



REGULAR MARKETING STANDING COMMITTEE MEETING
HAWAII TOURISM AUTHORITY
Wednesday, April 28, 2021 at 10:30 a.m.
Virtual Meeting

MINUTES OF MARKETING STANDING COMMITTEE MEETING

COMMITTEE MEMBERS PRESENT:

George Kam (Chair), Fred Atkins, Kyoko Kimura, Sherry Menor-McNamara, Daniel Chun

COMMITTEE MEMBER ABSENT:

HTA STAFF PRESENT:

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

GUESTS:

Rep. Richard Onishi, Chris Kam, John Reyes, Jay Talwar, Eric Takahata, Rick Fries

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Pule:

2. Approval of Minutes of the March 24, 2021 Marketing Standing Committee Meeting

Chair Kam requested a motion to approve the minutes of the March 24, 2021 Marketing Standing Committee meeting. Kiyoko Kimura made a motion, which was seconded by Sherry Menor-McNamara. The motion was unanimously approved.

3. Presentation and discussion of the travel agents booking pace and general market research trends

Chair Kam recognized Jennifer Chun, HTA Director of Tourism Research, reported that the U.S. travel agencies have significant increase in booking pickup for May, June, Q3 and Q4. She noted that there are very few of the Japanese market coming in May and June with additional bookings for Q3 and Q4. She said that a few booking are seen for Canada and Korea with more cancellations due to lack of flights and restrictions. She added that Australia has hopeful bookings but with more cancellations. She noted that visitors to Oahu and Maui are mostly from the U.S. markets and for Kauai bookings has similar levels as of last year but significantly lower than 2019 and Hawai'i Island is seeing a higher number of

bookings compared to 2019.

Chair Kam asked for public testimony and there was none.

4. Presentation TravelTrak America survey results by OmniTrak

Chair Kam recognized Chris Kam, President of Omnitrak Group, to provide an update. Mr. Kam reported that TravelTrakAmerica conducts trip surveys on up to 9500 travelers across the U.S. and on marketing effectiveness studies. He said that travel demand is returning with the avid travelers shopping. He noted that destinations that maintained the marketing presence in the past year reaped benefits. He explained that Texas has leapfrogged Hawai'i because much of the travels done are VFR travel and could be pushing demand on Texas that has a large population size.

Mr. Kam reported that the research targeted U.S. households and asked very detailed questions about their last month of travel. He noted that the data presented are preliminary findings for the first quarter because travels in March are fielded in April. He said that 37% of travelers said they took a trip (by plane or by car) in March which actually is the highest point seen in the last 15 months. He noted that they have a strong interest to travel with time and finances available and that affordability and safety are the biggest barriers. He said that 75% are actively shopping for a destination, 6% considers visiting Hawai'i in the next 6 months and 14% in the next two years ranking Hawai'i to #17 and #5 respectively. He added that there are a good percentage of people whose travel motivation to Hawai'i points to the avid traveler but that it's not the only destination they're considering, thus much work is needed to market them. He said that 65% of those considering a trip to Hawai'i in the next six months say they will get the vaccine as soon as possible with only 5% not planning to get the vaccine. He concluded that willingness to get the vaccine tends to be higher among travelers than non-travelers and among those considering Hawai'i than travelers in general. Mr. Kam said that 41% of these travelers have previously visited Hawai'i in the past three years and half of them visited California, Florida and New York among others. He added that majority of these people live in California followed by New York, Texas, Florida with higher interest among the younger age groups from 18 to 54 years of age with income over \$100,000 plus. He said that these people are well-educated with dominant profiles in management and CEO positions.

Mr. Kam reported that travel demands are returning in general thus marketing activity must be present for Hawai'i to get its share in a very competitive marketplace and to have the ability to pick the ideal traveler and not the other way around. He noted that studies showed that people who are aware of Hawai'i's marketing efforts have a stronger brand perception and travel intentions for visiting Hawai'i, thus more likely to be engaged with Hawai'i's offerings. He added that insights gleaned from other OmniTrak studies showed

that domestic travel demands remained relatively strong and there's a better perception around handling the pandemic for those who advertise continuously. He explained that it's harder to increase travel demand and improve brand perceptions among in-state residents than out-of state visitors.

He shared insights on rethinking from the traditional model of destination branding to also branding it as a great place to work, live, play and educate. He said that they have fielded a survey built around this theory on one of the top 10 metro areas in the U.S. and will share the results when available.

Ms. Menor-McNamara asked what marketing reconsideration can be done with these visitor profiles. Mr. Kam responded that HTA needs to have a market drive like what his clients on the mainland are doing. Ms. Menor-McNamara said that it's important to take his report and come up with ideas that have good ROI moving forward. Mr. Kam said that a traveler should be looked at not only on a spending standpoint but on the responsible travel front and all the great things that there are to see in Hawai'i. Chair Kam said that the ROI is always spoken but the ROO (Return of Objective) has to be taken into consideration also. He added that looking at responsible tourism, regenerative tourism and a circular economy, it might not always be the ROI but also with the ROO of making it a better place for people to live and benefit the local economy. He noted that they are headed towards the ROO to identifying objectives and key performance indicators, which includes not only a quantitative but also a qualitative analysis to incorporate the quality of life.

Mr. De Fries noted that during Earth Day, Secretary John Kerry acknowledged Hawai'i's renewable energy initiative pointing out Hawai'i Green Growth and Aloha Plus Challenge as being a model recognized domestically and internationally. He said that Hawai'i Green Growth was designated as a UN Local 2030 Hub which will translate into increased business travel from the Asia Pacific region. He added that there's an early discussion on the Kohala Coast emerging as an equivalent of Davos Switzerland and establishing it as a World Sustainability Forum which will bring world leaders and thought leaders through the island.

Chair Kam verified with Ms. Chun the frequency it's being done and responded that it has been approved to be done once more this fiscal year and the Board will decide how many times it will be moving forward.

Ms. Kwan read a question of John White asking if the DMAP will still be funded with the budget adjustments. Mr. De Fries affirmed. Ms. Anderson added that they intend to implement the actions of the DMAPS and are working with the respective counties and community. Mr. Kaanaana noted that they started to move forward with some of the advocacy work that doesn't necessarily require a budget.

5. MCI updates and discussion presentation by John Reyes; Senior Vice President, HVCB

Chair Kam recognized John Reyes, HVCB Senior Vice President to provide an update. Mr. Reyes reported that the Meet Hawai'i Team consists of five sellers which includes him who covers west coast, Midwest, northeast southeast Citywide sales effort predominantly in the corporate market. He noted that MCI is a good target market because they are respectful, organized, and spends high dollars. He stressed the importance of relationships noting that the booking window for single property meetings which are held in the hotels is from 18 to 24 months and for citywide meetings in the convention center is from six to eight years. He added that they have a sales coordinator, one who handles convention services, a sales operation manager and one for the Alele program.

Mr. Reyes reported that according to Northstar Group's survey, in-person meetings are starting to gather strong interest and there are numerous inquiries for group meetings in Q4 of 2022 and 2023. He noted that there's an increase in sourcing and request for proposals with lesser rebooking. He noticed that there's a shift in hybrid events which are primarily overseas and international attendees for Citywide and single property. He said that planners themselves are ready to travel and fear of COVID-19 is decreasing with worries of customers pertaining on the evolving protocols, hotel and venue staffing and limited liability policies of the government for all industries. He noted that room nights are low but is looking at the tentative business for Citywide which is 251% increase from the prior year and the single property side is showing that business is starting to come back.

Mr. Reyes reported that the Simple View database shows the future pace for both Citywide and single property with the year-end goal of 375,000 definite room nights that should be produced. He noted that the 2022 pace target is doing well but 2023 to 2026 is so low. He explained that this is primarily due to the gap in citywide business that HVCB is doing a lot of targeted selling and marketing to corporate and association groups that can have meetings within five years. He noted that looking at 2021, 2022 and 2023, about 90% of are single property rooms which can be attributed to the booking window and going farther beyond 2023, the tentative number becomes more of a Citywide. He noted that today, they had a virtual trade show selling and marketing Hawai'i to over 60 high-level incentive and corporate customers with over 300 appointments and over 500 conversations that happened.

Mr. Reyes reported that 2020 is supposed to be the best year in Hawai'i with over 20 conventions but the pandemic impacted the Citywide bookings and three out of the eight bookings rebooked. He said that the team is currently focused on formulating guidelines for meetings, conventions and incentives and have started with the COVID-19 MCI Guidelines for Honolulu wherein the meetings are managed by professional planners and professional communications are enabled amongst the attendees. He added that the mayors of Maui and Kaua'i are planning to have something similar. He said that they're on their last virtual trade show in June.

Mr. Atkins asked Mr. Reyes the importance of funding to be able to get a booking going definite. Mr. Reyes responded that beyond the selling process of direct sales and relationships, citywide customers will ask the kind of hard dollar incentive available. He noted that it's important to understand that there's a criteria for rental incentive and for hard dollar incentives promotion on an ROI.

Mr. Regan read the question from the public about staffing. Mr. Reyes responded that they went down from 18 to 9 last year. He noted that they are good in the single property side and it would be good to have a dedicated corporate seller and an association seller to because these are targeted sellers and know who to sell to.

Ms. Menor-McNamara asked what other conventions centers are doing and what MCI is doing differently besides the incentive funds based on their present resources. He responded that a lot of competitive destinations have set up digital studios for the hybrid meetings. He added that they are putting much into branding Hawai'i as a great destination and opportunity, with all of the different amenities available and that in conjunction with high profile brands, they are working towards a targeted team approach to selling. He stressed that the most important thing to do now is to inform people that Hawai'i is opening with the safety precautions and flexible digital studio in place. He added that they're working on the Made in Hawai'i aspect promoting all different businesses that can benefit from conventions and the Mālama program. Ms. Menor-McNamara offered to talk about the incentives and new ideas on how to better connect local economy with these high-spending visitors and Mr. Reyes accepted.

6. Presentation by the HVCB that may include market insights, updates on air seats and certain assumptions including but not limited to programs for the balance of 2021

Chair Kam recognized Jay Talwar of HVCB to give an update. Mr. Talwar reported that although it's decreasing, respondents still have a high level of fear of returning to public activities, losing their job and dying. He showed a graph showing an onslaught of tourism with the pandemic which is incomparable to previous crisis. He noted that the U.S. leisure air traveler marketplace is fairly flat although vaccination has rolled out. He said that Hawai'i dropped to number six this month for the most desired domestic destinations from number five last January with the state of Texas leapfrogging Hawaii. He added that there's much marketing to be done to keep fighting for Hawai'i's share. He noted that the avid traveler who spends correctly, behaves appropriately, and shares the Hawaiian values are really looking at Hawai'i as their next leisure destination but are also looking at Alaska, the Caribbean, Europe, Asia, Mexico and Canada. He added that Hawaii is still a desirable place for the overall traveler marketplace in 2021 and in its highest since 2016. He noted that such market consists of younger generations with Gen X at 72% and Millennials at 82%. He noted that there's positive news in attracting visitors with higher household incomes. He said that when factored in, all of the Counties looked good for scheduled U.S. seats to

Hawai‘i in April and May 2021 versus 2019 except for Oahu which is lagging behind. He added that until the international flights are back, they need to be pushing for the domestic traveler for Oahu.

Mr. Talwar reported that with the avid explorer being the target audience, they continue to improve on how to effectively invite these travelers to Mālama Hawai‘i with the help of industry partnerships. He noted that they have over 90 partners and that the volunteer programs continue to grow. He said that with the present budget, they can do a little bit and act as a catalyst for the industry and their dollars to get to share their messaging through their communications. He added that the hotels and organization partners have been involved with the Mālama Hawai‘i messaging and are positioning their brands and gaining momentum along with it. He said that they are still producing the messaging and paid media will start in May 17 to June and will start again in August to November.

Ms. McNamara asked the reason why Texas leapfrogged Hawai‘i in the top five locations and of ideas to leverage the local businesses. She suggested that they come up with actionable items and proactive plans in doing things beyond pre-COVID activities in the next meetings. Mr. Talwar responded that the reason for Hawai‘i going behind Texas wasn’t asked but thinks that her assumption of lesser restrictions is fair. He noted that the first job is to get the visitors to Hawai‘i and if they will track the right ones, spending on local businesses will follow as these customer are people who wants to experience something unique culturally and environmentally.

7. Presentation by HTJ including market insights, updates on airline booking pace, leisure and group segments and programs for the balance of this year

Chair Kam recognized Eric Takahata, Managing Director of Hawai‘i Tourism Japan, to give an update. Mr. Takahata reported that Japan’s real GDP and consumer price index has a good sign of recovery with consumer confidence up. He added that the exchange rate is fluctuating, unemployment rate is higher and household savings decreased. He noted that the vaccine roll out started mid-February and two months behind the U.S. but are expecting to have the majority of the population vaccinated by September 2021. He added that Japan’s COVID-19 cases are under control globally but there’s a concern within the country that the numbers are increasing. He said that according to the latest JTB consumer sentiment survey, over 20% of respondents identify Hawai‘i as a place that they want to visit first once overseas travel resumes. He added that a negative PCR test upon entry to Japan and 14-day quarantine is needed for all travelers coming in to Japan.

Mr. Takahata reported that there are about 34 to 35 flights from Japan into the State with an average of 8,500 seats moving forward in the coming months. He noted that major wholesalers like JTB and HIS are offering major wholesaler package products from July 1 arrival to Hawai‘i promoting for summer onwards. He added that Delta and Korean Airlines are planning to resume their suspended flights for this coming summer, and the Managed

Travel concept with the Ministry of Tourism is a good sign that the Japanese government is looking at resuming tourism soonest, especially to Hawai'i. He compared promotion activities of competitive destinations and noted that Hong Kong, Singapore, Taiwan, Thailand, New Zealand, and Australia are pouring resources in marketing to Japan as everyone identified the Japanese is the ideal traveler that they want to their destination with Hong Kong alone planning to invest \$145 million for 2021-2022.

Mr. Takahata reported that the HTJ initiatives are going through a “screensaver mode” with the reduced and fixed cost budget at this time. He said that they are engaged with the Mālama campaign and in maintaining presence thru the Mālama Hawai'i site and Surfing in Hawai'i microsite, where they're looking for marketing opportunities with the Hawai'i representatives through their social media and digital platforms. He noted that the Aloha shirts campaign, which sold out in the first day with tremendous media coverage, is in its last phase. He added that they will be launching the Hokule'a microsite on June 8 which will talk about the voyaging, responsible regenerative tourism and World Ocean Day celebration in Japan. He said that they will continue doing the Hawai'i Tourism Forum and are preparing for the Hawai'i Japan Summit on September 2021 and Hawai'i Expo which is moved to Q4. He noted that the Hōkūle'a Education Program with its movie tickets sold out on all 14 theaters across Japan then is on schedule to show the film throughout Japan. Mr. Takahata said that they have reduced HTJ staffing from 15 to 9 full time staff since January.

Ms. Menor-McNamara asked about the new implemented activities compared to pre-COVID. Mr. Takahata said that pre-COVID, they were going into the Made in Hawai'i products to support local retailers but would like to further that once program budget returns knowing that Japanese traveler spends a lot of money in retail.

Chair Kam said that HTJ and Ms. Menor-McNamara can work together to prepare for this and to identify the local companies that will initially be highlighted through social media platforms. Mr. Takahata agreed to work with her next week.

Ms. Kimura asked about the lifting of the quarantine requirements. Mr. Takahata responded that they have no news about it but it will depend much on the vaccine rollout, case counts and when will Japan follow Korea's vaccine exemption. He said that according to the Consul General, there is no mandatory three-day quarantine under the emergency declaration.

Mr. Atkins asked what contributes to the high rating for travel to Hawai'i in JTB's research. Mr. Takahata responded that the brand positioning in Japan is good with Hawai'i being viewed as safe and clean destination with everything under one roof for culture, retail, and dining experience. Ms. Menor-McNamara shared that the Japanese market has embraced and taken home the Hawaiian culture which can be attributed to the large and repeat travelers sector. Mr. Atkins suggested bringing in VIPs (airlines or wholesalers) on a trip to trade shows aside from the airline seats and rooms to establish better ties. Mr. Takahata

informed that Mr. Kaanaana had set up with several organizations for the Made in Hawai'i Festival for Japanese visitors to participate, selling tickets in person, and having the consumers as well as buyers from Japan department stores and the likes to be able to import and export products from Hawai'i to Japan.

Chair Kam asked what activities are being done for the Japanese travelers to model a pono traveler. Mr. Takahata said that he would be honored to present their activities around the theme of Mālama and in educating the Japanese visitor before they come back. He acknowledged the importance of managed travel products that they're administering very closely with the travel companies.

Chair Kam said that it should be a 2-way process to include what can be done in support to Hawai'i doing things in a pono way also. Ms. Herman suggested that they put something together with the Department store buyers and have them come through the Hawai'i Convention Center which could again engage into a possible group coming in from Japan to Hawai'i. Mr. Takahata said that they plan to bring buyers in to the Made in Hawai'i Festival, Convention Center and in as many venues as possible. Mr. Kaanaana reinforced that Mr. Takahata's work resonates with the Kaua'i and Maui DMAP actions and that the marketing of shopping local and buying Hawai'i is a catalyst for local businesses.

Chair Kam invited the public to provide testimony. Mr. Duke Ah Moo from Hilton Hotels in Hawai'i acknowledged HTJ's work in bringing a lot of group business to the islands which is key right now just when decisions are being made for future groups and the amount of leads and the inquiries for travel next year is happening now with Hawai'i up against other destinations. He noted that the ability of the hotels sales teams' perspective to get to Japan and call those clients is very limited so they really depend on HTJ. He reiterated that HTJ's representation for the Island is not just limited to leisure but to a significant amount of group business as well.

Hiroyuki Kitagawa, President of Japan Hawai'i Travel Association, said that they have 40 members which includes major wholesalers (i.e. JTB), airline companies (Japan and Hawaiian Airlines), major hotels and transportation and traction companies. He expressed the group's concern of the budget cuts to the Japanese market as the work of HTJ in marketing is very important for them. He advocated that now is the time to strengthen Hawaii's marketing for other competing nations such as the Guam, Australia, Asia, New York and Europe have started marketing aggressively to the Japanese market. He called on each committee members to provide their testimonies in behalf of the airlines, transportation, attraction, and hotel industry.

Hiroshi Kuroda, Regional Manager of Japan Airlines, said that that up until March 2020, airlines operated daily flights from Honolulu to different parts of Japan and that very few global destinations have as many flights per day which denotes that Hawai'i is a very

important destination for the Japanese. He added that the Japanese customers spend a lot of money in Hawai'i which is important for the economy as well. He said that they are making efforts to continue operating flights between Hawai'i and Japan and stressed the importance of preparing and continuing communication about Hawai'i to Japanese customers to avoid missed timing of the marketing shortage strategy,

John Morgan, President and Owner of the Kualoa Ranch, stressed the importance of continuous awareness building for the Japanese market because they are respectful, appreciative of culture and the kind of visitors that they want. He added that the Japanese consists of about 40% of their customers. He said they have short loaded 370 people at the height of COVID and have brought back less than 200 people but could increase the number with the Japanese market back. He said that success in this directly translates to benefits to the community, agriculture, tourism and culture.

Toshie Nakabayashi, Japan Division Vice President of Sales of Roberts Hawai'i, said that being born and raised in Japan, the Japanese nature is truly respectful of culture, nature, and history and will be very sensitive in communicating with the local people which makes them the ideal traveler. She expressed appreciation of the Hawai'i Forum for the hospitality industry in Japan as it provides an opportunity to directly communicate with industry people and direct consumers of their airport shuttle business where they can answer a lot of their questions. She said that it's important to keep all channels of Hawai'i open and needs HTA and state of Hawai'i people to join them in recovering this very important market.

Danny Ojiri, Vice President Sales/Marketing of Outrigger Enterprises Group, reminded everybody that Japan has been their number one international market for years and a very important market to rebuilding tourism in a sustainable and more responsible way. He noted that the Japanese is the perfect visitor for Hawai'i and with just 1.5 million arrivals, the economic impact is an average of \$2 billion plus a year or 250 dollars plus PPDS. He said that marketing activities must continue to tell them of the Mālama Hawai'i messaging and that Hawai'i welcomes people from Japan with its clean and ready environment and protocols in place.

Dale Carstensen speaking from the perspective of Marriott and from Oahu Visitors Bureau reiterated that HTJ is critically important to the destination because they work in collaboration with the Japan community, with partners and wholesale partners, in the engagement and everything that they do and with the airlines. He said that Hawaii must remain competitive with other destinations to protect Hawaii's future and core and the Mālama program. He urged the board's support and HTA's collaboration in protecting the HTJ Budget in behalf of the hotels, tourist attractions and the community moving forward.

Sandy Narvaez of Marriot International thanked Mr. Takahata and HTJ for taking the time to educate the community about the market, cultural nuances and ways to connect to one another. He acknowledged them for reaching out and ensuring the success of small businesses, for promoting Hawai'i's culture in a responsible way and for helping find connections across ethnic background.

Mr. Regan read a question from the audience asking for HTJ's strategy in bringing Japan customers to Maui and Kaua'i. Mr. Takahata responded that pre-pandemic, they were promoting all of the Hawaii Islands with special programs for each island and will be promoted again once they wrap up with travel back to Hawai'i. He added that Kaua'i and Maui have the product mix that can attract the Japanese market.

Mr. Atkins added that the big challenge is that it's expensive to come to the islands and that the Japanese market respects relationships and the lost relationship needs to be restored and to be redone and cultivated. He noted that the Japanese are extremely loyal when you give them a good product.

Ms. Menor-McNamara asked about top priorities to be implemented from their presentation. Mr. Takahata said that they're focused in bringing back repeat visitors which is a big segment of those who have expressed strong interest of coming back thru surveys. He added that the multi-generational families that love Hawai'i and want to bring their kids and the entertainment world inquiring for large scale concerts are also top priorities.

Chair Onishi said that the Senate statement about concern on the ROI during the pandemic to HTJ had not been addressed to the public which is troubling. Mr. Fries responded he had addressed the issue in several interviews in the last three to four weeks but will double up on the messaging to the public. Rep. Onishi said that the cuts proposed by the Senate go back deeper to HTA's function. He urged the organization to fully educate the public and the legislature as to the importance of HTA's work and the inability to prepare and educate the tourists about Hawai'i's expectations when they arrive, to provide continuous communication on opening up travel and to deal with other issues in Japan without having a program in place. Chair Kam thanked Rep. Onishi saying that they'll definitely work on the communication and education of the public and to justify the investments to the Japan market.

Rick Fried said that he had addressed in all of his writings and in his letter to all the Representatives and the Senators two days ago about issues making it essential for HTA to be more involved. He noted that it's imprudent to spend no amount to probably Hawai'i's single most valued tourists for a long time when the whole world is trying to grab them, thus marketing can't be stopped.

8. HTA Branding Budget Discussion and Action

Chair Kam recognized Pattie Herman to provide an update. Ms. Herman showed a document showing budget cuts to the GMTs with Japan taken as an example with a current annual budget of \$9 million that is cut to \$4.5 million. She noted that this gives them a tight monthly fixed cost of \$170,933 which is bringing them in an idling position but ready to step up at the right time. She said that they won't be in full force but doing great with putting out the messaging. She added that the rest of the GMTs get much smaller budgets but are desperately trying to do things even for free because of their passion for Hawai'i.

Ms. Herman explained that the column with revised fixed costs (75% reduction) was an exercise done with the added pressure to cut back. She noted that this type of cost reduction will be a stop work order and takes Japan from \$170,933 to \$42,733 fixed costs. She added that Oceana only has 1 staff to represent New Zealand and Australia as the other two staff can't live with a part-time salary. She explained that this is a danger zone for without continuous marketing, competitive destinations will compete for the pono travelers. She noted that if cut back to 75%, Japan's total reduction for seven months will be \$897,000.

Ms. Herman discussed the financial penalties that go with it which includes severance pay and reduced rent penalty to downsize aside from continuing to cut staff. She showed that the cost consequences of terminating the five key markets would total to \$2,320,724. She said that further cut to Japan from \$4.5 million to another 2.5 million will end up with \$2million left to market. She identified consequences as cutting HTA's Hōkūle'a educational program, direct touch points with consumers, Mālama Hawai'i content translation, Hawai'i Expo and Japan Summit, media, Aloha program, Airline Co-op and Wholesale Co-op Travel Trade media, and more. She said that this will also be the case with Oceania, Canada and Korea but in a more severe way because they have less funding.

Mr. De Fries noted that this exercise was at his direction of assessing the implications of putting a stop work order and suspending the contract as was done with China and Europe. He said that the teams' recommendation is to hold the GMTs to the current monthly fixed cost and to remain at that level until the market is fully remobilized with the national policy as the primary indicator for motivation. Chair Kam said that by listening to all testimonies, they should be investing as there's a lot of work to do in targeting the pono traveler and in focusing on the four pillars and Mālama Hawai'i. He agreed to keep the current monthly fixed costs and will ask the other board members also. He added that it takes investment, money and people especially in trying to pivot to responsible and regenerative tourism and a circular economy.

Ms. Menor-McNamara asked what's included in the fixed costs other than salaries and rent and if there were negotiations to reduce costs. Ms. Herman identified the fixed costs a collateral fulfillment (warehouses), consumer relationship management systems (computer systems), website contract for development, collateral storage on all of the GMTs, PR agencies, media clipping services and Aloha Ma'ema'e program. She noted that HTA will be

responsible for contracts signed if there are penalties involved. She said that there have been numerous negotiations to cut costs, not only on rent but also on media and in anything that has to do with any contracting.

Mr. Atkins verified about the staff reduction with the budget cuts. Ms. Herman responded that it was when the budget dropped to \$170,000 from \$9 million to \$4.5 million that the staff reduced to 9. She explained that the 75% reduction is just an exercise. Mr. De Fries informed that the GMTs were just asked to restrict the budget as a means of saving it for the re-launch sequence. Mr. Atkins said that he doesn't recommend severing the ties down further taking into consideration the damage it's going to cost or do. He noted that with the public testimony mentioned with employee cuts it's going to take a long time to come back with having to cut as high as 70% to 90% employees.

Ms. Kimura noted that the BRICK didn't have any closing recommendation regarding the budget cuts. Mr. De Fries asked confirmation from the committee if they support for the GMTs to have no further cuts under fixed cost and said that they can come back to the committee monthly with programming to justify budgetary increase. Chair Kam responded the Board has approved an annual budget where they are given flexibility and they have to take responsibility to adjust accordingly to the market situation. He said that he's concerned with having to be so caught up in trying to squish everything and it's important to make sure there's investment in the community so that when tourists come, they will be welcomed and that this action takes funding. He said that he will open the discussion with the other board members.

Mr. De Fries said that the Tourism Senate Chair talked about cost per visitor as one metric and noted that they will be back next month with what Chair Kam suggested and what the metric will look like. Chair Kam said that it would be an opportunity to educate everybody on the importance of investing in a market with the subject experts' given testimony.

Mr. Atkins said that they can't make a decision in the marketing committee but can recommend to the Board tomorrow. He agreed with Mr. Kam that it's an opportunity to explain things not just from the Japanese market but in the four pillars and more and to have different industries present their testimony just like today. He added that he's in support of recommending it to the Board tomorrow and will also respect their decision.

Ms. Kimura requested to have the information be brought back to BRICK so they can make a recommendation back to the Board. Chair Kam agreed to hold off any decision but will share tomorrow about the market discussions. Ms. McNamara agreed.

9. Adjournment:

The meeting adjourned at 2:23 p.m.

Respectfully submitted,

c Sheillane Reyes

Sheillane P. Reyes

Recorder