needed revenues for housing and a myriad of important state and county programs.

Mahalo to all for your time today.

A handwritten signature in blue ink, appearing to read "Jerry Gibson", with a long, sweeping horizontal line extending to the right.

Jerry Gibson
President
Hawai'i Hotel Alliance



TESTIMONY
Agenda No. 16: Tom Donovan,
Turtle Bay Resort

TURTLE BAY
57-091 Kamehameha Highway
Kahuku, Oahu, Hawaii 96731

turtlebayresort.com

December 21, 2022

Hawaii Tourism Authority
Board of Directors
1801 Kalakaua Avenue, 1st Floor
Honolulu, HI 96815

TURTLE BAY

Aloha HTA Board of Directors,

I have worked in the visitor industry on and off for the last 16 years leading three different resorts in the State of Hawaii. I would like to submit my testimony regarding the importance of building a strong, dependable leadership that can support Hawaii's visitor industry. The rooted culture of Hawaii is of utmost importance as it shares our most important resource, our Aloha. We also need to continue to get the message out to our visitors to keep Hawaii front of mind and to continue to be the most desirable destination in the world.

We need to understand that coming out of the pandemic will not be easy as we are already seeing challenges as 2022 comes to a close, as well as the uncertainties of the first and second quarter of 2023.

The Council for Native Hawaiian Advancement and Hawaii Visitors and Convention Bureau both have unique talents to create a very powerful partnership to drive our hospitality industry forward. I believe both organizations make our industry stronger and create a sustainable destination by teaching all of us, including our visitors what makes Hawaii special and how we need to protect it for generations to come.

Hawaii Visitors and Convention Bureau brings a great depth of knowledge and experience to market and sell our destination. Currently there are a lot of headwinds as we go into 2023, due to economic policy and strong competition from other resort destinations. I believe having this marketing experience right now is vital to our immediate and future success.

Having both CNHA and HVCB in this process with two separate contracts would give us our best option for a sustainable and robust economy in 2023.

I believe we need two contracts. One to manage our destination, and the other to manage our sales and marketing platform.

Warmest Mahalo,

Tom Donovan
Vice President & Managing Director

Hawai'i Tourism Authority Board Meeting December 22, 2022

Written testimony agenda item 16 – Frank Haas

Submitted as an individual

There has been much discussion about transforming Hawai'i tourism over the past year or so - and some of the proposed new directions have caused a lot of anxiety. One particular point of concern has been the decision by the Hawai'i Tourism Authority (HTA) to seek a single contractor to manage both U.S. marketing and destination management. That is a dramatic change from the past – and change is always difficult.

The move to a single contract as well as other changes made by Hawai'i Tourism Authority didn't come out of the blue. They were set in motion by the 2020-2025 Hawai'i Tourism Authority Strategic Plan adopted in January 2020. This groundbreaking plan was developed in response to a broad call for change and laid out a deliberate shift in HTA's direction to provide more emphasis on destination management and, very importantly, to develop a new **integrated destination management system**. Integration of all HTA's functions across its four pillars (community, natural resources, Hawaiian culture, and branding) is critical for the success of Hawai'i tourism because tourism, by its nature, is complex. Addressing tourism's complexity requires HTA find new ways to break down barriers and address tourism holistically.

Once in place, the HTA strategic plan generated new thinking and new initiatives. For the first time, community-based destination management plans (DMAPs) were launched in 2021. In 2021 HTA also for the first time issued a request for proposals that combined U.S. marketing and destination management into a single contract to be managed by a single organization. This is consistent with the strategic plan's vision to take the different functions of HTA out of their silos, recognizing that community, culture, resources, and Hawai'i's brand are all interconnected.

Some have argued that combining marketing and management functions flies in the face of conventional wisdom - and it does. Conventional wisdom, though, isn't what's needed when creating transformative change. Marketing has been separately contracted for years and marketing's conventional role has been primarily focused on promoting travel to Hawai'i. But, the role of marketing needs to move beyond simply bringing more bodies to the islands. With the new strategic plan and its dramatic strategic shift, there is a clear need to create a new model that synchronizes the promotion of Hawai'i with the care for our 'āina and our communities.

The tools of marketing (social media, advertising, public relations, and others) can be effectively coupled with management tools (access management, controls, fees, signage, and others). Synchronizing marketing and management through the work of a single contractor ensures a seamless approach to fully realizing HTA's vision of "mālama Hawai'i" ... from targeting the mindful traveler, communicating the concept of mālama as part of the brand, properly incorporating cultural content, setting pre-arrival expectations, post arrival education and messaging, ideally all the way through to developing a post-departure relationship. An expanded view of the marketing/management relationship can effectively apply marketing tools to support our communities by promoting cultural practices, local festivals, farm-to-table operations, artisans, and more. Just one example of the potential for marketing/management

integration is the development of the “Pop-Up Mākeke” program that created a marketplace for hundreds of Hawai’i small businesses and promoted local products for kama’āina and visitors alike.

The HTA 2020 strategic plan envisioned transformative change and opened the door to new directions. Putting marketing back into a disconnected box would be a step backward.

Carole Hagihara

Subject: Testimony

TESTIMONY: Agenda No. 16, Keith Viera

From: Keith Vieira <keithmvieira@gmail.com>
Sent: Wednesday, December 21, 2022 7:32 PM
To: Carole Hagihara <Carole@gohta.net>; John De Fries <JDeFries@gohta.net>
Subject: Fwd: Testimony

Aloha John DeFries and HTA leaders,

I understand tomorrow you and other board members will be discussing the marketing/management contracts that are currently held by the HVCB.

A fiasco from the beginning when the HVCB legitimately won the award is extremely concerning, unethical, and needs to be corrected. Added to that, currently, Hawaii, especially Oahu, is facing a significant decline in future pace, starting in December and going through the first half of 2023, but could be longer. The first thing that needs to be done is the current contract needs to be fully funded and extended it for the next year so we can compete nationally against those who are currently coming after our customers with a mantra that Hawaii "doesn't want you". We need a positive campaign highlighting experiences here, and reminding them of this great place and people . Secondly, if we are going to insist upon having a management portion of this contract, at the very least, it should be split. These are two entirely different jobs And you go to to the best experts in the field today. We need to have about \$40 million in order to be competitive on the low end but closer to 60 million if we want to take back share that we have given away due to our inaction. so please, extend current market agreement to the end of 23 and provide an RFP process that delineates the jobs and split it in two separate RFPs. The much larger one, for marketing, as this is a very important effort.

Respectfully, Keith Vieira

Sent from my iPhone

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Keith M. Vieira
Principal
KV & Assoc. Hospitality Consulting, LLC
4757 Aukai Avenue, Honolulu, HI 96816-5206)
808-292-4030 (mobile)



December 22, 2022

George Kam, Chair
Board of Directors
Hawai'i Tourism Authority
1801 Kalākaua Avenue
Honolulu, Hawai'i 96815

Aloha e Chair Kam,

Testimony from the Hawai'i Visitors and Convention Bureau in SUPPORT of extensions to the following contracts:

- **Agenda Item #17** Supporting extension of HTA Contract 21030 **Island Chapter Support Services** Contract from December 31, 2022 to June 30, 2023, as well as
- **Agenda item #18** Supporting extension of HTA Contract 21016 S4 **Global Support Services** contract from March 28 to June 30, 2023, as well as
- **Agenda item #19** Supporting extension of HTA Contract 17029 S21 Hawai'i Destination Brand Marketing & Management Services for the **United States Major Market Area** contract from March 31 to June 30, 2023.

TESTIMONY

PREFACE

- Comments are offered without regard to who may ultimately win the new HTUSA contract. These are the facts of destination brand marketing and the current competitive market pressures Hawai'i faces now and/or will face soon.

IMPACT OF PROTRACTED RFP PROCESS, LAST MINUTE CONTRACT EXTENSIONS

- Hawai'i must have continuity of presence in the U.S. market – it has accounted for nearly all of Hawai'i's post-pandemic recovery but cannot continue to carry that load given competitive pressures with only intermittent marketing.
- The resumption of brand marketing and education in the U.S. has been hampered by the uncertainty surrounding the drawn-out RFP process which in turn has prompted HTA to issue extensions of the current HTUSA contract in order to maintain visitor education and brand messaging. Unfortunately, the last-minute approvals of the three HTUSA contract extensions brought paid media and travel trade commitments to a complete halt prior to resuming once again. This meant that Hawai'i was dark in the first month of each of the extensions (January, July, and October 2022) – no Mālama Hawai'i or traveler Kuleana messaging to visitors or travel trade education programs. Fortunately, the third extension (October through March 31, 2023) has allowed HTUSA to secure media commitments for the all-important 1st quarter of 2023 when U.S. travelers are most prone to making decisions on where to vacation.

- Given the requirements of a successful RFP-to-contract process, it is unlikely that there will be a new HTUSA contract in place by the end of the existing extension (March 31, 2023). At the same time, history has shown us that it is important for Hawai'i to communicate and educate U.S. visitors and travel agents without taking a break (*see below), particularly as we head into the busy summer season. Approving another extension through June 30, 2023, will allow enough time for 2nd quarter placements to be created and run.
- Additionally, if a new contractor is ultimately selected, the contract extension will partially provide for a smooth transition period which is necessary to preserve Hawai'i's momentum and presence in the U.S. marketplace.

**During the pandemic shutdown, HTA suspended all education and marketing in all markets. When Hawai'i reopened, the visitors who first returned in droves were from the continental U.S. and they were not Hawai'i's target travelers --they had not received any educational messaging about regenerative tourism and traveling pono. Residents were not pleased.*

INTENSIFYING COMPETITION; INCREASED APPEAL OF INTERNATIONAL DESTINATIONS

- Now and into the first half of the year, Hawai'i is facing increased competition for visitors as other destinations have reopened and are spending record amounts on media and promotional initiatives in the U.S. market – Mexico and countries across Europe and Asia are examples. In addition, these destinations are leveraging the strength of the USD relative to their own currencies, making international destinations especially appealing to U.S. travelers.
- The Japan market is going to take longer to recover than anticipated and is not expected to reach pre-pandemic levels until at least 2025. And according to UHERO, this further delay of the return of Japanese visitors will place even **more** pressure on the U.S. market to deliver visitors.
- UHERO's forecast anticipates that U.S. arrivals will decline in 2023 to 7.133 million, a decline of -7.5 percent with further, albeit smaller, declines in 2024 and beyond.
- Going into the first 6 months of 2023, U.S. non-stop transpacific seats are down -2 percent when compared to the same time period in 2022. (Also, important to note is that leisure demand supports the level of service to and from cities that are important to Hawai'i's residents and business community on all islands.)
- Forward hotel booking data (TravelClick) tells about global booking pace into Hawai'i. This real time look clearly reflects the impact of the conditions referenced above (additional competition from reopened destinations with a strong U.S. dollar putting those destinations on sale, lack of a recovery in Japanese visitors to Hawai'i, and a reduction in air seats to Hawai'i from the U.S.) as evidenced by a drop-off in bookings to Hawai'i as early as March 2023. This does not consider what will occur if a U.S. economic recession is added to the above.

ECONOMIC AND RECESSION FEARS

- According to Oxford Economics, the U.S. economy is doing better than anticipated in Q4 and this positive forecast has pushed the start of the recession from Q1 to Q2 2023. The recession will be caused by the Fed's aggressive tightening cycle and the drag from tighter financial market conditions.
- Earlier this week, a survey of fund managers conducted by Bank of America found that 77 percent believe a global recession was imminent.

Mahalo,

A handwritten signature in blue ink, appearing to read "John Monahan".

John Monahan
President & CEO



Maui Hotel & Lodging
ASSOCIATION

December 20, 2022

Hawaii Tourism Authority
Board of Directors
Hawai'i Convention Center
1801 Kalākaua Avenue,
Honolulu, Hawai'i 96815

RE: Support for Extension of HTA Contract 21030 Island Chapter Services and Support for Extension of HTA Contract 17029 USA Leisure Marketing Contract

Aloha Chair Kam and board members,

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry for Maui County. We represent over 180 property and allied business members and more than 22,000 workers.

MHLA is in support of the extension of **Contract 21030 Island Chapter Support Services** beyond its December 21, 2022, ending date, and **Contract 17029 USA Leisure Marketing Contract** beyond its March 31, 2023, ending date.

Our island chapters provide invaluable services in assuring needed communications are upheld to our visitors and providing services to travelers during episodic weather events, travel delays, and untimely casualties. They have well-established relationships with their respective County governments and stakeholders.

Our Leisure Marketing contract in Hawaii needs continuity of presence in the U.S. market – it has accounted for nearly all of Hawaii's post-pandemic recovery. If this contract were to expire and then start again, this intermittent marketing would be detrimental to the recovery progress.

Thank you for the opportunity to provide testimony,

Lisa Paulson
Executive Director
Maui Hotel & Lodging Association