



**REGULAR BOARD MEETING  
HAWAII TOURISM AUTHORITY**

**Thursday, April 30, 2015**

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

**MINUTES OF REGULAR BOARD MEETING**

**MEMBERS PRESENT:** Aaron Salā (Chair), Jack Corteway, Sean Dee, Donna Domingo, Rick Fried, Craig Nakamura, David Rae, Lorrie Stone

**MEMBERS NOT PRESENT:** Fred Atkins, Denise Hayashi Yamaguchi

**HTA STAFF PRESENT:** Ron Williams, Laci Goshi, Brian Lynx, Mike Story, David Uchiyama, Miki Wakai

**DEPUTY ATTORNEY GENERAL:** Gregg Kinkley

**GUESTS:** Senator Donna Mercado Kim, Makanani Sala

**1. Call to Order**

Mr. Salā convened the meeting at 9:35 a.m. with a pule.

**2. Kipaipai**

When Mr. Salā was appointed to the Board he noticed that the agenda included a pule. After discussing with staff regarding the purpose for a pule, he felt “uncomfortable” with the word “pule” because a pule “is a vehicle by which you ask for something of the universe ” or “of God” or “however you spiritually define yourself.” He felt uncomfortable for the Board to be asking “something of the universe.” He recognized that the pule was a spiritual grounding for the Board that he acknowledged the Board needed. However, after the last Board meeting, he felt we needed “to change the pule to a kipaipai.” Rather than it being the responsibility of staff (Kelii Wilson), it would now be the responsibility of the Board. “Kipaipai” means “inspirational moment.”

Upon his appointment to replace Mr. Frank Hewitt, he was responsible for representing “the Hawaiian community, Hawaiian culture, and Hawaiian thinking on the Board.” The Board was a very “well oiled machine.” He noted the achievements of the HTA since beginning his term as a Board member and noted it was done with a Board that was “close knit.” He expressed his excitement for the Board to “embark on a new journey” with the appointment of new Board members and a new strategic plan. He will be challenging himself and the Board to take a real “active interest in what we do as an authority moving forward.” He displayed a slide depicting a poem entitled “Invictus.” He read the poem aloud and offered it as his “inspirational moment for today.”

Many of his friends expressed concern when he was appointed that he would “sell out” his “people” and was considering leaving the Board. He subsequently met with his Kapuna and had many discussions with Ron Williams, Mike McCartney, and Kelii Wilson to learn more about the HTA staff and the various festivals and product development programs funded by HTA. He felt like he was doing his job as a director. But he kept coming back to the “notion” of “Aloha,” which may be defined as “alo” meaning present and “ha” meaning the breath you breathe through your nose that connects persons together. He displayed a slide depicting a picture of himself, his wife and two sons. He discussed the significance of his children’s names and that the smile on his youngest five-year-old son is his “aloha” and the reason for him to exist. He sang his “favorite” song, Aloha No, which was danced to by his wife, Makanani Salā.

(Mr. Nakamura was present at this time.)

### **3. Approval of Minutes of Prior Board Meeting**

Mr. Dee made a motion, which was seconded by Ms. Domingo, to approve the minutes of the HTA Board meeting held on March 25, 2015. Ms. Domingo requested a correction to the minutes to reflect that she was not present at the Board meeting held on March 25, 2015. After Mr. Salā acknowledged her correction, Mr. Corteway made an amendment to the previous motion, which was seconded by Ms. Stone, to approve the minutes of the HTA Board meeting held on March 25, 2015, provided that the minutes shall be corrected to reflect the absence of Ms. Domingo at the meeting. All the Board members present without any further correction or objection unanimously approved the amended motion.

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

Mr. Dee reported that he met with Mr. Salā on April 22, 2015 and discussed music based initiatives and “Mele Mei” programing. They also had a discussion on an overview of the

strategic planning processes. Mr. Rae also reported that he met individually with Mr. Salā, Ms. Stone and Mr. Dee over the past two weeks to discuss the process on how to get the Board to move forward on a strategic plan.

There was no objection to Mr. Salā's request to take agenda item 7, Legislative Update, out of order and to discuss that agenda item at this time.

## **7. Legislative Update**

Mr. Williams distributed the following documents for the Board members review and consideration: "2015 Legislative Session: HTA Bill Tracking List, Alive;" and, "2015 Legislative Session: HTA Bill Tracking List, Dead." In response to Ms. Stone's inquiry as to what are HTA's "actions" at this time on the bills and "what are we doing," Mr. Williams stated HTA submitted testimony on HB 444 regarding beach protection and anticipates passage. Regarding SB 283, HTA submitted "positive" testimony and anticipates passage on a bill related to the manner in which board members are nominated and appointed. HTA submitted testimony to SB 284 and requested HTA to be pulled out from the Turtle Bay conservation easement matter.

In regards to HB 169 relating to taxation on resort time-share rentals, HTA did not submit testimony and monitored the bill. After "rethinking" this bill, Mr. Williams stated he "probably made a mistake" by not submitting testimony. In response to Ms. Stone's inquiry whether HTA was continuing to speak with conferees and "actively opposing" the bill, Mr. Williams stated we are not. Ms. Stone noted that the bill was opposed in the past through a HTA board resolution. Mr. Rae concurred that HTA should continue to oppose the bill and be consistent with HTA's previous position. Mr. Williams stated he "can talk to the Chairs on that."

In regards to HB 716 relating to the innovative business interaction program, Mr. Williams stated HTA did not submit testimony and "did not talk to any of the conferees on this bill." Upon further consideration, HTA should have opposed the bill. However, HTA went to the "working group," which was established to determine whether HTA dedicated funding should be divided.

Mr. Williams referred to his handout entitled "2015 Legislative Session: HTA Bill Tacking List, Dead" and initiated a discussion of HB 1259, which would have repealed the sunset provision in Act 58, SLH 2004. Act 58 granted HTA an exemption from supervision of its financial accounts by DAGS and allowed HTA to allocate 5 per cent of the Tourism Special Fund for administrative expenses. Mr. Williams discussed an amendment to the bill that increased the administrative

expense allocation to 6% without being aware that the bill would repeal the sunset provision. HB 1259 was not referred out of the Senate Ways & Means Committee.

Mr. Rae noted that the “lobbyist” should have advised HTA on these matters and how to “navigate” through the Legislature. Mr. Williams acknowledged that with the sunset of Act 58, HTA would need to move forward with a 3.5% allocation for administrative expenses. Mr. Corteway suggested that HTA should look at its mission and rely on its strategic plan and marketing plans. He does not have any “sense of how many people should or should not be working at HTA.” After the HTA looks at its “demands” and the required staffing, we could then go back to the Legislature to request additional funding. HTA is a unique organization in government with a strategic plan and annual marketing plan with performance that is measured. He also stated that over the past three years, the HTA staff is the “finest staff of people that he has ever met.” The staff “performs” and deserves the Board’s best analysis and support to allow staff to do the job that they do.

Mr. Rae noted that Mr. Corteway’s points were well taken. He referred to Mr. Salā’s “inspirational moment” and the comment that the Board was “coasting” when the visitor industry has been doing well due to the quality of the staff and its good work. Without referring to staff, Mr. Rae stated, “the coasting of the Board is pau.”

Mr. Fried expressed an immediate concern that the 3.5 per cent allocation would adversely impact HTA’s ability to retain staff. Ms. Domingo stated that based on what has been discussed, she hears “a lot of speculation” and there is no need to “point any finger” on what has been done. This is a learning experience for the Board to be more involved. There are many other needs in the community and the Board needs to balance “where should the money go.” HTA needs to protect its funds but do so with “aloha” because the counties and the public would be affected by having to address their own needs. HTA should step back and tighten up where we can in the programs that HTA funds. Ms. Domingo thanked Mr. Williams for doing the best he could. She does not want to look back but to start reevaluating and make good decisions as a Board.

Mr. Salā acknowledged Mr. Rae’s suggestion to call upon Senator Kim to offer her thoughts and comments on this discussion. Senator Kim noted that when she was the Senate Tourism Committee Chair, there were many proposals to sunset the HTA. Upon the appointment of Rex Johnson as the President & CEO, she promised to give HTA two years to perform. HTA got back on track and there was no need to micromanage. The Board functioned well and staff is excellent. But occasionally, HTA needs a “health check” and felt that she needed to attend today’s meeting because there were many issues and concerns that arose this legislative

session. Because HTA is the only entity in the State that has dedicated funding, it does not need to come to the Legislature to “beg for money.” Many entities can offer a connection with tourism and make a request for part of HTA’s funding. Senator Kim noted it has been very hard to protect HTA funding and she has tried to do so over the years.

Senator Kim requested HTA to be cognizant that when the Legislature created HTA it can also sunset HTA. When the Legislature provided HTA with dedicated funding, it can also take it away. Since there are so many new people at HTA, the history of HTA’s past difficulties may have been forgotten. HTA needs to know its history to avoid making mistakes again. She proceeded to provide her thoughts and comments on various bills presented this session.

In regards to HB 716, Senator Kim noted that the bill would take not only money but also resources from the HTA. HTA would also be required to assist in all aspects of the innovation business interaction program. The appropriation amount was left blank and would allow the conference committee to provide the amount of funding. HTA also provided no testimony on the bill in both the House and Senate. The passage of the bill would also begin the concept that HTA funding can be used to support other agencies and departments. She noted that the Tax Foundation had opposed this bill by noting that HTA funding would be diverted. HTA should be a better advocate to protect its funds.

In regards to HB 169, Senator Kim noted that for years the Legislature has opposed increasing the TAT rate on time-share units. HTA “was absent” and did not submit any testimony.

Senator Kim also provided comments on HB 1259. She distributed the testimony submitted by HTA on the bill that requested an amendment to raise the administrative expense allocation to 6% based upon a table depicting yearly increases in administrative expenses to 2022. She was not made aware of this amendment and would not have agreed to the amendment without asking HTA numerous questions to justify an increase of \$1.2 million. She also inquired whether the Board approved a policy position to increase its administrative expenses by 30 per cent. She believed that HTA’s justification for this bill “was poorly done.” Senator Kim was also concerned that the amendment was made to a bill that HTA desperately need to preserve its exemption from supervision of its fiscal accounts and its 5 per cent administrative expense allocation. The amendment raised the possibility of the bill being killed.

Senator Kim questioned the allocation of salaries for six employees to the Convention Center Enterprise Special Fund when the salaries were reflected as part of HTA administrative expenses. She asked whether the Board was made aware of this allocation. HTA should not be spending more than five per cent of its TAT allocation for administrative expenses. Since TAT

revenues should be used to support programs and the environment, a “cap” was placed on administrative expenses.

She hoped that this experience is a “wake up call for the Board” and she “will continue to work with the Board.” She “will continue to help and protect our industry” because the “industry is our lifeline for our State.” The Board has “a very important role” to take care of the visitor industry. The only way she monitors the Board is through its minutes, which has not been posted online since January.

Finally, Senator Kim stated it was not her desire to “admonish” the Board but to express the important role of the Board to be “caretakers” in protecting the industry. The Board would not be able to protect the industry if it does not “pay attention” especially during the legislative session.

Mr. Rae expressed his appreciation for Senator Kim’s remarks and for looking out for HTA. The “coasting is over for the Board.” He asked for assistance on how to “ameliorate” the impact of HB 1259 not being passed. Senator Kim responded she would be working on administrative efforts with the Governor’s Chief of Staff on how to lessen the impact and to present a legislature measure next year. She distributed an article discussing the difficult history of HTA so that the new Board members would know where you came from “so that you don’t make the same mistakes.”

The meeting was recessed at 10:42 a.m.

The meeting was reconvened at 10:52 a.m.

Mr. Salā acknowledged the comments provided by Senator Kim and his desire that the Board “take up the challenge” to address her concerns.

##### **5. Report of the CEO Relating to the Implementation of the State Tourism Strategic Plan Initiatives and/or Staffs’ Current Assessments of the HTA Programs**

Mr. Williams acknowledged Mr. Uchiyama, who stated that in lieu of providing visitor statistics he noted the following for April 2015: arrivals will continue to pace in a manner similar to April 2014; the mix of business will be different by a stronger domestic market; and, the international market is down due to a drop in the Japan market and will adversely impact expenditures. In regards to the budget and “in general terms,” HTA has contracted approximately \$66 million and committed approximately \$14 million, reflecting a “variance of

about \$13 million,” which includes the marketing development funds of “about \$4.3 million” and “about \$1.2 million” in Access.

Mr. Fried asked whether the decrease in the Japanese market is yen related or are there other reasons. Mr. Uchiyama responded that “it is yen related,” but noted a decrease in seat inventory. Whenever there is a drop in seat inventory, there is an increase in charter flights. However, we are not seeing as much charter flights as we have seen in the past. Mr. Uchiyama met with the Japan Association of Travel Agents (JATA), who had executed a memorandum of understanding with HTA to try work towards achieving \$20 million arrivals by 2016. HTA has “put a lot of effort” to meet that goal. However, we have not seen much support from JATA. Instead, JATA has initiated a new campaign to promote travel within Japan as the 2020 Olympics approaches. HTA has questioned JATA’s commitment to implement the memorandum of understanding.

Mr. Fried asked whether there has been any change in the status of Kona airport becoming an international entry point. Mr. Uchiyama responded that he is aware of continuing efforts to make Kona Airport an international entry point and to also make Japan a preclearance point. Mr. Fried confirmed with Mr. Uchiyama that the main issues are with U.S. Customs and Border Patrol. Mr. Uchiyama discussed efforts with a carrier originating service in Malaysia and stopping in Japan on its way to Hawai‘i.

Mr. Rae asked, “who is the point person” leading the “charge” to designate Kona Airport as an international entry point. Mr. Uchiyama responded that Mr. Ford Fujigami is “spear heading” the charge and discussed the various issues with the designation that is in the process of being resolved. There have also been meetings with the congressional delegation.

Mr. Stone suggested that the Board could get more involved in the Kona Airport designation due to numerous tasks currently being assumed by Mr. Fujigami as the Director of Transportation. Ms. Stone offered as “food for thought” whether HTA should take the lead or get a lobbyist to assist. Ms. Stone discussed the need for a lobbyist or another point person to be more “proactive” to push this matter forward. The Board needs to agree whether it would like to hire a lobbyist in Washington, D.C. Otherwise, it would be her guess it would take few more years before this matter would be resolved. Mr. Salā concurred. Mr. Uchiyama noted that Mr. Fujigami has referred a lobbyist for consideration. Mr. Rae asked that HTA contact Mr. Fujigami and contact the Governor’s Office to indicate HTA’s desire to take a more active role in this matter.

Mr. Nakamura asked whether Hawaiian Airlines would be getting another “route to Japan.” Mr. Uchiyama responded that he does not foresee another route or expanding flights for Hawaiian Airlines. He discussed the various route scenarios for Hawaiian Airlines flying from Japan.

## **6. Presentation on Festival Events and County Enrichment Program Evaluations, and Contractor Fourth Quarter and Annual Evaluations**

Mr. Salā confirmed with Mr. Uchiyama that the presentation on festival events and county enrichment program evaluations has been deferred in the interest of time.

Mr. Uchiyama stated that the contractors’ 4th quarter and annual evaluations have already been distributed to the Board. Staff presented a “recap” of what has already been given to the Board and was included in the Board folder containing documents related to the agenda items for today’s Board meeting.

Staff presented a PowerPoint presentation entitled “Marketing Contractors’ 2014, 4<sup>th</sup> Quarter & Year End Review.” Ms. Goshi initiated a discussion of the North America major market area (MMA). She displayed a slide depicting the key performance indicators (KPI) for the U.S. West market during the 4<sup>th</sup> quarter. The Hawai’i Visitors and Convention Bureau (HVCB) exceeded targets for arrivals, visitor days and airlift. Visitor spending remained flat to target. In the Canadian market, targets were not met for arrivals, visitor spending and visitor days. The market reflected continued concerns over the job market, rising inflation and falling currency value. Ms. Goshi continued with a discussion of program highlights in North America. In regards to airlift activity, domestic scheduled nonstop air seats were above targets. She summarized the North America market in the 4<sup>th</sup> quarter by noting that all targets were met and the KPIs year over year were also up.

Ms. Goshi continued with a discussion on an annual review of the North America MMA by initially presenting a year-end dashboard of the KPI targets. In regards to the U.S. market, HVCB exceeded targets with daily spending being an exception. All targets were met in the U.S. East market with the exception of visitor days. In regards to the Canadian market, all targets were not met with the exception of airlift. She summarized the annual review by noting that television continued to be a primary platform to reach audiences. HVCB has implemented their 2014 annual tourism marketing plan, as adjusted to take advantage of opportunities as they arose and to respond appropriately to shifts in market conditions.

Ms. Waki initiated a discussion of the Japan MMA. She displayed a slide depicting the 4<sup>th</sup> quarter dashboard of KPIs. The contractor did not meet 4<sup>th</sup> quarter targets. The primary factors affecting the market were the devaluation of the yen, overall outbound travel was down, and JATA's initiatives for more domestic travel in preparation for the 2020 Olympics. However, the contractor is continuing to work with partners to increase the value and allure of the Hawai'i product. She highlighted various programs and activities, such as co-op programs, implemented in the Japan market as a means to combat the yen devaluation and other economic shifts in Japan. Airlift and load factor were down despite a drop in fuel surcharges. She summarized the contractor's 4<sup>th</sup> quarter performance by noting that it had successfully executed all of its programs and were creative in adjusting to market changes, such as relying upon a Japanese character to lure visitors to Hawai'i. The contractor was able to bring together wholesalers and collaborate with industry partners.

In regards to a year-end evaluation of the contractor, Ms. Goshi noted that arrivals, visitor days and airlift were below targets. The main reasons for not reaching targets were the yen devaluation and the Japan government focus on inbound and domestic travel in preparation for the 2020 Olympics. She noted that the outbound travel from Japan to other popular destinations, such as Korea and Thailand, was down 15% while outbound to Hawaii was down only 3.3%. In summary, Ms. Goshi stated that the contractor continues to display creative ideas to market Hawaii and understands Japan's economic trends. The contractor has great connections with other industry leaders.

Mr. Fried asked whether the homeless issue was a concern for the Japan visitor. Mr. Uchiyama responded that service delivery to the Japan visitor is a more important concern as the price for the Hawaii product increases. Mr. Rae asked whether the Japan targets were realistic. Mr. Uchiyama expressed a desire to keep the targets as a means to work with JATA to request more assistance in creating excitement in Japan. In response to Mr. Rae's further inquiry whether we should deploy efforts to other markets because of the yen devaluation, Mr. Uchiyama noted that Japan remains a very important market and should continue because the per person per day spending is great.

Mr. Story presented the staff evaluation for the Oceania MMA and displayed a slide depicting the 4<sup>th</sup> quarter KPI results. The contractor was ahead of targets in all categories, especially the daily spend when recognizing the weakened Australian currency. Moving forward, Australia needs to adjust its focus to improve visitor arrival distribution to Hawai'i Island. Mr. Story provided an extensive discussion of the cruise industry growth in Australia and noted a cruise "FAM" for travel agents in the Oceania market. The airlift from Oceania had also increased. In summary, the contractor's 4<sup>th</sup> quarter results were positive when compared to the previous

quarters. The quarterly year-over-year growth in each KPI category was also strong. However, travel to Hawai'i Island remains a concern.

Mr. Story discussed the contractor's annual performance and referred to a slide depicting the annual dashboard of KPI results. The contractor ended the year ahead of targets except for island distribution and especially to Hawai'i Island. The various programs and activities conducted by the contractor were discussed. In regards to airlift on an annual basis, he noted the additional flights and capacity provided by Hawaiian Airlines, Air New Zealand, and Qantas. In summary, the contractor executed quality programs and the KPIs were positive. However, travel to Hawai'i Island remains a concern. As airfares become competitive, there is a good opportunity for the meetings, conventions and incentive market to obtain more business. The concerns in the Oceania market were the exchange rate and island distribution.

Ms. Waki presented the evaluations for the contractor in the Korea market. She displayed a slide depicting the dashboard of KPIs during the 4<sup>th</sup> quarter and noted targets were not met. It is believed that the months of October and November were bad months for Korean visitors to travel. The various programs and activities conducted during the 4<sup>th</sup> quarter were highlighted. The contractor conducted a promotion with Asiana Airlines during the 4<sup>th</sup> quarter. In summary, the contractor had implemented various FAM trips and put significant efforts into maximizing public relations exposure by developing relationships with the media.

Ms. Waki continued with a discussion of the Korean contractor's annual performance. The contractor did not achieve targets on an annual basis. She discussed a breach of contract and termination of HTA's contract with Aviareps Marketing Garden when Ms. Emily Kim had resigned from Aviareps. HTA had adopted a position that Ms. Kim was a key employee and that without her presence Aviareps would not be able to have the necessary staff to successfully achieve the goals and objectives in its marketing plan.

In response to an inquiry from Mr. Fried whether the significant drop in the Korea market was due to the departure of Ms. Kim, Mr. Uchiyama stated there were other factors that also played a role and were in addition to Ms. Kim's departure. Mr. Uchiyama responded to an inquiry from Ms. Stone regarding the process for terminating Aviareps contract by noting that the contract was terminated at the end of 2014 based on the contractor failing to abide by a contract provision requiring Ms. Kim to spend half of her time on the Hawaii contract. Mr. Nakamura inquired as to what may have caused the "drop" since the new contract was executed. Mr. Uchiyama indicated "other factors" affected the market and discussed the efforts of the current contractor. Ms. Stone expressed a desire that "moving forward we

should keep an eye on the market to determine whether the departure of Ms. Kim” was the cause for a drop in the Korea market.

Ms. Goo presented an evaluation of the China market. The contractor had exceeded its KPI targets for the 4<sup>th</sup> quarter. The per person per spend was at \$441 and the highest among all visitors to Hawai‘i. She highlighted the various activities and programs conducted by the contractor in the 4<sup>th</sup> quarter. The contractor also met regularly with Hawaiian Air, Air China and China Eastern to develop co-op plans for 2015. Efforts are continuing to be made by the contractor to initiate air service from southern China. In summary, the contractor exceeded all targets for the quarter with positive year-over-year growth. All planned programs were executed and additional programs were implemented. Contractor also improved its efforts to timely communicate with the Hawai‘i partners and its coordination of FAMs.

Ms. Goo displayed a slide depicting the year-end dashboard for the China KPI targets and stated that the contractor “ended well for all major KPIs.” In summary, the contractor had focused its efforts to work with the China travel trade to make Hawai‘i a stand-alone product and not just a two-night stopover in a 13-15 day U.S. package. She expressed a need for the contractor to improve upon its destination knowledge.

Ms. Goo continued with a presentation on an evaluation for the Taiwan contractor and displayed a slide depicting the 4<sup>th</sup> quarter KPIs, which reflected the impact of a significant drop in air seat capacity due to Hawaiian Airlines cancellation of its Taipei service. She highlighted the various programs and activities during the quarter. The contractor has been successful in working with China Airlines to help improve its load factor and monitoring the success of its “PAK Product,” which is a uniform product sold by a group of agents at a uniform price with synergized promotional efforts. In summary, contractor did not meet its 4<sup>th</sup> quarter KPIs due primarily to the reduction in air capacity. However, the contractor has executed all of its planned programs and activities.

On an annual basis, Ms. Goo noted that the Taiwan contractor did not meet the KPI annual targets. The only positive growth was in the average length of stay. In summary, the new Taiwan contractor is active, creative and resourceful in executing large consumer campaigns. Staff has been stressing upon the contractor to be mindful of the KPI targets that must be met. The contractor has been asked to “step up” and is expected to be more effective in stimulating more travel to Hawai‘i. However, HTA is aware of external conditions, such as the termination of Hawaiian Air flights and the unprecedented travel by Taiwan visitors to Japan due to the yen devaluation.

Ms. Stone expressed a need for a “road map” to know what the contractor will be doing to reach its targets, including the factors causing a drop in the market and how we are responding to those factors. From the Board’s perspective and moving forward, it is not enough to just ask the contractor to “step it up.” We need to know in what way will the contractor reach its targets. This information is not limited to just the Taiwan market but also for the Korea and Japan market. Mr. Fried added that it would also be helpful if there were a comparison in each market of actual data in the 4<sup>th</sup> quarter 2013 that is compared to the 4<sup>th</sup> quarter 2014.

The base budget for Taiwan was \$120,00. Mr. Dee stated an observation over time would be to link the money spent in the market to money spent by the visitor from that market. We would be to compare the money spent in each market and the visitor expenditure from that market. Mr. Uchiyama responded that we already have that data within the data for “cost per arrival against the spend” and “cost per arrival based on expenditure.” This data could also be provided to the Board.

Mr. Story initiated a presentation evaluating the contractor’s performance in the Europe MMA by displaying a slide depicting the 4<sup>th</sup> quarter results of the KPI targets. The contractor fell short in meeting their targets. He discussed the various programs and activities executed by the contractor. In summary, the 4<sup>th</sup> quarter results focused primarily on training agents and tour operators and would not have a significant impact on achieving targets for this quarter. However, it is expected that the current training will positively impact future travel. Mr. Story noted that a new German team has been assigned to promote greater public relations and media exposure. The contractor also appointed a new day-to-day manager, who appears to be more proactive but may require additional time to learn more about the destination, the development of relationships, and an understanding of HTA processes and procedures. Staff has expressed a concern that there were not enough co-ops during the year to keep momentum in the market.

In regards to the contractor’s annual evaluation, Mr. Story stated that the contractor was able to reach approximately 88% to 96% of its KPI targets for the Europe market. He noted that spending was below targets because consumers may have been watching their wallets given the state of their respective economies. In summary, the contractor’s performance on an annual basis reflected the large turnover in personnel to the extent that a new UK team started in the middle of 2014 and an entirely new German team started near the end of the year. The contractor’s staff needs to learn about HTA’s processes and developing marketing relationships in Hawaii. Contractor will need to find staff stability, incentivizing the Ke Kula training, and being more creative in using social media in promotions and consumer awareness opportunities. Going into 2015, the contractor needs to more aggressive and creative to

intensify activities with tour operators and increasing Hawaii based branding opportunities. Contractor should also reposition the Hawaii destination as a stand-alone destination and not part of a multi-country destination.

Mr. Story continued with a presentation of the Latin America contractor's 4<sup>th</sup> quarter evaluation and displayed a slide depicting the dashboard for KPI targets. The contractor began service in March 2014. The KPI results for the quarter were above targets with the exception of daily spending. He highlighted various programs and activities conducted in the market and noted meetings with Aeromexico Airlines to discuss flights between Mexico and Hawaii. In summary, the contractor's performance in the 4<sup>th</sup> quarter was positive. On an annual basis, Mr. Story stated that the contractor ended 2014 above targets for all KPIs except per person per day spending that may be due to Latin America's weak currencies. He discussed the various programs and activities of the contractor after having started in March 2014. Moving forward, the contractor needs to strengthen current relationships, develop new partnerships, and increase destination knowledge. In 2015, Contractor has proposed to implement creative co-branding initiatives to get in front of consumers and promote relationships with the two major travel agencies.

Ms. Stone asked why we hired a new Latin America contractor in March 2014 and what countries are we in. Mr. Story responded that we are in Argentina, Brazil and Mexico and the contractor is paid \$250,000. There is a Hawai'i office in Argentina and Brazil. Although we do not have an office in Mexico, it has a lot of potential and we have been working with Aero México to schedule seasonal air service. Mexico is a growing market.

In response to Mr. Fried's inquiry regarding non-stop flights from Norway, Mr. Uchiyama stated that the flights are still under discussion and indicated that there were problems with the type of aircraft that would be used for the flights. He added that Delta Airlines has bought an interest in Virgin Atlantic flying from Europe and would be able to enter Delta's hub cities. This would create opportunities for travel from Europe to Hawai'i.

Mr. Lynx presented staff's evaluation of the contractors under the Meet Hawaii team. By 2014 year end, the MCI team achieved 90% of its goals due to a unusually high short term bookings in the domestic MCI area. The team worked hard on conversion to come within 10% of achieving its 4<sup>th</sup> quarter target. Throughout 2014, the domestic MCI contractors were able to substantially increase tentative bookings to be 46% higher than last year. The international MCI contractors attained 93% of their overall goal. Mr. Lynx continued his presentation by discussing the booking pace into 2021 using historical and projected data. He noted that 2018

is the main opportunity year we need to focus upon. The contractors have increased the definite conversion rate to 42% while the industry standard is 28%.

Within the MCI market, Mr. Lynx discussed how air cost has been frequently cited as one of the major concern for Hawai'i not being considered for group travel. However, the Meet Hawai'i team has been developing strategies in response to that booking concern. He continued his presentation by highlighting HVCB's MCI activities. In regards to AEG/convention center, the contractor exceeded its target by 32 events and met the total attendance target. He highlighted AEG's activities during the year, including the development of new revenue streams with other AEG venues and the development of new photography and video assets for use all HTA marketing contractors.

Finally, Mr. Lynx discussed the performance of the international MCI contractors. The Japan MCI was supported by Prime Minister Abe's economic policies promoting exports that indirectly enhanced MCI incentive travel opportunities in Hawai'i. The Korea MCI achieved 113% of its annual goal due primarily from an increase in MCI demand arising from low fuel surcharge and the resulting drop in airfares. The Korean groups are also gravitating to Maui after entering through Honolulu. The China MCI achieved 74% of its annual goal. Approximately 70% of the MCI business from China represented first time travel to the United States. The contractor is actively engaged in MCI training and workshops. The Oceania MCI contractor achieved 49% of its goal and approximately 66% of the travelers were new to Hawai'i. The contractor has been successful with packaging O'ahu travel with neighbor island travel. The travelers from Oceanic do not favor resort fees and separate pricing and favoring instead "all inclusive" pricing. Leads have increased due to additional lift. The Taiwan MCI contractor has produced 10% of its annual goal due to its focus on training the travel agents. It has focused on targeting the cosmetics, multilevel marketing, and educational segments. The key to its long term MCI growth is to develop its airline relationships.

In response to a question from Mr. Dee, Mr. Lynx defined "tentative" to mean a booking that "we are holding space for" and "that there is a 80% chance or more of converting it." Our conversion rate is 40%. Mr. Dee referred to last paragraph on page 2 of the Meet Hawai'i Group Sales Status Report-March 2015, which was included in a Board folder containing documents related to the agenda items for this meeting and states that the demands of working several large citywide groups in tentative status continues to challenge the team while maintaining a fast-paced, transaction heavy single property load. He asked whether this is an emerging trend. Mr. Lynx responded that it is not a trend. Instead, it was included in the report to note that there has been a discussion to balance more time to prospect new business and not attend the many "shows" previously attended by MCI team members and have not

been producing. There is a need to balance our time with the limited resources available. Mr. Dee referenced Senator Kim's observation in reference to legislation that HTA needs to "focus." The MCI team members are doing a lot of things and we need to determine moving forward what activities can be cut backed. We need to focus on areas that give us the best long-term prospects. The Board needs to be educated in this area so that the Board can help.

Mr. Salā confirmed with Mr. Uchiyama that the PowerPoint presentation provided by staff may also be viewed online by the Board.

The meeting was recessed at 12:10 p.m.

The meeting was reconvened at 12:20 p.m.

#### **8. Presentation, Discussion and Approval of HTA's Financial Reports**

Mr. Salā will be working with staff on the financial reports for March 2015.

#### **9. Update on President and CEO Search Process**

Mr. Fried made a motion, which was seconded by Ms. Stone, to go into executive session to discuss a personnel hire and involving matters of privacy. All the Board members present without any objection unanimously approved the motion.

The meeting was recessed to go into executive session at 12:22 p.m.

The meeting was reconvened at 1:37 p.m.

Mr. Salā stated that the report of the CEO Search Investigative Committee was noticed on the agenda as an "update" rather than as "the report" of the investigative committee because, under section 92-5(a)(2), HRS, there are matters of privacy that do not permit us to release the name of the candidate at this time. We can however report that a candidate has been chosen by the committee, negotiations on salary and contracting are being pursued, and at the next meeting in public the name will be released and there will be a full Board discussion and public comment followed by a vote of the Board pursuant to section 92-2.5(e), HRS. The Board therefore has been apprised of the confidential and full report of the CEO Search Investigative Committee; all non-confidential information has been released to the public; and, were the agenda to have been worded to reflect a "report" rather than an "update," no additional information beyond an update was available to the public in any event.

**10. Adjournment**

The meeting was adjourned upon a motion by Mr. Fried and seconded by Mr. Corteway that was unanimously approved. The meeting was adjourned 1:45 p.m.

Recorded:

A handwritten signature in black ink, appearing to read 'W. Pong', written in a cursive style.

Winfred Pong  
Recorder