REGULAR BOARD MEETING
HAWAI‘I TOURISM AUTHORITY
Thursday, April 24, 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), Kelvin Bloom, Jack Corteway, Victor Kimura, Rick Fried, Michael Kobayashi, David Rae

MEMBERS NOT PRESENT: Patrick Fitzgerald, Craig Nakamura, Aaron Salā, Lorrie Stone

HTA STAFF PRESENT: Mike McCartney, Doug Murdock, Daniel Nahoopii, Marc Togashi, David Uchiyama

DEPUTY ATTORNEY GENERAL: Gregg Kinkley

GUESTS: A. J. Halagao, Patricia Halagao, Robert Parkinson, Teri Orton,

1. Call to Order and Pule

Mr. Williams called the meeting to order at 9:35 a.m. He acknowledged Mr. Nahoopii, who chanted a pule recognizing the spirit of Aloha as perpetuated by Aunty Pilahi Paki.

2. Approval of Minutes of Prior Board Meetings

Mr. Kimura moved to approve the minutes of the regular board meeting conducted on March 27, 2014. Ms. Ewing seconded the motion, which was unanimously approved without any revision or comment.
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 HTA’s Programs

Mr. McCartney referred to the CEO Report previously distributed to the Board that includes a report of each marketing contractor for the various major market areas. He reported on the various legislative measures currently being considered by the Legislature. He noted that the bill maintaining HTA’s fiscal autonomy has been passed by the Legislature and is awaiting the Governor’s approval. He also noted other bills are still being considered, such as the bills relating to the HTA developing a single marketing plan, a natural resource program, a tax credit for new tourism construction, and additional transient accommodations tax (“TAT”) revenues being allocated to the counties. Mr. McCartney further added that the “biggest issue” facing the Legislature is getting an agreement on the budget under the state’s current economic condition, which no longer has a surplus under the Council of Revenue’s current projections, and the need to allocate monies for the funding of land at Turtle Bay.

Mr. McCartney reported that he traveled to China with Mr. Kobayashi on Hawaiian Airlines inaugural flight to Beijing. While in China, they met with Chinese tourism officials and HTA’s China marketing contractor. He also reported that he will be appearing with Mr. Williams at a U.S. Senate Commerce Committee meeting on May 8, 2014 to discuss international travel.

In response to an inquiry from Mr. Fried as to the status of a legislative measure granting a hotel tax credit, Mr. McCartney stated that the Tax Department views the measure as a “cost to the state” while the tourism industry would view it as an “investment” into the tourism product. He added that the measure “has an outside chance of being passed.” In response to an inquiry from Mr. Bloom regarding a proposed allocation of TAT revenues to the counties, Mr. McCartney responded that there are many versions of the measure to either give the counties “more or less” TAT revenues. He added, “It is a policy decision for the Legislature to make.” In response to Mr. Rae’s inquiry whether there is any way to direct how the counties would be able to spend the TAT revenues, Mr. McCartney responded that currently it is up to the counties on how it spends the money and “there is no direct correlation” with the TAT revenues the counties receive and expenditures in support of the visitor industry product. He expressed the need to correct a current reference in legislative committee reports justifying the allocation of TAT revenues to the counties. The reference to “offset the impact” of visitors should be changed to “investment” into the tourism product.

Mr. Williams acknowledged Ms. Orton, General Manager of the Hawaii Convention Center, to provide an update of the convention center. Ms. Orton stated that since becoming the
General Manager, she has received numerous comments from meeting planners that the “building is beautiful” and that the “sales staff is great.” She expressed the belief that the “spirit of Aloha” is what makes the convention center great. She presented a video of testimonials from various meeting planners, who conducted events at the convention center and stated their respective pleasure working with staff. At the end of the video, Mr. McCartney added that the staff also did a “great job” at a Bank of Hawaii event held at the convention center that was also broadcasted to the neighbor islands.

Mr. Williams acknowledged Mr. Halagao, who represented the Hawaii Presidential Center, which is a non-profit organization supporting the establishment of a Barack Obama Presidential Center in Hawaii. Mr. Halagao reported that it was the organization’s desire to promote the planning of an “action-oriented center” and there would be a high infusion of cash into Hawaii to build the center. The center would be another site for visitors. There would also be a “convening institute” that would be a “living action tank” and not just a “think tank.” Since the planned center would be near the Hawaii Convention Center, the intent would be to leverage the resources at the convention center for larger meetings. A “leadership academy” would also be conducted at the center, which would not just be a museum. The center would also have a positive environmental impact by using solar, ocean and wind power resources.

Mr. Halagao provided a PowerPoint presentation related to the establishment of the center in Hawai’i. During the presentation, he reported that the structure of a group to promote the establishment of the Barack Obama Presidential Center in Hawaii includes the University of Hawaii, which is the lead entity, the State of Hawaii, the City & County of Honolulu and the non-profit Hawaii Presidential Center. In regards to a “time line,” Mr. Halagao reported that ideas regarding a center being established in Hawaii were shared with President Obama in December 2013 and that in January 2014, there was a meeting with the University of Chicago to discuss a proposal of a center in Hawai’i and in Chicago. He also noted the time line for a request for qualifications and a subsequent request for proposals for a “Presidential Foundation” that would occur in 2014. In regards to the current $190,000 budget appropriated to HTA for the center, Mr. Halagao reported that “everything is under budget” because of work being done “pro bono” or the cost for the work was discounted. He expressed the belief that the Legislature may include an additional $200,000 in this year’s budget to continue support of a presidential center in Hawaii. Mr. Halagao stated that the Hawai’i Presidential Center has been supported by the following: OHA, Punahou School, Kamehameha School, HEI, American Savings Bank, the Howard Hughes Corporation, and The Resort Group. At this time, Mr. Halagao showed a video
presenting the various benefits for a presidential center in Hawaii that was also previously shown to President Obama and Michelle Obama.

Mr. Kimura noted that Chicago would be able to focus “on economics” while Hawai‘i would focus of Hawai‘i as the place where President Obama was born. Mr. Rae asked whether Hawai‘i would be able to “talk story” with Chicago to recognize that President Obama was born and raised in Hawai‘i. Mr. Parkinson responded that the Hawai‘i Presidential Center is currently working with Chicago to integrate the two places that may have influenced President Obama. However, Mr. Parkinson stated that it would be “up to the President” to make the final decision. Ms. Halagao noted that the center in Hawai‘i would focus on education because of the President’s desire to promote leadership.

Mr. Williams acknowledged Mr. Uchiyama, who discussed his meetings with various airline representatives to address access issues. Mr. Fried requested an update on Kona Airport’s ability to be an international port of entry. Mr. Uchiyama stated that the Hawaii Department of Transportation (“DOT”) “is still working hard” with Homeland Security to address issues that Kona Airport is “not useable.” DOT has addressed issues related to bringing the Airport “up to code” and “manpower.” He added that DOT is also working with our congressional delegation to address the various issues being presented by Homeland Security. Mr. McCartney added that DOT is addressing “new standards to bring up Kona” from being designated as a “temporary facility to a permanent facility,” and that “we need to enhance immigration and Homeland security needs in a post 9-11 time.”

Mr. Rae stated that Mr. Uchiyama has done a “great job” to get access to Hawai‘i but that these “flights go away because there is no demand.” Mr. Rae asked, “What studies do we have to sustain these routes.” Mr. Uchiyama responded that we study the profitability of routes and noted the “fairing” by airlines of the different routes to Hawai‘i. He expressed the belief that the airlines are making a profit on flights to Hawai‘i.

Mr. Williams inquired about Southwest Airlines ability to fly to Hawai‘i. Mr. Uchiyama stated that Southwest “has limited ability to interface with other systems and carriers because it started as a low cost carrier” and needs to now have a system that can interface with other carriers, including international carriers.

Mr. Uchiyama discussed the large number of visitors to Hilo and how United Airlines wanted to “put a direct flight to Hilo.” However, Hawaiian Airlines “undercut” United fares with discounted fares traveling to Hilo through Honolulu. He also discussed the “feeder system” available to Hawaiian Airlines competitors. In response to an inquiry from Mr.
Williams whether the issue at Hilo Airport is a “facility issue or a manpower issue,” Mr. Uchiyama stated that it is both a facility and manpower issue, especially as a designated international facility.

4. Review of Recent and Upcoming Permitted Interactions

There were no report of any interaction or discussion between Board members regarding any tourism related matter.

5. Presentation and Discussion on Visitor Statistics

Mr. Nahoopii reported that the visitor statistics for March is currently not ready for distribution at this time. However, he presented other research studies prepared by staff to support the visitor statistics distributed by staff on a monthly basis. Mr. Nahoopii initiated a discussion on staff’s research of visitor satisfaction through a PowerPoint presentation. (A copy of the PowerPoint presentation were included in a folder containing documents related to the items on the agenda and were previously distributed to the Board members.)

Initially, Mr. Nahoopii stated that the data for the visitor satisfaction study were obtained through a “post survey” of visitors when they left Hawai’i. A “home survey” of randomly selected visitors included questions regarding their “general satisfaction” of their most recent Hawai’i trip. The survey includes factors related to “overall experience” and “pricing.” He noted that since 2008, over 95 percent of visitors from four MMAs (U.S. West, U.S. East, Japan and Canada) have been “satisfied” with their trip; that a higher percentage of visitors from the U.S. West and U.S. East have said that their trip “exceeded expectations”; and, that nine out of ten visitors from U.S. West, U.S. East and Canada would “likely to recommend Hawai’i to friends and relatives.” He also discussed the ratings by visitors of their experience on each island.

Mr. Nahoopii continued with a discussion on a study of “booking times” by visitors or how long before arrival did a visitor decide on Hawai’i as a destination to visit. The study indicated that about 63 percent of visitors from Japan in the third quarter of 2013 choose their destination within 90 days before the departure date as compared to 46 percent of visitors from U.S. visitors and Canada. Mr. Nahoopii also discussed the sources of information visitors rely upon for trip planning. He noted that about 47% of all visitors rely on their personal experience for travel arrangements and recommendations from friends and relatives. However, Japan visitors were significantly more likely to rely on travel agents, magazines and books when planning their trip.
Mr. Nahoopii continued with a presentation of a study related to Hawai‘i’s visitor plant. He stated that the information was primarily obtained from a survey of owners and managers when asked “what was available for the whole year.” He noted that in 2013, Hawai‘i’s visitor plant inventory comprised of 73,893 visitor accommodation units, which was approximately 1% less than last year. About half of these units were located on O‘ahu. Although hotel units (59%) comprised the bulk of accommodation units, the remaining inventory largely consisted of condo hotel units (15%), timeshares (14%), and “IVUs” (9%). It was noted by Ms. Ewing that the study does not distinguish between units that “go in and out” versus units that are “dedicated visitor plant.” In response to an inquiry from Mr. Bloom regarding a “4,000 unit bump” in IVUs in 2011, Mr. Nahoopii stated that this “needs to be revisited” and will be offering a different methodology for obtaining data in 2014. In regards to “inventory by price class,” the study indicated that “deluxe units” accounted for almost 40% of all units and “luxury” units accounted for approximately 28% of the inventory.

Mr. Nahoopii continued his presentation by discussing the “timeshare performance” during the 4th quarter of 2013. On a statewide basis, timeshare occupancy was 88.6% versus 72% for hotel occupancy. He noted that approximately 25.5% of the timeshare occupancy consisted of “exchangers,” who are occupants that were allowed to use the units instead of the owners. In response to an inquiry by Mr. Williams, Mr. Nahoopii stated that he would be able to obtain information regarding a profile of “timeshare guests,” including the “booking times” and the “age of the timeshare guests.” Mr. Williams noted that it would be important to know whether the occupants of an “exchange unit” are frequent visitors or first time visitors.

Mr. Nahoopii concluded his presentation with a discussion of “social media monitoring.” The findings were intended to be used for monitoring the effectiveness of the marketing contractors’ performance and not how to improve the social media program in each MMA. In regards to the China market, Mr. Nahoopii noted that of those polled approximately 31% provided “positive” (2%) and “very positive” (29%) comments as compared to Hawai‘i’s competitors. Negative comments primarily related to the lack of Chinese language capability and not meeting the brand promise. Mr. Uchiyama added that “we are way behind the curve in getting out the message on social media about Hawai‘i.” He further stated that there “were a lot of neutral” comments (44%) and that the “volume” of comments were “very low.” Mr. Kimura expressed a concern that we are analyzing a percentage of the market when we should analyze instead the actual number of visitors.
from each market. In response to a question from Mr. Fried, Mr. Nahoopii stated that the homeless population was not the “number one” reason for negative comments.

In regards to the Korea market, Mr. Nahoopii noted that only 25% of Korea visitors expressed “very positive” (21%) and “positive” (4%) comments on the social media. Mr. Uchiyama added that although more people are coming to Hawai‘i, they are not making positive comments about Hawai‘i. He added “we need a stronger messaging online, especially in the Asia market.” Mr. Corteway asked how much money is being spent by Mexico and the Caribbean. Mr. Uchiyama responded that spending by the State is “up” and spending “by institution is less.”

In regards to the Japan market, Mr. Nahoopii noted that Hawai‘i compared very favorably against other destinations with 41% of the comments on social media were “very positive” (39%) and “positive” (2%). In regards to the North America market, he noted the following top five attributes of Hawai‘i in order of rank: romantic; easy to get there; family; unique scenery; and, friendly people. He further noted that Hawai‘i being a “good value” showed a significant decline (16.8%) in April. Although we are doing better than Mexico in regards to safety and good value, the volume of comments about Hawai‘i was less than Mexico.

6. Approval of HTA’s Financial Reports

Mr. Togashi reported that he has reviewed the financial statements for the Hawai‘i Tourism Authority Special Fund and the Hawai‘i Convention Center Enterprise Special Fund as of February 28, 2014. He stated that there were “no anomalies to report.”

Mr. Corteway moved to approve the financial statements as of February 28, 2014. Ms. Ewing seconded the motion, which was unanimously approved without any objection.

7. Presentation, Discussion and Approval of HTA Policies

Mr. Murdock presented and discussed the following draft HTA Policies, which were included in the Board folder containing documents related to the agenda items for this meeting and previously distributed to the Board members: Agreements Policy (Policy # 400-02); Annual Report Policy (Policy # 100-99); and, Quality Assurance Policy (Policy # 100-99). He added that these policies were prepared in response to the findings and recommendations made in the most recent report of the Legislative Auditor.
Mr. Bloom moved to approve the Agreements Policy (Policy # 400-02), Annual Report Policy (Policy # 100-99), and the Quality Assurance Policy (Policy # 100-99) as presented by Mr. Murdock. Mr. Fried seconded the motion, which was unanimously approved without any reservation and objection.

8. Adjournment.

Mr. Bloom moved to adjourn the meeting. Ms. Ewing seconded the motion, which was unanimously approved. The meeting was adjourned at 12:02 p.m.

Recorded:

Winfred Pong
Recorder