



REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, March 25, 2021 at 9:30 am
Virtual Meeting

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT:

Richard Fried (Chair), George Kam, Kelly Sanders, Micah Alameda, David Arakawa, Fred Atkins, Daniel Chun, Kyoko Kimura, Ku'uipo Kumukahi, Sherry Menor McNamara, Benjamin Rafter, and Kimi Yuen

MEMBER NOT PRESENT:

HTA STAFF PRESENT:

John De Fries, Keith Regan, Pattie Herman, Marc Togashi, Jennifer Chun, Kalani Ka'anā'anā

GUESTS:

Representative Richard Onishi, MG. Kenneth Hara, Adjutant General, David Pettinger, Barbara Ankersmit, Jay Talwar, Eric Takahata, John Monahan

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Pule:

Chair Richard Fried called the meeting to order at 9:31 a.m. Keith Regan, HTA Chief Administrative Officer, provided instructions to the general public with regard to submitting testimony. Mr. Regan confirmed the attendance of the Board by roll call. Kalani Ka'anā'anā, HTA Director of Hawaiian Cultural Affairs & Natural Resources, opened the meeting with an oli composed by Lili'u which talks about persisting your deeply held love for your native sands of Hawai'i.

2. Approval of Minutes of the February 25, 2021 Board Meeting:

Chair Fried requested a motion to approve the February 25, 2021 Board Meeting. George

Kam made a motion and it was seconded by Kelly Sanders, and unanimously approved.

3. Report of Permitted Interactions at an Informational Meeting or Presentation Not Organized by the Board Under HRS section 92-2.5(c):

Chair Fried asked whether there were any interactions since the January meeting, and there were none. Chair Fried asked whether there were any interactions, informational meetings or presentations to report, and there were none.

4. Report of the CEO Relating to Staff's Implementation of HTA's Programs During February 2021

Chair Fried recognized John De Fries, HTA's CEO, to present his report. Mr. De Fries welcomed Chair Onishi, Rep. Sayama, the legislators present and the BOD. He acknowledged the board committees who have been engaged with the DMAP process. He noted that they've been preparing for tourism opening to scale and have discussions with HVCB and HOTA into strengthening the messaging into mask wearing, social distancing and hand washing for both visitors and locals. He said that they conducted two webinars in conjunction with DOH on visitor industry workforce vaccination. He acknowledged HOTA for committing to helping anyone in the visitor industry to facilitate the proper submission of their information to the DOH. He acknowledged the departing Deputy Attorney General Krishna Jayaram for all of his help, especially in the formation of safe travels program. He also acknowledged Gen. Hara for intervening to make certain determinations on the LPGA event for the HTA's branding efforts and thanked Dir. McCartney of DBED for his support in HTA's efforts. He turned the floor to Keith Regan.

Mr. Regan reported that they made changes to the formatting of the March 2021 report for easier reading and that the executive summary provides a very good overview of some of the activities. He noted that their Natural Resources team has been working on two major projects related to tour guide certification and licensure and user fees and reservation systems for the Island's busiest sites. He said that the Hawaiian Culture team has been busy with closing out 2020 Kūkulu Ola awardees, repairs of the Merrie Monarch and 'Iolani Palace, newspaper digitization for Hawaiian language and more. He noted that Ms. Anderson has been working on the action items in the Hawai'i Island and Kaua'i's DMAP, as well as activities for the O'ahu DMAP. He noted that Ms. Herman and her team has been working with branding and ensuring that all of the GMT budgets are lined up, ready and controlled based on the current market conditions. He also acknowledged Ms. Chun and her work on research. He said that they try to engage the county mayors every month to hold the hospitality industry updates and they were able to have it in Kaua'i and Maui County last February, which enabled the members of the industry to ask and air their concerns to

the mayor and his team.

Ms. Kimura asked if Maui will have another meeting in March due to the cancellation because of the flood. Mr. Regan affirmed.

5. Update from Major General Kenneth Hara, Adjutant General for the State of Hawai'i on the COVID-19 Testing, Vaccination and Safe Travels Program

Chair Fried acknowledged MG Kenneth Hara, Adjutant General for the State of Hawai'i Department Defense, to give an update. Gen. Hara said that he is also the Director of the office of Homeland Security and that as an Incident Commander, he is not in charge of vaccinations but just supports the Department of Health. He shared the Response Guiding Principles and that the top priority is saving lives and preventing human suffering and stressed the importance of taking personal responsibility. He noted that that the goal is to get the economy going again and get back to the new accepted norm. He added that the pandemic control includes prevention, detection, containment and treatment which would inform policy and their recommendations to the executive branch of the state and the county.

Gen. Hara reported that in order to open the economy safely, the idea of the Safe Travels Hawai'i came in with the concepts of establishing trusted travel partners, a 72-hour pretest prior to departure, development of digital travel forms and questionnaire, traveler screening upon arrival, mandatory 10-day self-quarantine for those who doesn't meet the requirements, and performance of compliance checks and enforcement. He noted that Hawai'i is now in Phase 1C with the vaccine and that once this phase is completed, about 500,000 residents would have been vaccinated. He said that 78% of the vaccines they received have been administered with a 24% inoculation.

Gen. Hara reported that there have been issues and concerns with large events being organized and with reluctance to vaccination. He noted that 40% to 50% of the population is willing to get vaccinated and that getting 75% to 80% of the population will lead to the new accepted norm. He said that the CDC had no vaccination travel guidance which is why the Department of Health has been hesitant to use vaccines as a reason to exempt travelers. He added that the next steps would be to get rid of inter-island travel quarantine restriction (but hesitated with the increasing COVID cases), use the vaccine exemption for trans-pacific continental U.S. travelers, and then the trans-pacific international travelers, and lastly, terminating Safe Travels Hawai'i when herd immunity is reached and infection, hospitalization and deaths are down to near zero.

Chair Fried asked an estimate as to when would there be a vaccine passport and at what stage would be the inter-island travel exemptions. Gen. Hara responded that he's thinking somewhere about the May-June timeframe where phase 1 is completed and phase 2 starts. He noted that for the inter-island exemption, he thinks that the mayors will feel comfortable if Maui is down to single digits with COVID-19.

Chair Fried asked if there'd be trouble getting to 75% to 80% herd immunity. He responded that the number of people willing to get vaccinated will increase with the help of leaders spread the word about the safety of the vaccines and the importance of getting herd immunity.

Chair Fried asked about the odds of meeting in person for more than 10 people. Gen. Hara responded that the organizers would have to coordinate with their County with their proposal containing risk mitigating measures and the county will send it to the State level and then to the Department of Health for their review. Once approved, it will be sent back down to the County for their approval.

Mr. Atkins asked if he has an approximate number of cases where there'd be a concern if it would impact the hospitals on all islands. Gen. Hara said that right about 80% statewide capacity is when they need to start making decisions.

Rep. Onishi asked the percentages of pre-testing for visitors and residents traveling to Hawai'i. Gen. Hara responded that he'll talk to ETS and will get back with the answer. Mr. Chun said that it can be viewed on the portal and looking at the data as of yesterday, 60% of the statewide residents are doing the COVID-19 test vs. 85% of visitors which is for both inter-island and overseas.

Mr. Atkins asked if the locals without a pretest take the test at the airport. Rep. Hara responded that they don't do any testing. Mr. Atkins asked the percentage that the hospital capacity of the state is in at the moment. He responded that it is way below 20% or 30% and that the state is doing really good.

Rep. Onishi asked who is controlling the testing partnership. Rep. Hara responded that it's a combination of the Attorney General's office and one from the governor's office but Dr. Char approves the memorandum of understanding.

Mr. Chun asked of the timeline for the pilot of Clear and CommonPass. Gen. Hara responded that in about a month, they will be able to pilot it but they've been slowly approving additional labs for domestic travel

Mr. Regan read a question from the public asking if all of Hawai'i's airports have good signage about masks being mandatory and if they can get DOT airports' support for that. Gen. Hara responded that they have all the airports put out signage and encouraged the public's feedback on areas that can be improved with the Safe Travels.

6. Presentation and Discussion of Current Market Insights and Conditions in Hawai'i and Key Major Hawai'i Tourism Markets, Including the United States, Japan, Canada, Oceania and Cruise

Chair Fried acknowledged Jennifer Chun to provide an update. Ms. Chun reported that about 235,000 visitors came on February generating \$385 million which is equivalent to \$151 PPPD. She noted that this is lower than last year at \$202 PPPD with about 247,000 visitors at any given time in the state vs. about 91,000 visitors this year. She said that the Department of Taxation preliminarily collected \$17 million TAT in February, and \$73.5 million for Fiscal 2021 Year to Date, which is down 83.9% from last year. She said that for February, air service is about half the number of last year with the domestic and international seats down about 35.8% and 93% respectively. She noted that they have started adding flights to their air service schedule report as requested by Dir. McCartney. She added that occupancy for Hawai'i hotels were 30% at \$259 rate and 50% at \$242 rate for vacation rentals. She said that the number of vacation rental supply is much lower than the hotel supply.

Ms. Chun reported that they have two new research reports, namely COVID-19 Impact on U.S. Avid Travelers, which can be seen on HTA website and YouGov Destination Index Trends for the Responsible Travelers Segment which started with the U.S. market and will add other markets as data becomes available.

7. Discussion on the Resident Sentiment Survey

Chair Fried acknowledged Ms. Jennifer Chun to provide an update. Ms. Chun reported that the approved questionnaire for the August 2020 survey was included in her report and that it contains demographic, favorability and tracking questions among others.

Mr. Rafter asked how often the survey should be done. Ms. Chun responded that originally, it was done every five years and recently, they're doing it annually. She said that with the ongoing situation, doing it more frequently will provide timely information which will inform decisions on tourism. She suggested that the phone and online version of the survey be done at least biannually or quarterly and then annually for focus groups.

Chair Fried asked the cost of the annual survey. Ms. Chun responded that with the addition of COVID questions and expansion of sample size for certain markets, the cost is \$47,000 for the past survey. Chair Fried said that the cost of focus groups on the islands will be discussed for they are very helpful. Mr. Rafter agreed with the focus group idea and proposed for a biannual survey. He said that they can work on creating the budget for it and suggested that they work on the questions because some of them don't convey the trade-off between no tourism and the advantages of tourism.

Mr. Atkins asked if the word tourism could be replaced by sustainable tourism in the two questions to determine any shift in community sentiment with the works being done by the tourism industry to address the native Hawaiian language and culture. Ms. Chun responded that in prior surveys, it had a section about HTA's work and service satisfaction but it was taken out thinking that it was more important to focus on general tourism. She noted that questions that inform what tourism did and what HTA is doing are valuable and would be great to be reincorporated back into the survey.

Mr. Atkins asked if they can ask for the residents' suggestions as to how tourism can be made better vs. asking close ended questions. Ms. Chun responded that previous questions about it didn't yield valuable information so they decided to drop it, but it could be added back in for the next round.

Ms. Kumukahi suggested that surveys should be grounded in the community and that good surveys can be yielded with the lateral help of county departments and with working as a cohesive community.

Ms. Kimura observed that mixing positive and negative questions are confusing and suggested that the questions be geared towards positive tourism. Ms. Chun responded that they will check if changing the questions will affect some of the tracking and if they could just lose tracking on some of them.

Mr. Chun agreed doing the survey biannually and with the focus group to enable residents' feedback and help move resident sentiment in a more positive direction. He added that with the findings, HTA acknowledges the voice of the residents and can inform them of the solutions that are being taken.

Mr. De Fries said that it's important for the questions to be framed around the fact that Hawai'i's future presumes vibrancy in the tourism industry and in the four pillars. Ms. Chun asked if the Board would like the survey to be fielded again before fiscal year.

Mr. Rafter asked for a motion to approve an increase in the frequency of resident sentiment survey to twice a year and do one more for the fiscal year. Mr. Arakawa seconded and it was unanimously approved.

Rep. Onishi asked if there are other processes regarding how the survey is being reviewed other than getting the Chief Executive's approval. Ms. Chun said that it was the process and is open to changing that process. Rep. Onishi said that the Board should address the process of reviewing the survey. Rep. Onishi asked for the basis of the tracking questions and if traffic is one of them. Ms. Chun responded that the resident sentiment survey was initially fielded by DBEDT in 1988 and some questions track back to that point. She said that they could probably change that question to something else. Chair Fried said that he agrees with Rep. Onishi's point about the traffic question and considers not even having as it starts a negative bias regardless of the truth. Ms. Chun responded that if they decide to eliminate questions as has been done in the past, then it's possible for as the needs change, then the survey can change.

Ms. Herman agreed that the location is important for the traffic survey. Ms. Chun agreed and added that they have increased samples in the recent survey to identify where the issues are for each part of the state and can do more with a bigger budget.

8. Presentation of the Hawai'i Tourism Authority's Visitor Satisfaction & Activity Report (VSAT) Special COVID Survey

Chair Fried acknowledged David Pettinger and Barbara Ankersmit of Anthology Research to give an update. Ms. Ankersmit reported that the survey is a spot in time survey which was conducted between March 8 and 10 among Hawai'i visitors coming from the Mainland between February 12 and 28 with a sample size of 515 at a 95% level of confidence.

Mr. Pettinger reported that all visitors that arrived by that time were aware of pre-testing protocols required for coming to the state. He noted that 85% had a smooth pre-testing process compared to 79% on December to January. He said that there's a significant increase with the idea of high cost of testing and a significant drop from 18% to 5% on communication and testing issues with trusted partners. He added that about half of visitors say that the three-day window for test is unreasonable. He noted that all visitors were aware that there would be limited tourism activities.

Ms. Ankersmit reported that 82% of the respondents had an excellent visit and that a 7.27 visitor satisfaction rating is not bad with the restrictions and COVID in place. She noted that East Coast visitors had more problems with the COVID restrictions, finding a trusted partner

and with getting the test before coming. She added that when asked what needed to change for people giving a 6 or less visitor satisfaction score to get them to give it an 8, they said that the COVID mandates and rules are confusing and more beaches and attractions, fewer COVID restrictions among others and wanted businesses to stay open longer with 3% not liking the quarantine requirement. She said that 78% are likely to recommend for friends and family to come to Hawai'i in the next six months while 90% for when the quarantine is lifted. She added that the major reason for not recommending is the closure of businesses and attractions which went up rather than down. She noted that 92% said that the trip met or exceeded their expectations and that 72% intends to visit again regardless of the pre-visit requirements with more responses coming from females.

Mr. Pettinger reported that 20% said that the low COVID-19 cases is a very important reason to choose as Hawai'i as a destination and that a third said it has no bearing at all on their decision to choose Hawai'i. He noted that there's still a sense that COVID 19 is a serious concern but it has dropped slightly to 66%. He said that 83% intend to get if it meant they can come back to the island. He added that only 12% choose not to be vaccinated and that 86% of them won't change their mind even with the incentive of the vaccine card.

Mr. Pettinger reported that 90% of visitors from the U.S. West say that mandates are required in their hometowns compared to 71% from the U.S. East. He said that 90% believe they are following the mask wearing mandates all or most of the time and 83% believe that they're following the social distancing guidelines while visiting the state. He added that 69% believe they're avoiding social gatherings all or most of the time.

Ms. Ankersmit reported that people find information mostly from the safe travels website, then family and friends and gohawaii.co. She noted that there were more visitors in the 50 to 64-year old bracket and not as many in the 65 plus. She said that 48% of the respondents visited the island of Maui and 54% of O'ahu which is opposite of last year with more people visiting O'ahu. She added that 88% visited one island and that people who came are with some money and very highly educated.

9. Presentation, Discussion and Action on HTA's Financial Reports for February 2021

Chair Fried recognized Keith Regan to provide an update. Mr. Regan reported that the HTA did not receive any disbursements from TAT or any revenue since May 2020. He noted that the total expenditures for February are \$218,000 which is \$174,000 of that from approved FY 2021 budget and \$43,000 of that is from prior fiscal years. He noted that they received \$281,000 in investment revenue, which created a nominal net increase for the tourism special funds to about \$63,000 from DAGS. He noted that

encumbrance is at \$1400 for the month. He noted that HTA's total standing encumbrances which include prior years are approximately \$40.2 million. He noted that the only contract they have for February was just a supplemental and no cost extension so it's a not a very busy month as it relates to contracts because a lot of the activities took place in December, 2020 for fiscal year 2021

Mr. Regan reported that the tourism special fund has approximately \$64.2 million in cash and investments. He added that the remaining balance of the tourism special fund excluding the tourism and emergency special fund is about \$59.7 million

Ms. Kimura asked how much encumbrances were cancelled this fiscal year and if there will be no carryovers for 2022. Mr. Regan reported that they have about \$600,000 refunds on contracts but will go back with the specifics later. Mr. I got to go back and take a look at that dollar amount to get specifics. Mr. Togashi said that going back to FY 2020 when covid-19 had originally hit, they identified about \$30 million dollars of contracts and weren't able to cancel by the end of last fiscal year and that around \$14.6 million spilled into this fiscal year. Mr. Regan said that they're anticipating about \$12 million in carryover.

Ms. Kimura asked if all of the marketing of the convention center is included in the HVCB budget. Mr. Togashi said that currently, nothing is being funded out of the FY 2021 budget for calendar year 2021 out of the Convention Center Enterprise special fund.

Chair Fried asked for a motion to approve the February budget as presented. Mr. Kam made a motion and seconded by Mr. Atkins. The budget was unanimously approved.

10. Report of the Budgetary Review Investigative Committee of their meeting held on March 16, 2021

Chair Fried acknowledged Mr. Rafter to give his report. Mr. Rafter reported that they continue to address two items which is the timing and gateways to start wrapping up on spend. He noted that they have identified four tiers for spending and that the next steps is to translate it in terms of percentage and when resources and advertising campaigns and spends are going to be ramped up with the basic premise of flights returning, number of flights needed, percentage of load factor and types of quarantine restrictions being lifted.

Mr. Rafter reported that they looked at the general buckets of spend and on how to

shape spend to be targeting tourists with the motivations behind the four pillars. He said that the budget will be submitted in May and approved in June and that the next update is to solidify the four pillars and to outline how spending is started into markets as they come back. He explained that if the quarantine upon returning home would be lifted and additional flights would be announced, they would work it back to how much time they need to re-launch the market and work in tiers into increasing spending to 50% or 60% until eventually getting back to full market spending.

11. Report of the Legislative and Governmental Affairs Investigative Committee of their meetings held on March 3, 2021 and March 11, 2021

Chair Fried acknowledged George Kam to provide an update. Mr. Kam reported that they reiterated Mr. De Fries' role with the Board's support to share with all of the stakeholders the importance of HTA and tourism as a key driver for economic recovery and community's health and safety. He noted that the team is continuing to meet with the House and Senate leadership in regards to supporting the restoration of full funding and HTA's contribution to the state economy and that HTA strives to prove it's worth to the legislature and earn their confidence the board's responsibility to ensure that funds are allocated strategically to maximize returns and to continue to support all four pillars to ensure a balanced recovery.

12. Update Relating to the 2021 Legislative Session and Related Bills Relevant to the Hawai'i Tourism Authority

Chair Fried acknowledged George Kam to give his report. Mr. Kam reported that they are currently tracking 47 bills and have submitted testimony on eight bills this past month and that all of the board members have the testimonies.

Mr. Regan added that there were 100 plus individual measures that impacted the industry or some related things they're working on that they have been tracking and monitoring. He said that those bills are on the second lateral so that if those bills don't make it today, those bills will come off of HTA's tracking. He noted that HB 1297, the Central Services Bill, will basically take out a 5% fee of the tourism special fund and convention center enterprise special fund (about \$4.7 million) to the HTA to support Central Services. He added and that they will continue to oppose it every step of the way. He noted that for the budget bill, they've allocated \$71.4 million in art funds for HTA and will continue to analyze that because the worksheets just came out yesterday. He said that they are also monitoring the TAT bill modifying the waterfall

Because of a provision of authority to the counties to charge TAT with however much they think because they've been removed from the waterfall.

13. Report of the Marketing Standing Committee with the Committee's Recommendations to Support Various Marketing Proposals, for Discussion and Action by the Board

Chair Fried acknowledged Kelly Sanders to give his report. Mr. Sanders reported that the meeting focused on three main areas with one being with the current travel pace to Hawai'i with travels arriving from the U.S. only. He noted that there has been a marked improvement in overall pace forward-looking at Q2 to Q4. He added that there are no real travels coming from any of the major market areas such as Japan, Korea, China and Australia.

Mr. Sanders said that the GMTs from Australia and Oceania gave an update on their recovery plan and that most countries are really working through the vaccine first and to get herd immunity or close to it to expect their borders to open. He added that Korea and Australia will not see travel recovery until October and November that they will be ramping up programs and marketing efforts starting Q3 of this year. He noted that a lot of the international destinations will go back to using travel agents as a safety net. He said that the other area is on MCI and that they are starting to see more enquiries into Q4 through 2022 and 2023 with sports travel and weddings as the major inquiries for overall group travel.

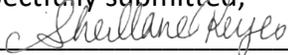
Chair Fried noted that the GM of the recently rebranded Mauna Lani Resort was surprised but pleased that they're going to run the hotel at 50% in April and 80% in May at a very modest \$900 room rack rate. Mr. Sanders said overall luxury travel continues to do very well for Maui and the big islands.

Chair Fried asked if there are any public testimonies and there was none.

14. Adjournment:

The meeting adjourned at 12:37 pm.

Respectfully submitted,



Sheillane Reyes

Recorder