



HAWAII TOURISM AUTHORITY

Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
kelepona tel 808 973 2255
kelepa'i fax 808 973 2253
kahua pa'a web hawaiiTourismAuthority.org

Neil Abercrombie
Governor

Mike McCartney
President and Chief Executive Officer

REGULAR BOARD MEETING HAWAII TOURISM AUTHORITY Thursday, March 28, 2013

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

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT: Ron Williams (Chair), Patricia Ewing, Kelvin Bloom, Jack Corteway, Patrick Fitzgerald, Rick Fried, Victor Kimura, Mike Kobayashi, David Rae, Aaron Salā, Lorrie Stone

MEMBERS NOT PRESENT: Craig Nakamura

HTA STAFF PRESENT: Mike McCartney, Caroline Anderson, Jadie Goo, Brian Lynx, Doug Murdock, Daniel Nahoopii, Roann Rakta, Angela Rodrigues, Mike Story, Marc Togashi, David Uchiyama

LEGAL COUNSEL: Deputy Attorney General Gregg Kinkley

1. Call to Order

Presiding Officer Ron Williams called the meeting to order at 9:45 a.m. Upon request by Mr. Williams, Mr. Salā proceeded to offer a pule.

Mr. Uchiyama introduced Brian Lynx as a newly appointed staff member and serving in a capacity as the Vice President of Meetings Conventions and Incentives. He provided a brief background of Mr. Lynx's work experience. Mr. Lynx expressed his appreciation to Mr. Uchiyama for the opportunity to work with him at HTA and looks forward to growing the Hawai'i brand and its MCI market.

2. Approval of Minutes of the February 28, 2013 Board Meeting

Mr. Fitzgerald moved to approve the minutes of the February 28, 2013 regular board meeting. Mr. Kimura seconded the motion, which was unanimously approved without any amendments by all members present.

3. Report of the Chief Executive Officer Relating to the Implementation of the State Tourism Strategic Plan Initiatives and/or Staffs' Current Assessments of the Major Market Areas

Upon request by Mr. McCartney, Mr. Uchiyama discussed his two recent trips to visit visitor industry representatives on the mainland. On his first trip, he initially noted that during meetings with representatives at U.S. Air, he obtained a better understanding on whether there would be any significant impact on Hawai'i because of the airline's recent merger. He also noted there are current plans to further discussing future flight opportunities to Hawai'i.

Mr. Uchiyama also met with Mesa Airlines and expressed a concern related to customer experiences with go! Airlines. He noted that Mesa officials were concerned with operational issues and the number of aircraft currently serving the Hawai'i market.

During meetings with Allegiant Air, Mr. Uchiyama noted a concern was expressed regarding the failure of various flight origination points to achieve projected "draw." They discussed suggestions on how to address this concern, including other origination points and going to the neighbor islands.

On a second trip to the mainland, Mr. Uchiyama met with cruise line officials and felt that more work must be done to better develop the cruise line market. He believes we need to work on "revenue intake" when the cruise ships are in Hawai'i ports and especially when there may be more than one ship moored at the same port.

Mr. Uchiyama also met with officials at the Ladies Professional Golf Association (LPGA). He noted the conversations were "excellent" and the LPGA would like to see more tournaments in Hawai'i. The LPGA concurred with Mr. Uchiyama that the "make up" of its tournament players are consistent with Hawai'i's market.

Finally, Mr. Uchiyama discussed his meetings with officials at Harvard regarding the development of a curriculum for students interested in pursuing a career in the hospitality industry under the work force development strategic initiative. He noted the various activities the hotel industry are currently engaging in with high school students and teachers.

In response to a question from Mr. Fried whether there are any concerns related to the viability of any interisland air carrier, Mr. Uchiyama stated that the “short flights” between islands are expensive and the quality of service is more of a concern.

In response to a question from Mr. Bloom whether there have been any recent discussions with Island Air, Mr. Uchiyama stated that recent discussions have been “fruitful.” He noted the different aircraft Island Air will be using in Hawai‘i and that it had retained the affiliate agreements previously executed by Aloha Airlines.

(Ms. Stone was present at this time.)

Mr. Salā stated that when working with the cruise lines, we need to keep the Hawaiian community abreast especially when a new cruise line is entering a port so proper protocol with “key people” on each island would be maintained. Mr. Uchiyama concurred and noted that under its contract with the HTA, the Hawai‘i Visitors and Convention Bureau (HVCB) will be working with a Native Hawaiian Working Group.

Mr. McCartney referred to his Report previously distributed to Board members. He discussed the favorable trend of the increasing number of native Hawaiian speakers in Hawai‘i today as compared to what it was twenty (20) years ago.

He initiated a group activity with board members to demonstrate the Legislature’s difficulty in getting a consensus on developing priorities within a very short time period. He discussed the challenges within the legislative process for developing a six (6) year state government financial plan. Finally, Mr. McCartney distributed a chart he shared with the Governor and Legislature explaining the projected TAT distribution for FY 2014 using various assumptions.

HTA Report Card (February 2013): Strategic Plans’ Measures of Success. Mr. Murdock distributed for the Board’s consideration and discussion the “HTA Report Card-February 2013.” The Report Card provided the measures of success to date for the Hawai‘i Tourism Strategic Plan, including economic measures (Visitor Expenditures, Tax Revenues, Jobs), and experience measures (Resident Sentiment, Visitor Satisfaction, Consumer Sentiment).

Additionally, the Report Card provided measures of success for the HTA Strategic Plan. These measures utilized key performance indicators (KPIs) with previously established targets for Arrivals, Visitor Spending, Visitor Days, Daily Spend, and Airlift in each major

market area; island distribution targets; return on investment based on arrivals, visitor spending, and tax revenues; and, quality of life indicators (economic, education, environment, health, housing and transportation, public safety, and social participation). The Report Card noted that HTA staff is currently developing meaningful measures for the Native Hawaiian strategic initiative.

4. Review of Recent and Upcoming Permitted Interactions

Mr. Murdock asked whether any Board member had communicated with another member outside of a duly notice board meeting. No Board member acknowledged any such communication.

5. Presentation and Discussion on Visitor Statistics

HTA Key Performance Indicators Dashboard. Mr. Nahoopii referred to the “HTA Key Performance Indicators Dashboard” (dated February 2013), which was presented to the Board for its consideration and discussion.

Visitor Data. Mr. Nahoopii provided a PowerPoint presentation entitled “Current Visitor Data-February 2013.” In his presentation, Mr. Nahoopii initially provided an “Overview” of visitor data as of February 2013 by highlighting the following: visitors “contributed \$45 million per day”; visitor expenditures exceeded targets with a 9.6% increase; and, arrivals also exceeded targets with a 6.9% increase. He further noted that for February 2013 there was a 9.9% increase in visitor expenditures and total arrivals were 675,517.

Mr. Nahoopii continued his presentation by discussing the year-to-date (February 2013) KPIs (actual vs. targets) and noted that visitor days grew at a slower pace due to shorter length of stay especially by international visitors and expenditures were “buoyed” by per person per day (PPPD) growth. He also discussed year-to-date results for targets established for the island distribution KPIs; total seat capacity; total visitor expenditures, including spending in various spending categories (lodging, shopping, transportation, entertainment, food and beverage); and, total visitor arrivals, including daily census. In regards to visitor arrivals for each major market area (MMA), Mr. Nahoopii noted that to-date the U.S. East had achieve its target while other markets have exceeded their respective targets.

Mr. Nahoopii also discussed hotel occupancy and noted that although statewide occupancy was up 1.7% at 80.7% occupancy, there were distinctive gaps between occupancy on O’ahu

and each of the respective neighbor islands. Based on the average daily rate for January 2013 being \$231.00, he anticipates visitor expenditures will be higher than anticipated.

Mr. Fitzgerald asked whether there was any strategy to “flatten” the visitor arrivals trend for the Canadian market. Mr. Uchiyama responded that “this will be hard” because Canadians are “snow birds” and they do not want to contend with visitors from other markets traveling in other periods.

In response to a question from Mr. Fried whether Canadians are spending less money, Mr. Uchiyama stated that Canadians are spending more than U.S. West because they are staying longer. Upon further inquiry from Mr. Fried regarding the European market, Mr. Uchiyama discussed the various aircraft that may potentially be flying between Europe and Hawai'i. He also noted the airlines' experience with visitors travelling directly to Hawai'i from the East coast and that these travelers may potentially include more European visitors.

Japan Expenditure Data. In response to a previous request from the Board for information whether there is a shift in spending habits by the Japanese visitors, Mr. Nahoopii discussed a chart describing expenditures by Japan visitors and categorized by age and gender of the “party head.” Mr. Nahoopii noted that based on year-to-date data as of February 2013, the Japanese visitors appear to be spending more on food than on shopping.

Mr. Bloom requested the same type of information for 2012.

Mr. Kimura inquired whether there has been a trend for decreased expenditures for food while expenditures for occupancy have increased. Mr. Nahoopii responded that a current trend is for visitors to eat “outside of the high end restaurants and more at the neighborhood restaurants.” Ms. Stone concurred and stated that “it may be a foodie thing” to search where “islanders” eat. Mr. Kimura added that he also observes “more ABC bags” and not the “Gucci bags.” Ms. Stone further stated that the current trend appears to be that the Japanese visitors are not only spending money at cheaper restaurants but also shopping at places with “trendy cloths.” She noted the recent plan for “H & M” to have a store on Kalākaua Avenue.

Mr. Salā inquired whether the Japan tsunami affected the “quality of life” or “sense of well-being” now being sought by Japan visitors so they may now not be interested in high end products. Mr. Uchiyama responded that a “marketing effectiveness study” being conducted by HTA may provide answers to this question. He also noted tour operators have indicated

that as the destination matures, the Japan visitors “want to immerse deeper into what is Hawai‘i.”

The meeting was recessed at 11:22 a.m.

The meeting was reconvened at 11:36 a.m.

Mr. Nahoopii proceeded to show a slide within a PowerPoint presentation summarizing a chart distributed to the Board entitled “Island Visitation Analysis.” He discussed the actual visitation between domestic and international visitors to each island in 2012 as compared to year-to-date (February 2013). He noted that Kaua‘i and Maui saw a large growth in “day trips” by international travelers while visitors to O‘ahu and Hawai‘i Island had more “overnight stays.”

Mr. Williams observed that if the trend for day trips would increase, it might be difficult to get interisland seats during the early morning flights. Mr. Uchiyama stated that we need to work with the interisland carriers, who may already be making plans to add more early morning flights.

At this time, Mr. Kimura referred to the previous chart distributed by Mr. Nahoopii regarding the expenditure data for Japan visitors. He asked our Japan marketing contractor to be made aware of this data so they can better market to the segment of the Japan market that has the most growth. Mr. Uchiyama concurred.

6. Presentation and Discussion on Adjustments to Targets

Mr. Uchiyama began a PowerPoint presentation of proposed adjustments to 2013 targets as of February 2013 for total expenditures, per person per day (PPPD) expenditures, visitor arrivals, length of stay, and visitor days. In response to a question from Mr. Fitzgerald, Mr. Uchiyama responded that the targets were developed by looking at historical trends and utilizing staff analysis with market intelligence. Economic data was also analyzed. Although visitor industry “benchmarks” was relied upon in the past, the current targets did not substantially rely on these benchmarks.

Mr. Kimura remarked that the allocation of budgeted funds should be aligned or correlated with the targets. Any change in targets should be explained or appropriately funded. Mr. Uchiyama concurred but noted that the marketing contractors are currently being asked to meet the revised targets with no increase in funds.

Mr. Uchiyama proceeded with his PowerPoint presentation of revised targets as of February 2013, and recommended that the 2013 targets for **U.S. West** should be revised as follows:

- Expenditures: \$4,901.7 (million\$)
- PPPD: \$156.64
- Arrivals: 3,271,650
- Length of Stay: 9.56
- Total Days: 31,293,029

His recommendation was based on a growth in airlift and improvement in the economy despite federal sequestration; concerns over affordability of travel; and, uncertainty of oil prices.

Mr. Uchiyama also recommended that the 2013 targets for **U.S. East** should be revised as follows:

- Expenditures: \$3,741.1 (million\$)
- PPPD: \$200.65
- Arrivals: 1,760,470
- Length of Stay: 10.59
- Total Days: 18,645,449

He noted that there would be an increase in air seats and PPPD expenditures due to an improved economy.

Mr. Uchiyama also recommended that the 2013 targets for **Canada** should be revised as follows:

- Expenditures: \$1,034.2 (million\$)
- PPPD: \$156.86
- Arrivals: 500,730
- Length of Stay: 13.17
- Total Days: 6,592,937

He stated that although there will be a decrease in the rate of growth of arrivals, many Canadians are crossing the border to take the Washington/Bellingham route. The economic stability and exchange rate for Canada "remains at par."

Mr. Uchiyama further recommended that the 2013 targets for **Japan** should be revised as follows:

- Expenditures: \$2,975.0 (million\$)
- PPPD: \$301.44
- Arrivals: 1,641,400
- Length of Stay: 6.01

- Total Days: 9,869,239

The revision was recommended because there will be additional air seats and flight origination points. Although territorial disputes may decrease travel to other Asian destinations, a projected sales tax increase and fuel surcharge may impact travel.

Mr. Uchiyama continued his presentation with another recommendation that the 2013 targets for **Korea** should be revised as follows:

- Expenditures: \$342.0 (million\$)
- PPPD: \$253.67
- Arrivals: 188,600
- Length of Stay: 7.15
- Total Days: 1,348,029

The current arrival targets would be maintained at a 20% increase because Korea's "export fueled economy" is vulnerable and the Korean won may be adversely affected. There will be an increase in seat capacity that will spark greater utilization of the MCI market. He noted increase travel from the Busan/Youngman region.

Mr. Uchiyama further recommended that the 2013 targets for **China** should be revised as follows:

- Expenditures: \$348.5 (million\$)
- PPPD: \$392.35
- Arrivals: 144,910
- Length of Stay: 6.13
- Total Days: 888,150

Although seat capacity would be slowly growing due to the "single China carrier per route philosophy," PPPD spending was increased because of growth in the middle class and in the gross domestic product (GDP). Mr. Uchiyama displayed a route map for airlines flying in China and indicating the various routes that are owned or maintained by different airlines. The significance of Taiwan was noted. He also discussed the code sharing opportunities that may be available to Hawaiian Airlines.

Mr. Uchiyama continued with his presentation to recommend that the 2013 targets for **Oceania** should be revised as follows:

- Expenditures: \$ 749.9 (million\$)
- PPPD: \$233.85
- Arrivals: 348,650
- Length of Stay: 9.75
- Total Days: 3,399,171

The targets were revised because there will be additional air seats and expenditures will reflect Australia's strong currency and GDP.

Mr. Uchiyama also recommended that the 2013 targets for **Europe** should be revised as follows:

- Expenditures: \$301.1 (million\$)
- PPPD: \$173.37
- Arrivals: 134,900
- Length of Stay: 12.87
- Total Days: 1,736,753

He stated that despite continued growth and bookings in Europe, the 2.9% growth in arrivals was maintained. He noted that German travelers may be traveling more to "value destinations" and seat capacity from the U.K. will have negative growth.

Mr. Uchiyama further recommended that the 2013 targets for **Taiwan** should be revised as follows:

- Expenditures: \$38.04 (million\$)
- PPPD: \$219.10
- Arrivals: 17,500
- Length of Stay: 9.92
- Total Days: 173,600

The revisions reflect an increase in arrivals due to the visa-waiver program and the inaugural flights by China Airlines and Hawaiian Airlines.

Mr. Uchiyama continued with a recommendation that the 2013 targets for **Latin America** should be revised as follows:

- Expenditures: \$84.1 (million\$)
- PPPD: \$200.62
- Arrivals: 27,900
- Length of Stay: 15.03
- Total Days: 419,329

He stated that arrivals would increase due to increasing access to credit, a growing middle class, and stable unemployment in Latin America.

Mr. Uchiyama concluded by making the following recommendations for the total "overall market":

- Expenditures: \$15,862.5 (million\$)
- PPPD: \$200.31

- Arrivals: 8,505,640
- Length of Stay: 9.31
- Total Days: 79,189,436

Mr. Bloom made a motion to approve the various recommendations previously made by Mr. Uchiyama in his presentation regarding the revised targets as of February 2013 for the major market areas and the total overall market. Ms. Ewing seconded the motion, which was unanimously approved by all members present.

7. Approval of HTA's Financial Reports

Mr. Togashi discussed the monthly financial statements for the period ending January 31, 2013. His presentation was summarized in a document distributed to the Board entitled "Financial Statements-Executive Summary, January 31, 2013."

The following financial statements covering the **HTA Special Fund** as of January 31, 2013 were distributed to the Board and discussed by Mr. Togashi: Expenditure Statement-Prior Year Funds; Income Statement-Current Year Appropriation (Modified Cash Basis); Income Statement-Current Year Appropriation (Modified Cash Basis); Budget Statement; Balance Sheet (Modified Cash Basis); Schedule of Reserve Balance; and, Revenue-Actual vs. Forecast (2013).

Mr. Togashi also discussed the following financial statements as of January 31, 2013 covering the **Convention Center Enterprise Special Fund** that were also distributed to the Board: Income Statement-Current Year Appropriation (Modified Cash Basis); Budget Statement; Balance Sheet; and, Revenue-Actual vs. Forecast FY 2013. A "Rolling Forecast" of the Hawai'i Convention Center operations covering the seven (7) months ending January 31, 2013 was also presented to the Board.

Mr. Kimura moved to approve the monthly financial statements for the **HTA Special Fund** and the **Convention Center Enterprise Special Fund** as of January 31, 2013. Ms. Ewing seconded the motion, which was unanimously approved.

8. Presentation and Discussion on the HTA Budget Process

Mr. Togashi distributed for the Board's consideration a document entitled "FY 2014 Budget Process." He discussed as "points for consideration" the potential passage of legislation that may increase TAT; that a majority of HTA contracts are funded through December

2013; that a RFP for a convention center operation will be issued; and, that monies in the HTA Special Fund will be transferred to the Convention Center Enterprise Special Fund to pay for convention center sales and marketing.

He continued by discussing the timeline for the presentation and approval of the following budgets: FY 2014 HTA Operating (G&A) Budget; FY 2014 Convention Center Enterprise Special Fund Budget; and, the FY 2014 HTA Budget. He emphasized that there will be a two-step process for approval of the budgets. The first step would be to present the budgets for consideration at an initial board meeting and the second step would be for action by the Board to consider the approval of the respective budgets.

There was no response to a request from Mr. Williams for comments or input regarding the FY 2014 budget process as presented by Mr. Togashi.

9. Presentation and Discussion on Procurement Plans for Major Area Contracts

Mr. Fitzgerald made a motion to go into executive session pursuant to HRS sections 92-4 and 201B-4 (8) for the purpose of discussing information that must be kept confidential to protect Hawai'i's competitive advantage as a visitor destination. Ms. Stone seconded the motion, which was unanimously approved by all members present.

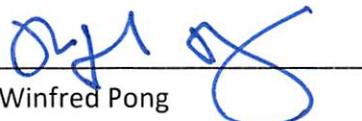
The meeting was recessed to go into executive session at 12:40 p.m.
The meeting was reconvened at 1:29 p.m.

The Board met in executive session to discuss information related to procurement plans for major marketing area contracts in Japan, Oceania, North America MCI, and Other Asia; and, that such information must be kept confidential to protect Hawai'i's competitive advantage as a visitor destination.

10. Adjournment

The meeting was adjourned by consensus at 1:31 p.m.

Recorded:



Winfred Pong
Recorder