



# HAWAII TOURISM AUTHORITY

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**Neil Abercrombie**  
*Governor*

**Mike McCartney**  
*President and Chief Executive Officer*

## REGULAR BOARD MEETING HAWAII TOURISM AUTHORITY

July 26, 2012

Hawaii Convention Center, Parking Level, Executive Board Room A  
1801 Kalākaua Avenue, Honolulu, Hawaii 96815

### MINUTES OF REGULAR BOARD MEETING

**MEMBERS PRESENT:** Ron Williams (Chair), Kelvin Bloom, Jack Corteway, Patricia Ewing, Patrick Fitzgerald, L. Richard Fried, Victor Kimura, Mike Kobayashi, Craig Nakamura, David Rae

**MEMBERS NOT PRESENT:** Aaron Salā, Lorrie Stone

**HTA STAFF PRESENT:** Mike McCartney, Momi Akimseu, Lynn Bautista, Jadie Goo, Grace Lee, Chika Miyauchi, Daniel Nāho'opi'i, Winfred Pong, Roann Rakta, Angela Rodriguez, Michael Story, Marc Togashi, Keli'i Wilson

**GUESTS:** Kainoa Danes

**LEGAL COUNSEL:** Deputy Attorney General Gregg J. Kinkley

#### 1. Call to Order and Pule

Presiding Officer Ron Williams called the meeting to order at 9:40 a.m.

Mr. McCartney introduced Mr. Kainoa Danes, who offered a Pule.

#### 2. Approval of Minutes (June 28, 2012)

Mr. Bloom made a motion to approve the minutes of the meeting conducted on June 28, 2012. Mr. Kimura seconded the motion, which was unanimously approved without objection.

**3. Report of the Chief Executive Officer Relating to the Implementation of the State Tourism Strategic Plan Initiatives and/or Staffs' Current Assessments of the Major Market Area**

Mr. McCartney shared details on some of the meetings that are coming up over the next few months, such as the HTA Tourism Conference, scheduled for August 23-24 at the Convention Center. He shared that there will be guest speakers from around the country; industry stakeholders have been invited; and the marketing contractors will be sharing their marketing plans and direction with the industry so that we can work together to leverage our money and resources.

He mentioned that August 22<sup>nd</sup> was being considered for a special board meeting to bring in the HTA's airline consultant to discuss specifics on what is going on in each market and with the airlines that service Hawai'i.

Mr. McCartney said that he is working with Mr. Williams to figure out some time to have a board retreat later on this year, as well as to travel to different islands and destinations to gain a better understanding of the product and what is happening in the market. He also mentioned the 7<sup>th</sup> Annual US-China Travel Summit, scheduled for September 17-19, and to which the HTA is invited. He said that the Summit is attended by travel leaders from China and the United States, and is being hosted by the Chinese government. He said that the HTA's attendance would provide for opportunities to meet and interact with the head of all travel in China, all of his counterparts in each province, and attendees from other states. He said that it is a very educational experience and it would be to our advantage if we are able to attend, as well as help to continue our relationship with China. He said that we hosted this meeting last year in Kona and it was very successful.

He reported that the Japanese Association of Travel Agents (JATA) meeting was coming up on September 21-23 in Tokyo. He explained that this is a very critical meeting, as it involves us working closely with wholesalers, travel partners, and consumers. He explained that JATA participants are able to see what is happening in the market; what competitive destinations are doing; and what is being done to meet the demands of Japan.

Mr. McCartney also shared that the investigative committees for the Hawai'i Convention Center and the Tourism Strategic Plan are going to meet after the board meeting. He explained that the Convention Center Investigative Committee is going to be looking at the highest and best uses of the Center, going into the future; how revenues can be increased and costs lowered; and how to make it the most productive facility possible. He said that the Tourism Strategic Plan Investigative Committee is being tasked to create a new strategic plan for tourism in the State of Hawai'i. He pointed out that some of the research has already been done and the target is to try and complete the plan by the spring of 2014, so that it can be in place for the 2015 budgets and marketing plans.

Mr. Williams officially announced the members of the investigative committees for the Hawai'i Convention Center and the Tourism Strategic Plan Update, as follows:

**Hawai'i Convention Center:** Kelvin Bloom (Chair), Jack Corteway, Patrick Fitzgerald, Victor Kimura, and Lorrie Stone

**Statewide Tourism Strategic Plan:** Patty Ewing (Chair), Rick Fried, Mike Kobayashi, David Rae, and Aaron Salā

Mr. Pong confirmed for the record that these are investigative committees, not standing committees, and therefore are not considered Sunshine Law committees.

Mr. Williams stated that each committee would bring their findings to the board and the board would decide as a whole on the appropriate path to take. Mr. McCartney explained that investigative committees are limited to no more than six (6) board members who will meet and subsequently make recommendations to the board. He said that it takes two (2) meetings for the committee's recommendations to become an action of the Authority, so the first meeting would be to report on an action and the second meeting would be for the board members to consider voting on said action. He stated that the board has the ability to amend, modify, or change the recommendations that come out of the committees. He stated for the record that these committees were approved in May.

#### **4. Presentation of Visitor Data and Dashboards for June 2012**

Before Mr. Nāho'opi'i began his presentation, Mr. McCartney offered a brief overview of the reference book that was provided to each board member. He explained that the book's contents include the latest visitor statistics; the research reports that Mr. Nāho'opi'i presents at each meeting; and fact sheets, targets, and dashboards for each major market. He explained that this reference book will provide the board members with information such as the characteristics of each market; how many people come for group business or leisure; who the major wholesalers are; and what the visitor spend is per day.

Mr. McCartney also explained that effective immediately, the HTA will be issuing statements for each island, in addition to the one that is issued for the State. He said that these statements will be distributed to the board members, the mayors in each county, council members, and our industry partners. He explained that one of the outreach attempts that we are beginning to implement is making sure that our data and knowledge gets to the right stakeholders within each island community.

Before Mr. Nāho'opi'i presented the visitor statistics for June 2012, he provided a PowerPoint presentation on the tourism research system, including the basic statistics for which we are responsible and what appears in some of our reports.

He stated that Hawai'i is a very mature destination that needs constant research. He said that Hawai'i is well known for having one of the best tourism research programs in the world and that many other destinations develop their systems based on what we are doing. He pointed out that data is produced either by the end of the month or the beginning of the next month, which ensures that Hawai'i has the most current data, whereas other destinations produce data on a quarterly or annual basis only.

Mr. Nāho'opi'i explained that the most important thing is to be timely and relevant with the data, so there have been many changes over the last couple of years to ensure that the data can be out in a month's time. He said that part of this process includes getting information from the airlines, at the airports, and through various surveys. He pointed out that research also includes the collection and gathering of market intelligence; subscribing to various reports; contacting other destinations and their research arms; and working with The Office of Travel and Tourism Industries (OTTI) to gather information from various destinations and other markets and to identify new markets to go into, as well as making changes to our existing markets. Mr. Nāho'opi'i added that we provide technical assistance as well – we work with industry people on a daily basis, modifying and/or providing data for their own strategic plans; helping them develop their marketing and strategic programs; and providing analyses.

Mr. Nāho'opi'i stated that core statistics – mainly the visitor counts by major market area and major countries – are released on a monthly basis. He explained that since we do not have the immigrations-type of report, we have to do some estimates until such time the federal government can provide us with the data. He added that we receive the reports at the end of the year and at that time, reports that include detailed breakouts by different countries and Length of Stay (LOS) can be generated.

He said that detailed information on the top four (4) major market areas (MMA) – US West, US East, Canada, and Japan – are also produced on a monthly basis. He said that with regard to the smaller countries and markets, while we try our best to reach a point where data is collected on a monthly basis, we are also confident that the sample size that can be collected is sufficient enough to be able to produce expenditure and arrivals information on a quarterly basis. He added that for some of the larger markets such as Oceania, we are more confident that we will be able to gather information on a monthly level, which is one of the goals for next year.

Mr. Nāho'opi'i pointed out that daily passenger counts and monthly highlights are posted on the HTA website; the Visitor Satisfaction Report is posted quarterly and includes activities and the annual Research Report, which will be produced by the end of the month and contains all the various categories and demographic information on all the various markets; and on an annual basis, the Visitor Plant Inventory report, which contains the counts by all different types of properties. He added that the news release is timed for the last week of the following month and that everything else is posted online.

Mr. Corteway asked for the definition of a “mature” market and whether we are paying the people at the airport who are collecting the data. Mr. Nāho’opi’i responded that in terms of market development, there is a slow market development and growth stage that levels off and provides the option of looking at how another growth stage can be achieved. He said that we are currently plateaued and that is usually what defines a “mature” market. Mr. Nāho’opi’i explained that one of the ways we are attempting to move beyond this plateau is specializing into different niche markets in order to add additional visitors. Mr. Corteway commented that new hotels or timeshares would be needed to expand the ability to bring more people here. Mr. Nāho’opi’i responded that one of the strategic methods of doing that is to offer different product. With regard to the data collection activities at the airport, he explained that we have contracts with two (2) research data collection vendors – SMS Research and Marketing and OmniTrak Group, Inc. He said that OmniTrak is responsible for the conduct of interviews at all the airports and in various languages and SMS Research is responsible for the domestic in-flight survey, where they collect all of the in-flight survey forms from the planes, scan them on a daily basis, and report the numbers back to us.

Mr. Fried asked what percentage of people on the domestic flights are visitors instead of residents. Mr. Nāho’opi’i replied that currently in the domestic market, it is running about 13-17 percent residents and on the international market, it is running approximately 5 percent or a little bit higher, depending on certain markets.

Mr. Nāho’opi’i went on to present current visitor data for the month of June 2012. He said that at this time of year, data from the previous year is finalized. He explained that there were some adjustments made from previous estimates; we received actual immigration information from OTTI; and expenditures were re-analyzed to ensure that there were no strange purchases, and he added that outliers were cleaned up in terms of that information. He said that this is June 2012 data compared to a final number for 2011.

He reported that total expenditures on who came to Hawai’i in June reached \$39 million per day, as compared to approximately \$32 million per day back in June 2011, which is a 21 percent increase over where we were last year.

He said that arrivals reached 3.9 million visitors and according to the Average Daily Census, which is the number of visitors on a daily basis, that indicates a growth rate of 10 percent. He pointed out that we are already at 6.6 percent over the arrival targets that were set back in September 2011. He said that in terms of June data itself, expenditures are already 20 percent over the previous year, meaning \$207 million more was collected this year, as compared to June of last year. He said that with regard to nominal spending, it is the highest for any June – even higher than our June period in 2006 or 2007. He added that arrivals also set a record at 677,000 visitors for June 2012. He said that we are very strong in our arrivals and visitor spending versus the targets that were set in September and that is one of the reasons why the targets will be revisited, as they are actually lower than what we expect them to be at year’s end.

Mr. Nāho'opi'i reported that all islands showed increases in June for island distribution, visitors arrivals, and visitor days. He said that our goals are based on distribution on each island and how many visitors we would like to have on each island, such as 61 percent of visitors going to O'ahu and 32 percent to Maui. He pointed out that Maui is neutral in terms of arrivals. He said that we want to have more visitors there, as well as on Kaua'i and Hawai'i Island, but we are also seeing that visitors on Maui are staying longer, so it is actually more crowded than first thought.

Mr. Kimura asked if there was any correlation between LOS and total spend. Mr. Nāho'opi'i replied that there is and it varies slightly by market. He said that data suggests that longer-staying visitors opted to stay in a condo or timeshare property rather than in a hotel, resulting in a lower rate and lower total spend overall, but it does vary slightly.

Mr. Fitzgerald commented that the target percentages do not add up to 100 percent. Mr. Nāho'opi'i replied that the target percentages for arrivals do not add up to 100 percent because of the multi-island visitation factor. Mr. Fitzgerald said that he is unclear about what we are trying to achieve and asked, "Are we trying to get them to go to Kona for two days and then O'ahu?" He said that is not necessarily a target as to where we want inter-island travel to go. Mr. Nāho'opi'i recounted that in the committee meeting last year, targets were done for both visitor days and visitor arrivals and he explained that the main reason arrivals are used as one of the targets is because the data is readily available and it is easier for the marketing partners to track and for us to report against actual visitation. He pointed out that information on visitor days by market is very difficult to get until the end of the year.

Mr. Nāho'opi'i explained further that the other reason percentages are being used is because of what happened last year, where actual numbers were set, but growth was so much faster, along with the total number of people who were coming to Hawai'i, so all of the targets that were set for each island were being exceeded.

Ms. Ewing asked if these percentages also include the direct flights, such as to Kaua'i. Mr. Nāho'opi'i replied that the percentages would include all visitors to the islands. Mr. Fried commented that if O'ahu is getting "horribly crowded," we should try to keep the experience good and encourage people to go to the less visited islands. He said that a fair focus would be that the "outer islands are pushed a bit to take some of the pressure off O'ahu." Mr. Nāho'opi'i stated that the marketing and compression from the high occupancies on O'ahu will hopefully affect movement to the neighbor islands. Mr. Williams said that we need to get people to the neighbor islands as a means of economics as well, and that the neighbor islands are very important to the State. He said that the marketing contractors have been given goals that ensure that "we are not only talking about Waikiki," and that we are talking about the State and all the different assets the State has to offer for the Hawaiian experience.

Mr. Nāho'opi'i stated that he would follow-up on the issue regarding island distribution and offered to provide the data in terms of actual visitors, if that is easier for everyone.

He reported that we are going to exceed what happened in 2007 with regard to air seats, due to all of the additional lift from international and domestic carriers that have been adding service, particularly to the neighbor islands. Mr. Williams referenced the past United Airlines strike, when it was carrying 40+ percent of people to Hawai'i, and asked about the distribution of seats now from a carrier perspective. Mr. Nāho'opi'i replied that he had that information available and he would put it together, but since it is sensitive competitive information, we would need to be careful about how the information is disseminated.

Mr. Nāho'opi'i reported another record June for expenditures, with all four (4) MMAs experiencing increases. He pointed out that the overall spending for Japan grew 31 percent, due to the fact that they had a longer LOS this time, as compared to last year. He shared that total Canadian visitor expenditures grew 15 percent, mainly due to higher spending. He mentioned that there has been a shift in visitation during the summer months in the Canadian market, which is typically not their travel season to Hawai'i. He reported that total visitor expenditures from all other markets, including some of our new Asia markets, grew almost 60 percent over this time last year.

Mr. Kimura asked if this information could be tracked by the strength of the dollar, as the Canadian dollar is currently stronger than the US dollar and if that is an indication that they are viewing Hawai'i as a less expensive destination. He added that if we can take a look at that, we can gear through some historical, empirical data. Mr. Nāho'opi'i said that is used as part of our preparation for the targets and the parity in the exchange rate is tracked in terms of the numbers that go into the forecast and the targets information.

Mr. Nāho'opi'i shared that higher daily spending is up 10 percent over the same period last year and the US West, US East, and Canada showed increases, while Japan remained flat.

He pointed out that the Japan market was up 12 percent in terms of their spending on Lodging, as compared to the same time last year. He reported that all four (4) markets show increases in Food and Beverage, particularly restaurant food purchases, which can be attributed to increased costs and prices. He said that the US West, US East, and Japan showed gains in Shopping, but losses are still being seen in the Recreation and Entertainment sections by the Japanese visitors, particularly in Attractions.

Mr. Bloom asked if tours fell into the "Miscellaneous" category. Mr. Nāho'opi'i replied that tours come under Entertainment and explained that it is broken up into three (3) categories: Attractions, Tours, and Other. He said that a decline has been seen in the Attractions category more than anything else, but tours have seen a slight increase. He said that he would look into this matter because this trend has been going on for a couple of months in a row.

Mr. Nāho'opi'i mentioned that the Average Daily Census clearly indicates that there was a very distinct seasonality back in 2007. He said that last year, we had a very steep July, but August was a little slower because of the restriction on travel for the Japanese, who normally travel heavily in August. He said that one of the goals is to flatten this out a bit, which will help in keeping business more constant throughout the year and during our slower period of April through May. He said that the goal is to try to increase growth during that period and flatten out the peaks so that there is not so much impact at one time, and to have it spread out over three (3) months, instead.

Mr. Nāho'opi'i stated that all four (4) MMAs are experiencing growth. He said that Canada's growth is much stronger than it has been in the past in terms of summer travel. He shared that a 4 percent increase in the Pacific Region, with more visitors coming from California and Washington, is contributing to the growth being seen out of the US West and that growth has been seen out of the US East for 10 months now. He reported that Japanese arrivals grew 22 percent, but still remains below our June 1995 record and that the other markets areas of Korea, China, Oceania, and Europe are all showing growth.

He pointed out that Statewide occupancy was up 73 percent and that growth for the month of May was up 6.3 percent. He said that in terms of occupancy by island, all islands are showing growth, with Kaua'i having the strongest gain and Maui showing the slowest growth.

The meeting was recessed at 11:13 a.m.

The meeting was reconvened at 11:33 a.m.

**5. Discussion and/or Action to Approve Revised Targets for Calendar Years 2012, 2013 and 2014**

Before the presentation of the revised targets, Mr. Pong advised the board that there were two (2) revisions to the document, the first one being a correction to the heading to read, "HTA 2012-2014 Revised Targets" and the second revision to the footer of the document, where the date reflected should be "July 26, 2012."

Ms. Rodriguez and Mr. Nāho'opi'i presented the revised targets for CY 2012-2014. Mr. Nāho'opi'i said that the staff has worked through and identified goals for 2012, 2013, and 2014 with regard to targets by market and by month.

He explained that previously, the targets were set at the end of last year, but staff came back to the board in March and May of 2012 because the markets were producing stronger than expected. He said that as a result, staff provided the board with some additional projections and also proposed some 2013 targets for consideration. He said that the 2013 targets were set in March and the targets for 2014 were set in May.



He said that at this point, as half of the year has passed, we see where the market is going; we have received additional information and economic trends and airlines have announced their new routes, staff has made the determination that a revised end-of-year projection is necessary and that we are now ready to set the targets for 2013 and 2014, by month and by market.

Mr. Nāho'opi'i recounted that last year we had to shift gears in terms of our strategy due to the tragedy that happened in Japan in March. He said that staff presented some additional goals to the board to try and shift the market emphasis to non-Japanese markets in 2011 and for part of 2012 in order to make up for losses that were expected from the Japan market. He said that staff has revisited those goals and readjusted them to reflect longer-term strategies.

He explained that the process for setting targets includes taking into consideration the forecasts from OTTI, the Pacific Asia Travel Association (PATA), DBEDT, and UHERO and looking at employment, unemployment, and home prices. Mr. Nāho'opi'i pointed out that home prices are a good indicator of visitor arrivals to Hawai'i in certain markets – particularly the US West and Canada – because when people feel more secure with a high home price; the ability to borrow; and more disposable income, they tend to travel. He added that currency exchange rates and seasonal patterns and history are also looked at during the target-setting process and we talk with our marketing partners and stakeholders in the industry to see what their booking patterns are like; what they are seeing in terms of consumer trends; and to gauge market conditions.

Mr. Nāho'opi'i stated that we are significantly above the official targets that were set last September. He said that we have seen a strong 2012; the economy is steady; and the exchange rate continues to be stable. He said that these factors have prompted the staff's recommendation for modified targets to bring us more in line with what we are expecting.

He shared that when trying to calculate Per Person Per Day (PPPD) spending, trends in room and occupancy rates are taken into consideration, as lodging costs are a large portion of the spending here in Hawai'i. He said that consumer confidence is also considered, along with shifts toward the neighbor islands, as there are a lot of higher-priced, luxury, and upper scale properties there, along with more condo properties, which means larger family usage, so spending goes up and the LOS is longer. Mr. Nāho'opi'i stated that for the next year, some of our efforts will be geared toward increasing LOS through various marketing incentives and programs.

Mr. Nāho'opi'i mentioned that while all the economists and various reports still say that growth is to be expected, a lot of uncertainty still remains. He said that staff has taken that into consideration and was conservative in some of the estimates because there could be some downturn in certain markets.

Mr. Nāho'opi'i said that air seat capacity is looked at and that staff also took into consideration the incremental funding allocation for international visitors that was passed by the Legislature this past legislative session. He explained that the Legislature passed a bill that would provide an additional \$2 million in funding for each fiscal year from July 2011 to June 2015, to be used specifically toward taking advantage of expanded visa programs and increased travel opportunities for international visitors. Mr. Williams pointed out that there were four (4) cruise ships here in 2007 that artificially pumped up the numbers for air seat capacity. Mr. Bloom asked what the number would be for 2007 relative to 2012 if the cruise ship factor was omitted. Mr. Nāho'opi'i replied that it had never been looked at from that perspective and that he would get back to Mr. Bloom with that information.

Ms. Rodriguez and Mr. Nāho'opi'i proceeded to provide the board with staff's assumptions and recommendations on where the targets should be set for this year. Ms. Rodriguez reported that scheduled seats are expected to rise 5 percent through 2012 for North America and specifically to the US West and the US East, due to new and increased services from Oakland, San Jose, and San Diego through Alaska and Hawaiian Airlines. She shared that Allegiant Airlines launched service to Las Vegas and Fresno this past June and will launch service from Eugene, Oregon; Bellingham, Washington; and Monterey, Santa Maria, and Stockton, California in November. She said that by December of 2012, Allegiant will be operating a little over 14,000 in-bound seats to Hawai'i. She added that their entry into the marketplace is being seen as an opportunity to increase our first-time visitors since they are going into smaller markets that we have not been in before. She said that overall, we are still in a slow economic recovery phase and even though employment rates have improved, we still have not made a major recovery since the 2008 recession; there is still a lot of uncertainty surrounding the oil prices; and consumer confidence remains low. She reported that it actually dropped for the fourth consecutive month in June 2012 to 62 points on a 100 point scale; however, consumer confidence has improved, as compared to 2011.

She explained that historically, travel is slow during election years, so the expectation is the same for the second half of 2012 and going into the first half of 2013. She shared that overall, we think that the US economy will show improvement into 2013 and 2014; however, it will be very gradual and slow. She said that we also expect to see an increase in PPPD for 2013 and 2014, but it will be a very slight increase due to the low level of consumer confidence. She added that with regard to Canada, although some significant increases have been seen in that market over the last couple of years, we think that the economy has reached its maximum and we have seen indicators that consumer confidence is dropping in that market. She said that similar to the US West and US East, Canada will enter into a leveling-off period in 2013 with their numbers being level with 2012.

Ms. Rodriguez pointed out that a full breakdown of the overview for the targets was included in the board's reference books, so today's presentation would concentrate on expenditures, PPPD, and arrivals. She said that for the US West, the staff is recommending an 8.6 percent increase in expenditures over 2011 at \$4.49 billion; a 4.4 percent increase for PPPD at \$150.37; and a 4.1 percent increase over 2011 arrivals at \$3,116,204.00

She reported that the 2012 arrival numbers in the US East are level to 2011, but a significant increase was seen in June and attributed to the addition of service out of New York City and Washington DC. She said that a similar pattern and the same seasonality are expected, moving into 2013 and 2014. She said that staff is proposing a revised target of \$3.3 billion in expenditures, which is a 6.2 percent increase over 2011, but staff recommends a decrease in the PPPD for this market because the numbers indicate that the visitors from the US East are not spending as much as what was originally anticipated. She said that with regard to arrivals, staff is recommending a 5 percent increase over 2011 actuals, to 1,723,978.

Ms. Rodriguez said that arrivals from Canada are expected to remain level to 2012, which is the reason some overlap may be seen. She added that no decreases are expected out of this market; however, as she stated earlier, there is the expectation that it will enter into a cooling-off period in 2013 and 2014. She said that staff is recommending a little over \$1 billion in expenditures, which is a 12.2 percent increase over 2011; a 4.3 percent increase of PPPD at \$156.49; and a 5 percent increase for arrivals at 501,291.

Mr. Fitzgerald referenced Mr. Nāho'opi'i's earlier comment about flattening out the periods when people are coming in and said that he thinks that would be contingent upon somehow impacting the drop in September and October. He asked if there was a strategy to try to move that number up during that period. He said that he would like to hear more information about this, but noted that this question may be better suited for the August special board meeting. Mr. Nāho'opi'i replied that one of the overall strategies is to increase other markets where the peak period is between September-October and said that is why we are really pushing Australia and some of the other Asia markets, where seasonality is different.

Mr. Fitzgerald commented on the number for the PPPD in the US East for 2013. He pointed out that the numbers for 2012 are being adjusted down, and noted that they are being raised back up to the initial basic assumption for 2013 and 2014. He asked if staff was comfortable with that scenario. He also asked if any tracking has been done on the impact of Mexico on Canadian travelers and flight data as far as utilization, such as how many air seats were there five (5) years ago versus what it is currently and whether any of those seats are being reallocated to Hawai'i. Mr. Williams replied that we would look into this matter and get more information.

Mr. Kimura asked how we would then qualify that increases will occur when and where we need them. He said that if there is a month that shows a tremendous growth in Japanese travel, the counts are going to go up automatically. Mr. Fitzgerald said that the number with which he is uncomfortable is the PPPD spend in the US East, but thinks that the other numbers are fair. He said that he believes staff is basing the numbers on the results they have seen from the last six (6) months, but is also concerned about the numbers being set for 2013 and 2014 and whether the same kind of depth analysis that was used to look at the last six (6) months was used when setting the 2013 and 2014 numbers. He added that he is comfortable with the PPPD for the US East if the rest of the board is comfortable with it.

To address Mr. Fitzgerald's specific comment about the US East PPPD, Mr. Nāho'opi'i explained that part of the gain in 2013 and 2014 is mainly due to inflation and that based on forecasts that he has received, it is going up about 2 percent each year. He said that because of competition, current spending is lower than last year, but in general, staff feels that things such as the cost of additional room rates would drive it up about 2 percent overall, which is very conservative in terms of that growth for PPPD.

Mr. Nāho'opi'i reported that one of the strong drivers for Japan over the next few years will be the service being added in the regional markets of Fukuoka and Sapporo, both in scheduled and chartered services. He said that it is socially acceptable to start vacationing again and because of the restriction in travel last year, there is hope for pent-up demand in 2012 and 2013, which would result in travel. He shared that in the various forecasts we have seen, the exchange rate would continue to be favorable for Japanese spending and that charter service has been a good compliment to scheduled service. Some negative factors include destinations such as Korea and China – markets that have good offerings that are also closer and cheaper. He said that fuel surcharges have a negative impact, too, as there are still much higher than they were in the past, even though they were adjusted down slightly, and the additional cost continues to add to air and package deals which result in higher prices. He said that staff recommends about a 10 percent increase in arrivals and a 15 percent increase in expenditures for the end of the year. He said that reasonable growth is expected for 2013 with about a 4 percent increase in arrivals and an increase of 6 percent in expenditures, and approximately the same growth for arrivals and expenditures in 2014. He said that is expected for 2014, but not so much in the PPPD, but rather, growth in the number of visitors.

He shared that Korea is a very favorable market for us and that there are positive factors, such as various sources projecting outbound travel to be up 6 percent overall. He said that with increases in air service – Korean Airlines is currently at two (2) daily flights; Asiana is going to move to a daily flight service; and Hawaiian Airlines is going to add daily flight service as well. Mr. Nāho'opi'i said that staff is projecting that the end of the year will see a 40 percent increase over last year in terms of spending and 30 percent for arrivals; a 20 percent increase in arrivals and 23 percent in spending for 2013; and slightly lower projections for 2014, with 12 percent for arrivals and 14 percent for expenditures.

Mr. Nāho'opi'i reported that there is a slowdown in growth within the China market, but it is growth nonetheless, so that is favorable for us. He mentioned that the processing time and operations for the visa process have been improved and are quicker. He said that the Chinese continue to be high-spending visitors, and assuming that the economy in 2013 and 2014 will be good, more service out of that market is expected, so part of these targets are very aggressive. He stated that in order to achieve these new targets, service would have to come out of Beijing or a lot of charter flights need to be added because the seat capacity would be maximized if we were using the current service. Staff anticipates ending the year at about 40 percent in terms of overall arrivals and 70 percent in spending, an increase of 42 percent in arrivals for 2013, and 30 percent for 2014. Mr. Fitzgerald asked why the flights were so high in September. Mr. Nāho'opi'i replied that there is a national holiday on October 1<sup>st</sup>, so many of them travel at the end of September to be around for the holiday.

Ms. Rodriguez reported that the Oceania market is doing very well for us and the announcement about Brisbane service in November was taken into consideration when formulating the targets. She said that Tourism Economics continues to see that Australia's strong economy is driving outbound growth of about 5 percent and New Zealand expects to see another 3 percent growth in travel over the next couple of years. It is expected that the year will end at 26 percent in arrivals and 20 percent in expenditures. She said that while the next two (2) years show good growth, it will not be the big jumps that we've seen before. She said that staff is looking at about 8 percent in expenditures and 6 percent in arrivals for 2013 and a 5 percent increase in expenditures for 2014.

She shared that although consumer confidence remains low in Europe and despite the uncertainty surrounding the Eurozone, positive increases in bookings out of the UK and Germany have been seen and it is expected that demand will continue to grow into 2013 and 2014. Ms. Rodriguez reported that arrivals have remained consistent overall and pointed out that there is a significant increase in arrivals for the month of May in 2012 and 2014, due in part to the Easter Pentecost holidays. She added that there was a significant European soccer championship that took place in June, resulting in many of the European travelers moving their travel plans up to May to ensure that they could be back in June. She explained that 2014 matches that because it is expected that the World Cup will have a similar effect on travel.

She said that for expenditures in 2012, staff is looking at a 12.34 percent increase over 2011; a 4.5 percent increase over 2012; and a 2.5 percent increase over 2013. She said that for arrivals, we are going to be up 8.3 percent over 2011, 2.9 percent over 2012, and 1.5 percent over 2013. PPPD spending will increase slightly at 3.7 percent over 2011, 1 percent over 2012, and 1 percent over 2013.

Ms. Rodriguez stated that staff is recommending that we revise our total expenditure target to 15.4 percent over 2011, 6.9 percent over 2012, and 6 percent over 2013. With regard to total arrivals, she said that the staff is recommending a 6.3 percent increase over 2011, a 3.5 percent increase over 2012, and a 3.2 increase over 2013.

Mr. Bloom made a motion to approve the revised targets for calendar years 2012, 2013, and 2014. Mr. Fitzgerald seconded the motion, which was unanimously approved without objection.

## **6. Presentation of HTA Calendar of Events**

Mr. Story and Ms. Wilson presented the HTA's Calendar of Events, which was also distributed to the board. Ms. Wilson explained that this is a calendar by island of all the Brand Experience programs that are supported by the HTA. Mr. Story explained that Brand Experience is really about post-arrival and is defined into three (3) different categories: Signature Events, Product Development, and Product Enrichment.

Mr. Story explained that Signature Events are defined as those events to which we want to align our brand. He said that potential contractors do not necessarily come to us, asking for money or asking us to partner so they can survive. He said that these types of events can typically stand on their own and we want to ensure that we are aligned with them because we believe that it benefits the destination. He explained that under Signature Events, there are three (3) main categories: Major Sports, Major Festivals, and Native Hawaiian Festivals.

Mr. Story said that the way events are selected under the Brand Experience program is through a year-round, open application process. He said that only four (4) events land within the peak period and approximately 17 events fall within what is considered to be our shoulder periods. He stated that this is where we think the signature events can really help us.

He explained that there are seven (7) different components that are used when analyzing an event:

1. Market exposure – what the event brings to Hawai'i in terms of exposure, whether it be online, on-air through either television or radio, in print, and on-site.
2. Market penetration – How the event will penetrate a specific market and our priority cities.
3. Highlighting Hawai'i's unique diversity – How the event will promote Hawai'i's unique diversity across the islands.
4. Highlighting the culture – How the Hawaiian culture will be woven throughout the event, whether it be through language, dance, or music.
5. Support of intrinsic events – How can events such as the Pro Bowl can help to support and promote events that are intrinsic to Hawai'i, such as surfing and outrigger canoe events, and promote what it offers to the destination.

6. Youth/Community Development – Mr. Story stated that an event can be the best in the world, but if a community does not want that event, it is not going to succeed or reach its full potential. He said that we really want to make sure that we get the events that the community wants to support.
7. Economic Impact – Mr. Story noted that this is a bit of a slippery slope when trying to measure economic impact because when a static playing field does not exist – such as having gate receipts – it can be difficult to measure, but it is something that the HTA tries to do.

Ms. Wilson presented information on the Product Development Program, which serves as the HTA's "incubator" for projects or programs that the HTA would like to create or support. She shared that currently, the Mele Mei event and the Heritage Sites of Hawai'i project are under this program.

Ms. Wilson explained that the Product Enrichment program consists of the programs that are initiated by the community that the HTA wants to support. She said that there are three (3) specific areas under Product Enrichment: the County Product Enrichment Program (CPEP), which is done in partnership with the counties and are programs and projects that are community-oriented and based on visitor experiences; the Hawaiian Culture Kūkulu Ola Program, where we support projects, events, and programs that help to perpetuate the Hawaiian Culture; and the Natural Resources community-based program where we support projects and programs that help to care for and nurture Hawai'i's natural resources.

Ms. Wilson also shared that we work with third party entities so that we can maximize our dollars. She explained that these entities help us to select programs and/or manage contracts, but the biggest part of the role that they play is providing technical assistance to the contractors. She said that this assistance teaches the contractors how to cultivate their programs; look at how they can obtain sponsors; and keep accurate financial records.

She pointed out that a portal has been created for the marketing partners, and included in this portal are press releases, images, schedules, and work plans for all of the events. She said that the marketing partners can take that information and push it out to their respective markets. She said that one of the challenges is linking brand management and brand experience and getting the message out. She added that although a lot of this is post-arrival, there is also the goal of getting it to the pre-arrival level, where people are booking their trips around these events.

Ms. Ewing asked about the growth of the CPEP program. She commented that it seems to stay at the same size year after year and asked if there is a strategy to grow the number of events and activities both for the community and visitors. Mr. Story replied that Ms. Anderson is working with all of the county representatives to see what really makes sense for everyone, such as whether a county should receive the full amount of funding if there

are not as many events on their island. He said that staff feels that is an appropriate question to analyze.

**7. Action to HTA's Financial Reports for June 2012**

Discussion on this item was deferred until the next meeting.

**8. Adjournment**

The meeting was adjourned at 1:18 p.m.

Recorded:

  
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