



**REGULAR BOARD MEETING**  
**HAWAII TOURISM AUTHORITY**  
**Thursday, March 27, 2014**

**Hawai'i Convention Center, Executive Board Room, Parking Level**  
**1810 Kalākua Avenue, Honolulu, Hawai'i 96815**

**MINUTES OF REGULAR BOARD MEETING**

- MEMBERS PRESENT:** Ron Williams (Chair), Patricia Ewing (Vice Chair), Jack Corteway, Victor Kimura, Patrick Fitzgerald, Rick Fried, Michael Kobayashi, Craig Nakamura
- MEMBERS NOT PRESENT:** Kelvin Bloom, Aaron Salā, David Rae, Lorrie Stone
- HTA STAFF PRESENT:** Caroline Anderson, Mike McCartney, Jadie Goo, Doug Murdock, Daniel Nahoopii, Roann Rakta, Marc Togashi, David Uchiyama
- DEPUTY ATTORNEY GENERAL:** Gregg Kinkley
- GUESTS:** Teri Orton

**1. Call to Order and Pule**

Mr. Williams called the meeting to order at 9:36 a.m. He acknowledged Mr. McCartney for the presentation of a pule. Mr. McCartney expressed a desire to recognize individuals who have made significant contributions to the Native Hawaiian community and the visitor industry. He identified Kenneth "Kenny" Brown as one such individual. Mr. McCartney especially noted "Kenny's significant role" in establishing the Native Hawaiian Hospitality Association. In response to Mr. McCartney's request, Ms. Wilson offered a pule in recognition of Mr. Brown.

**2. Approval of Minutes of the February 27, 2013 Board Meeting**

Mr. Williams noted the typographical error with the reference on the agenda to the February 27, 2013 Board meeting when in fact it should be in reference to the February 27, 2014 Board meeting. The minutes of the February 27, 2014 Board meeting were included in a folder previously distributed to the Board members that contained documents related to the agenda items being discussed at this meeting. Ms. Ewing made a motion to approve the minutes of the February 27, 2014 Board meeting. Mr. Fitzgerald seconded the motion, which was unanimously approved without any reservation or revision.

**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**

Mr. McCartney expressed his desire to request various HTA contractors to appear before the Board and to give an update of their current scope of work. He introduced the General Manager of the Hawaii Convention Center, Ms. Teri Orton, to provide a report regarding the convention center. Ms. Orton stated that since beginning work on December 18, 2013 as the General Manager of the Hawaii Convention Center on behalf of AEG, she had to address "many moving parts" during a transitional period from SMG to AEG. She noted various legal and insurance matters that needed to be immediately addressed and that the "operational team is phenomenal." As she begins to phase out of a transitional period, her "first and foremost priority" is to fill various positions in the sales team that she has not been able to fill, such as the Vice President of City Wide Sales and a Japan sales position. Mr. Fried suggested working with different "head hunters" in an effort to find more candidates to fill the open positions. She concluded her presentation by discussing the various events that will be held at the convention center.

Mr. McCartney continued his presentation by noting that although the initial state revenue projections reflected an \$800 million budget surplus, the current projections have "dropped" significantly. Although there have been a rise in Transient Accommodation Tax ("TAT") revenues, there have been a drop in excise tax revenues. He stated that this shows how the visitor industry "is doing its share to help the economy." He distributed and discussed a document he prepared entitled "Context for 2014," which provided data reflecting a "plateau or leveling off of our 2014 arrivals and expenditures" after the first 59 days in 2014. He highlighted the following data: slightly lower numbers than our record 2013 year; 303 less air passenger arrivals per day; approximately 219,808 guest staying overnight on all islands in any given day; on average visitors spend a total of \$1,944 per trip and \$16 less than last year; visitors spend \$43.8 million per day and

contributed \$4.7 million in state tax revenues; the visitor industry support 175,000 jobs; Hawaii has the fifth highest occupancy in the U.S. with 76.2% statewide occupancy; Hawaii has the second highest average daily hotel rate of \$227; Hawaii is the fourth port of entry for airlines into the U.S.; and, Hawaii has 1.3 million residents but over 10.5 million air seats capacity. He concluded his presentation by emphasizing a need to work together and not as individuals representing individual interests. He expressed a hope that in 2014 we put together a team and reset ourselves to work together.

In response to Mr. Fried's inquiry on how we can address the current situation of visitors spending less money, Mr. McCartney stated that the Hawaii Visitors and Convention Bureau ("HVCB") is working at responding to a situation where visitors want to travel to Hawaii but the cost for traveling to Hawaii is high. Mr. Fried further inquired as to the status of the counties request for additional TAT revenues. Mr. McCartney responded that there is a need to balance competing needs. He noted his previous experience as a former Legislator and his role in drafting legislation regarding the allocation of TAT revenues to the counties. The current legislation reflects a need to allocate TAT revenues to "offset" the visitors' impact on the community. He stated that the legislation should be changed to reflect that the TAT revenues would be used as an "investment into the visitor industry." He added that there needs to be a discussion on "roles, responsibilities and resources" so that we can better determine how to be more efficient in allocating funds.

Mr. Fitzgerald inquired as to the status of a legislative measure relating to a tax on dues paid to a "destination club." Mr. McCartney responded that the Legislature is "moving" the measure but hopes that it will be "tabled" because it may have different impacts on various clubs. Mr. Fitzgerald further inquired whether HTA is responding to the spread of the chikungunya disease from the Caribbean. Mr. McCartney responded that we will "check on that."

Mr. McCartney distributed a flyer regarding an annual dinner of the Honolulu Police Community Foundation honoring the HTA and the Visitor Aloha Society of Hawaii.

#### **4. Review of Recent and Upcoming Permitted Interactions**

Mr. Murdock reported that on February 27, 2014, the Board members conducted a site visit of Grove Farm Sugar Plantation Museum located at 4050 Nawiliwili Road, Lihue, Kauai. Upon arrival at Grove Farm, the Board members were segregated into two groups of two members and one group of three Board members. Each group was led by a tour guide, who provided a presentation of the historical contribution by the Wilcox family to

develop the sugar industry in Hawaii while living at Grove Farm. The HTA conducted the site visit to experience a tourism product available to visitors on Kauai.

## **5. Presentation and Discussion of Visitor Data**

Mr. Nahoopii provided a PowerPoint presentation of visitor data. Initially, he provided an Overview of current visitor data as of February 2014 by highlighting that on a year to date basis, visitors contributed \$43.8 million per day to Hawaii's economy. When visitor data in February 2014 was compared to February 2013, he highlighted the following: visitors expended \$1.2 billion or .6% less; total arrivals declined 4.3% to 646,759 visitors; average daily spending increased 2.6% to \$203 per person; and, length of stay increased 1.2% to 9.28 days. He noted that for the first two months of 2014, there was a drop in arrivals from the U.S. market and a "slight" increase from the international market. In regards to the key performance indicators, he stated that arrivals and visitor spending were "pacing slower than the targets." Mr. Nahoopii further stated that a "more interesting picture is the distribution to each island" by noting that Oahu visitors have a shorter length of stay; Maui visitors spend more; Kauai visitors are staying longer and spending more; and, Hawaii island visitor arrivals are down. He noted that the visitors in February 2014 were longer staying visitors and were staying on the neighbor islands.

In regards to air seat capacity, Mr. Nahoopii indicated that there was no growth in February 2014 but was "on pace with the year-end expected level of 1.8% increase" in capacity. He noted that the air seats from charter flights scheduled in 2013 would be converted to scheduled seats in 2014. He discussed the increase in air seat capacity from Japan, Canada and New Zealand while capacity decreased from U.S. West.

Mr. Nahoopii continued his presentation by noting that all major markets showed a decline in visitor expenditures by highlighting that spending from U.S. West decreased 8% while spending from U.S. East increased 6.9%; and, that spending from Japan and Canada visitors decreased. He noted that the decrease in expenditures by Japan visitors might be due to exchange rate concerns. Mr. Kimura stated that we should "track" the rise in "sales tax" in Japan as a cause for a decrease in Japan visitor expenditures. He noted that the current sales tax is 5% and will be increased to 7.5%. Another 2.5% increase is expected and will total 10%.

Mr. Nahoopii noted that the "honeymoon and MCI segment" of the Japan market have higher spending visitors and are the "better performing" segments. Mr. Kimura expressed the need to "focus on the MCI in Japan."

In regards to the year to date total personal daily spending by visitors, Mr. Nahoopii noted that while the spending category for shopping and for food and beverage remained stable, expenditures for transportation (-8.2%) and lodging (-2.4%) accounted for most of a 1.8% decline in expenditures. He noted that the reduction in expenditures for transportation might be attributed to less spending for vehicle rental and a decline by Japan visitors traveling to the neighbor islands. Mr. Williams asked whether the decline in expenditures for car rental was due to less vehicles being available for rent. Mr. Nahoopii responded that he would need to obtain more data.

Mr. Nahoopii discussed the visitor arrival data in the U.S. West, U.S. East, Japan and Canada. He stated that “overall” there was a “drag” from the U.S. market over the past two months. Visitor arrivals from Europe and Oceania were below target while arrivals from Korea and Oceania posted strong growth. He noted that only Korea met targets for both arrivals and expenditures. In regards to the “smaller markets,” Latin America market decreased slightly while Taiwan arrivals almost doubled. However, Mr. Nahoopii noted that the Taiwan targets were based on two flights by Hawaiian Airlines and the future arrivals will reflect the termination by Hawaiian Airlines of one of its two flights.

In response to Mr. Corteway’s inquiry regarding Hawaii’s competitors, Mr. Nahoopii noted that Mexico and Caribbean competes in the U.S. market; Korea and Maldives competes in the China market; low cost carriers to various destination in Asia competes in the Japan market; and, the Caribbean and other European countries compete in the Europe market.

Mr. Kimura asked whether the February 2014 visitor data “factored in” that there were a lot of air port “shut downs” and many visitors were not able to arrive. Mr. Nahoopii responded that the visitor data utilized a “pre-arrival survey” and did not check out-bound travel. Mr. Uchiyama responded that there is a need to get more data from airlines regarding whether the U.S. East visitors had cancelled flights to Hawai’i because of the weather.

Mr. Corteway asked what would be the impact on Hawai’i if every hotel room and time-share unit were filled. How many people would be in Hawai’i? How many flights will be needed? Mr. Fitzgerald noted that it would be “impossible to have 100% occupancy.” Mr. Williams requested staff to provide Mr. Corteway with the “capacity study” and the “time-share” report.

Mr. Uchiyama reported on the international market and noted that the impact of a fuel surcharge in the Asia market will cause airfares to increase. He will be working with the airlines on a “mileage reduction program” to reduce the impact of a fuel surcharge. He stated that HTA would pay the airlines to participate in a “mileage reduction program” as a means of boosting travel in April and May. Mr. Uchiyama also noted that he would be meeting with travel partners to determine whether they will be having any promotions with hotels. He stated that hotels appear to be “holding off on anything major.”

Mr. Uchiyama distributed documents reflecting one-way airfare to Hawai‘i during the months of April to August 2014 from South Korea, Japan, Los Angeles, San Francisco, Seattle, Phoenix, Dallas, and Vancouver. Mr. Williams inquired as to the status of Delta’s new flight from JFK to Hawai‘i. Mr. Uchiyama responded that Delta would be pulling the flights to Europe and fly to Hawai‘i. He stated that it would be a “seasonal flight.”

Mr. Uchiyama distributed a document reflecting HTA’s budgeted marketing expenditures during the period from 2010 to 2013 in the domestic and international markets. The document also included the following data in relationship to HTA expenditures: arrivals, visitor days, total expenditures, expenditure per arrivals, expenditure per day, cost per arrival, cost per day, “ROI (Expenditure/\$ spent),” “first time (% of total),” “MCI (% of total),” “Hotel (% of total),” “Condo (% of total),” seat inventory, load factor, seat availability, “airline yield (per RPM).” Mr. Kimura expressed his belief that the data reflecting the “Hotel (% of total)” was not correct. Mr. Uchiyama stated he would “re-inquire.” Mr. Williams noted the small percentage of first time visitors in the domestic market. Mr. Uchiyama responded that we “need to increase access, especially direct flights.”

## **6. Presentation and Discussion of Budget and Planning Cycle for FY 2015**

Mr. Murdock referred to documents in the Board folder previously distributed to the Board members describing the “FY 2015 Budget Process.” He discussed the HTA Work Cycle, HTA Policy # 400-50, entitled “Operating Budget Policy,” and HTA Procedure # 400-50.01, entitled “Development and Approval of Operating Budget.” Mr. Murdock also discussed another document reflecting the various “Main Budget Objective” and the corresponding “Sub-objective.” The amount allocated to each of the objectives under the FY 2014 budget was also noted in the document. Mr. Murdock stated that the FY 2015 budget package will incorporate the HTA Strategic Plan, the Brand Sustainability & Execution Plans, and the HTA 2014 revised targets. These documents could be viewed on-line in the “Board reference book.”

In response to a question from Mr. Kimura whether the budget process would be in compliance with the Auditor's recommendation, Mr. Murdock stated "yes."

## **7. Action to Approve HTA's Financial Reports**

Mr. Togashi referred to HTA's financial reports as of January 31, 2014. He stated that there were "no anomalies."

Mr. Corteway asked whether the "Lt. Governor's Office received the \$190,000" from the HTA for the Presidential library. Mr. Togashi responded that the funds were disbursed and that HTA had maintained a separate account for this expenditure. HTA will also be receiving a report from the contractor. Mr. Williams acknowledged a request to include for the next Board meeting an agenda item to receive a report from the contractor regarding the Presidential Library.

Mr. Corteway made a motion to approve the HTA financial reports as of January 31, 2014. Ms. Ewing seconded the motion, which was unanimously approved without any objection

## **8. Adjournment.**

Mr. Fitzgerald moved to adjourn the meeting. Ms. Ewing seconded the motion, which was unanimously approved. The meeting was adjourned at 11:01 a.m.

Recorded:



Winfred Pong  
Recorder