



REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, November 19, 2015
Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT: Rick Fried (Chair), Fred Atkins, Jack Corteway, Sean R. Dee, Donna Domingo, George Kam, David Rae, Gerald DeMello, Craig Nakamura, Denise Hayashi Yamaguchi

MEMBERS NOT PRESENT: Lorrie Stone

HTA STAFF PRESENT: Randy Baldemor, Jennifer Chun, Lacie Goshi, Daniel Nahoopii, Ronald Rodriguez, Marc Togashi, Miki Wakai

LEGAL COUNSEL: Gregg Kinkley

GUESTS: Kalani Akana, Teri Orton

1. Call to Order

Presiding Officer Rick Fried called the meeting to order at 9:32 a.m.

2. Pule

Mr. Nahoopii introduced Mr. Kalani Akana, who offered a mele asking for knowledge, nourishment and wisdom.

3. Approval of Minutes of the October 29, 2015 Board Meeting

Ms. Domingo moved to approve the minutes of the October 29, 2015 board meeting. Mr. Nakamura seconded the motion, which was unanimously approved by all the board members present.

4. Review of Recent and Upcoming Permitted Interactions

Mr. Dee reported that he and Ms. Yamaguchi attended a closing meeting for the Hawaii Food and Wine Festival that also celebrated the contributions made by the Festival to local charities. He expressed appreciation for the staff's support of the Festival, which also contributes to supporting the convention center, the diversity of Hawaii's tourism products, and the community.

5. Report of the CEO Relating to the HTA's Programs

In the absence of Mr. Szigeti, Mr. Baldemor presented the CEO Report, which was previously made available to the Board. He highlighted the inaugural flight by Virgin America; that staff is currently working on various request for proposals, including proposals for the natural resources program; and, that the U.S. Women's National Soccer Team will be playing in Hawaii next month.

Mr. Fried also reported on the status of the hiring for HTA's Vice President of Marketing by noting that interviews are currently being conducted. Mr. Corteway requested an "organization chart" and a description of the scope of responsibilities for Mr. Szigeti and Mr. Baldemor.

In response to a request from Mr. Fried, Mr. Baldemor reported on his recent trips to Seattle and Los Angeles to visit representatives of the cruise ship industry. His "takeaway" was that HTA was "very positively received" after noting that HTA had hired a consultant and will be expending more efforts to solicit cruise passengers. Mr. Baldemor also noted there are "many movements" within the cruise industry due to the utilization of different ships in different markets and how the industry was "approaching it in different ways." Many stakeholders would need to be consulted. He also noted the congestion at Hawaii's piers.

6. Presentation and Discussion of Market Insights and Current Market Conditions

(Ms. Yamaguchi arrived at this time.)

Mr. Nahoopii presented a PowerPoint presentation entitled "Hawaii Visitor Forecast, 2015-2016." He noted that the October visitor data was not available and not included in the forecast. The forecast considered the economic and infrastructure conditions in each marketing major market. It also provides a "baseline to evaluate the marketing contractors' performance."

He presented various slides of charts utilizing historical data to support forecasts. He noted that historical visitor expenditures during the period 2004 to 2014 reflect steady expenditures over the past three years. Visitor spending surged in the first half of 2015 after two years of level performance due to a "strong push in the international market at the end of 2015 and in the beginning of 2015." Although air seats were added into the North America market in 2015, the growth will not be "sustained" for 2016. However, international air seats may "gain from the 2nd half of 2015."

Mr. Nahoopii continued his PowerPoint presentation with a discussion of the “major market outlook.” In regards to the U.S. West market, he noted the “record level” of scheduled air seats, especially during the first half of 2015, may result in aircraft being “redeployed.” If there are more seats in the market, the price of each seat may decrease. Unless there is a demand for these seats, the “seats would be taken away.” The growth of low cost carriers in major gateways “is on the radar.” The rising travel prices continue to play a factor “converting desire into actual Hawaii vacations.” The U.S. East unemployment rate and housing market outlook are favorable and could result in “more business travel” from that market.

In regards to the Canada market, Mr. Nahoopii projected growth in this market due to competition from low cost carriers and that WestJet would be increasing the use of its 767 aircraft with larger seating capacity. Although there is declining optimism in Canada’s economic conditions, Canadian visitors interest in Hawaii remain strong. However, the value of the Hawaii vacation continues to be a deciding factor. He forecasted “favorable” arrival and expenditure results in 2016.

In regards to the Japan market, Mr. Nahoopii noted that the economic reforms in Japan have benefited larger companies and may increase more company sponsored incentive trips. Although economic benefits to individuals are still lagging, consumer confidence is expected to show slight improvement. He emphasized that Japanese outbound travel had decreased in 2014 and would be similar in 2015 because Japan has shifted its travel initiatives to supporting inbound and domestic travel prior to the 2020 Olympics. He expects a decline in 2015 visitor data due to a loss of air seats in the Japan market.

In regards to the Korea market, Mr. Nahoopii highlighted the air seats from the market. Although low cost carriers will be entering the market, airlift was forecasted to be down 8.0%. He noted that additional knowledge about Hawaii was provided in the market when the low cost carriers entered the market.

In regards to the China market, Mr. Nahoopii forecasted a “steady pace” in arrivals and the capitalization on the availability of a 10-year multi-entry U.S. visa. He forecasted more leisure travelers, who will stay longer and spend more. Business travel is expected to grow but at the slowest rate compared to the past three years due to the government’s efforts to regulate spending and corruption. In response to a request from Mr. Dee to provide information on whether we have tracked Hawaii’s share of the total outbound China travel in comparison to Hawaii’s competitive destinations, Mr. Baldemor noted that the requested information is “competitive information” and will be made available during the winter marketing updates by the marketing contractors.

In regards to the Oceania market, Mr. Nahoopii highlighted the airlift from that market. He noted that airlift competition has created “attractive pricing for the consumer.” The increased seat inventory “creates an opportunity for the MCI segment” because the MCI market “want committed seats.”

In regards to the Europe market, Mr. Nahoopii noted that tour operators have reported an overall “positive pace.” Additional air seats added in the U.S. West and U.S. East markets have made more seats available for European visitors traveling to Hawaii.

Mr. Nahoopii discussed the negative economic trends in Taiwan. He also noted the “increased affordable and attractive offerings provided by neighboring destinations” in the Taiwan market. In regards to the Latin America market, Mr. Nahoopii discussed the favorable forecasts for outbound travel from Brazil, Mexico and Argentina. Outbound travel will continue to grow and the U.S. is one the favorite destinations.

Mr. Nahoopii concluded his presentation by offering the following 2016 market outlook (and percentage increase over 2015): that there will be 8,787,040 visitor arrivals (+1.6%) reflecting a “slow growth;” that total visitor days will be 79,989,831 (+1.6%) and will not increase “overall;” that per person per day spending will be \$199.20 (+1.9%) reflecting the impact caused by adverse exchange rates and the leveling of North America visitor expenditures; and, that total expenditures will be \$15.936 billion (+3.5%) after adjusting for inflation.

Mr. Fried asked whether the cost of airfare has the most impact on the North American traveler. Mr. Nahoopii responded that airfare had the most impact because of the other destinations they may choose to travel. In response to a question from Mr. DeMello, Mr. Nahoopii stated that he would be providing data showing the frequency of travel to Hawaii by North America visitors. Mr. Dee asked how often is the resident sentiment survey conducted. Mr. Nahoopii responded that it would be done every year instead of every two years because the survey is used as a measurement for the tourism strategic plan.

7. Presentation, Discussion and Approval of HTA’s Financial Reports

Mr. Togashi referred to the executive summary and financial statements for the Tourism Special Fund and the Convention Center Enterprise Special Fund covering the months of August and September 2015 that were previously distributed to the Board members. He reported that there were no “anomalies” to report.

Mr. Corteway made a motion to approve the financial statements for the Tourism Special Fund the Convention Center Enterprise Special Fund covering the months of August and September 2015. Mr. Dee seconded the motion, which was unanimously approved by all the Board members present.

In response to a question from Mr. Corteway, Mr. Togashi responded that the Board would be meeting with the auditor in December.

8. Presentation, Discussion and Approval Delegating the HTA Board Chairman, President & CEO, or Their Designee the Ability to Testify or Present Policy Positions Consistent with the Hawai’i Tourism Authority Strategic Plan During the 2016 Legislative Session

Mr. Togashi referred to a staff report related to this agenda item and distributed a draft of Board Resolution 16-01 entitled "Resolution Regarding Authority to Present Policy Positions." The Resolution authorizes the delegation of Board authority to the Board Chair, President & CEO or their designee to testify or present policy positions during the 2016 Legislative Session that are consistent with the chapter 201B, Hawai'i Revised Statutes, the HTA tourism strategic plan, the HTA Brand Management Plan, and other plans, policies or budgets approved by the Board.

In response to questions related to the frequency of reporting back to the Board on legislative measures, Mr. Baldemor stated that the CEO and Chair needs the flexibility to immediately respond to legislative measures before the Board members next meeting. Mr. Rae emphasized the need for reporting back on legislative measures prior to the next Board meeting.

Mr. Kam made a motion to approve Board Resolution 16-01, which authorizes the HTA President and CEO, the Board Chair and/or their designee to present public policy positions on behalf of the Authority during calendar year 2016 before all branches of federal, state and county governments, provided that the positions are aligned and consistent with HRS chapter 201B, the HTA Strategic Plan, and any other policies, plans or budgets approved by the Authority and the Resolution. Mr. Rae seconded the motion.

Mr. Fried reported that the Legislative Investigative Committee had fully discussed the Resolution at length. Any "large issue" would be reported back to the Board as soon as possible. Ms. Yamaguchi noted that HTA has not hired a lobbyist and asked who at staff would be responsible for drafting testimony and monitoring legislative measures. Mr. Baldemor responded that Mr. Szigeti will be responsible for all legislation and anticipates the hiring of a lobbyist either as an independent contractor or a staff member. Mr. Fried added that the Legislative Committee would also assist.

Mr. Nakamura noted that there is only one more meeting before the start of the next legislative session. He asked that staff make a presentation to the Board of legislative measures that would be presented at the 2016 legislative session. Ms. Domingo expressed the need for a lobbyist to identify and present bills related to tourism. The Board needs to do its homework prior to the session to know what is coming and that the time line to do that is tight. Mr. Fried expressed the hope that we will know by the next Board meeting of the major issues being presented at the 2016 legislative session.

All the Board members present unanimously approved the motion.

9. Presentation and Discussion by AEG Regarding an Update of Hawai'i Convention Center Recent Activities

Ms. Orton provided a PowerPoint presentation, entitled "November 2015, HTA Board of Directors Update," that included slides depicting the convention center financials for October;

the return on investment; sales initiatives; and, room night production. In regards to convention center financials, Ms. Orton highlighted the reforecast of gross revenues for calendar year end 2015 to be \$13,381,400, which would be the “highest grossing revenue the convention center ever had.” The net loss is forecasted to be \$1,461,200, which would be the lowest net loss, and resulting in a \$2,078,700 “savings to the budget.”

In regards to sales initiatives, Ms. Orton reported that the focus would be on closing the remaining “tentative” citywide bookings by year-end. She noted that most events choose to execute contracts in December. If the remaining tentatives close by December, the sales team would be ahead of goals by 28%. Ms. Orton reported that she attended a meeting of meeting planners in October and intends to “create a meeting planners meeting to address challenges.” She also reported attending a sporting events trade show in Las Vegas where contracts for volleyball events executed. AEG will be investigating the acquisition of volleyball and basketball courts for the convention center. The acquisition of these courts would be needed when teams consider whether Hawaii could be a destination for tournaments.

In summary, Ms. Orton reported that based on AEG’s 10 month performance, it will be on target to achieve or exceed the “highest city wide room night goal and production;” that it is on target to close the year with the “highest grossing revenue at \$13.3 million;” that it is on target to close the year with the “best bottom line” at \$1.4 million as compared to historical average loss of \$3.5 million; that it will achieve the best food and beverage “flow through percentage” of 41% as compared to the historical average of 24-30% and that this was due to AEG’s ability to manage expenses and receive additional revenues; and, that AEG improved occupancy percentage by 6.8% over the average of the past four years.

10. Presentation and Discussion by AEG Regarding an Update of Sales Initiatives and Hawaii Convention Center Performance

Mr. Rae made a motion to meet in executive session under HRS section 201B-4(a)(2) for the purpose of discussing information being provided by AEG that must be kept confidential to protect Hawaii’s competitive advantage as a visitor destination. Mr. Nakamura seconded the motion, which was unanimously approved by all the board members present.

The meeting was recessed for the Board to meet in executive session at 10:43 a.m.
The meeting was reconvened at 11:08 a.m.

The Board met in executive session to discuss confidential sales and marketing initiatives being implemented by AEG.

11. Adjournment

Ms. Domingo moved to adjourn the meeting. Mr. Nakamura seconded the motion, which was unanimously approved without any objection by all the Board members present.

The meeting was adjourned at 11:08 a.m.

Respectfully submitted,

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

Winfred Pong
Recorder