



HAWAII TOURISM AUTHORITY

Hawaii Convention Center
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Neil Abercrombie
Governor

Mike McCartney
President and Chief Executive Officer

REGULAR BOARD MEETING HAWAII TOURISM AUTHORITY

August 22, 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,
Patrick Fitzgerald, L. Richard Fried, Victor Kimura,
Mike Kobayashi, Craig Nakamura, David Rae, Aaron
Salā, Lorrie Stone

MEMBERS NOT PRESENT:

Patricia Ewing

HTA STAFF PRESENT:

Mike McCartney, Momi Akimseu, Caroline
Anderson, Lynn Bautista, Minh-Chau Chun, Jadie
Goo, Grace Lee, Chika Miyauchi, Doug Murdock,
Daniel Nāho'opi'i, Roann Rakta, Angela Rodriguez,
Michael Story, Marc Togashi, David Uchiyama, Keli'i
Wilson

GUESTS:

Will Berchelmann, Brad DiFiore, Jeffrey Eslinger,
Chris Kam, Jessica Lani Rich

LEGAL COUNSEL:

Deputy Attorney General Gregg J. Kinkley

1. Call to Order and Pule

Presiding Officer Ron Williams called the meeting to order at 9:33 a.m.

Mr. Salā offered a Pule. Ms. Wilson thanked him and pointed out a display of portraits of the Ali'i, on loan from different organizations for the purpose of being displayed at the Tourism Legacy Awards luncheon.

2. Introduction of Marketing Contractors

Mr. Uchiyama said that since all of the international marketing partners were in town because of the Tourism Conference, he wanted to take this opportunity to introduce

members from Hawai'i Tourism Europe, Hawai'i Tourism Asia, Hawai'i Tourism Japan, and Hawai'i Tourism Oceania to the board members.

3. Approval of Minutes of the July 26, 2012 Meeting

Mr. Bloom made a motion to approve the minutes of the meeting conducted on July 26, 2012. Mr. Kimura seconded the motion, which was unanimously approved without objection.

4. 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

Before Mr. McCartney began his presentation, he introduced Ms. Jessica Lani Rich, Executive Director of the Visitor Aloha Society of Hawai'i and thanked her for her dedication and hard work in the community and with our visitors. Mr. Fried added that he has also worked with Ms. Rich and echoed Mr. McCartney's sentiments. He said that "all kudos are well-deserved."

Mr. McCartney presented the board members with a packet of information that contained a complete matrix of the HTA's action plan to meet the recommendations of the Auditor. He recounted that an audit of the HTA was conducted back in 2009 that resulted in a series of recommendations. He explained that while the HTA is making good progress, there are still some issues that need to be addressed. He said that he has been working with Mr. Murdock and the rest of the staff to put together what needs to be done and the timeline for completion. He said that we are on track to complete this within a three (3)-year period, which began in 2009. He also read the statement provided to the Auditor: "We are pleased that the State Auditor has recognized the progress that HTA has made in the meetings and recommendations presented in her 2009 report. We are proud of the improvements we have made, but we still have more to do. We are committed to moving forward in the direction set by the HTA Strategic Plan adopted by our Board of Directors and we are working hard to implement the remaining recommendations made by the State Auditor within the next 12 months. The HTA appreciates the work of the State Auditor and will remain focused on our efforts to build the Hawai'i tourism economy."

He said that the packet of information also included a history of the Transient Accommodation Tax (TAT), which was done by the Hawai'i Hospitality and Lodging Association and covers the TAT from its inception until the present day, along with all of the different amendments to the law. He thanked Mr. Bloom for his help in obtaining the information. He added that the last document being provided to the board was a memo that he sent to Representative Marcus Oshiro, Chairman of the Finance Committee, thanking the Legislature for the \$2 million in additional funding for international tourism marketing. He explained that he wanted board members to see what kind of

correspondence takes place between us and the Legislature and to share some of the deliverables that we are committed to producing with the additional funding.

Mr. McCartney remarked that today's meeting has been designed to provide the board members with more information. He stated that Mr. Brad DiFiore will be giving an overview of Hawai'i's air service; Mr. Uchiyama will be providing an update on the quarterly evaluations of the marketing contractors; and Ms. Wilson will be sharing some details about the theme of the upcoming Tourism Conference. He said that there will be 600 attendees and explained that the objective of the conference is to share our plans and targets; what we are doing in each market; and how we can partner with the industry and vice versa so that we can leverage those opportunities for Hawai'i. He also mentioned that the Governor would be attending the Tourism Legacy Awards luncheon and that Assistant Secretary of Commerce Nicole Lamb-Hale and Hawai'i's Congressional delegation would be present at the end of the conference.

Ms. Wilson explained the theme of this year's conference, "E Kū i ka Moku." She said that "Kū i ka Moku" is actually an old Hawaiian saying and is what was said when on the canoe and looking for land. She explained that "Kū" means to hit and "moku" means land mass, so "E Kū i ka Moku" means, "Let us hit the land mass," but in this context, for purposes of the Conference, is translated as, "Let us hit the goal together."

Mr. McCartney shared a statement that was released in response to a reporter's question about the situation in Kailua. He said, "It's unfortunate that an agreement between the community and small business cannot be reached. The HTA is committed to working together with the City, community, and small businesses and the visitor industry stakeholders to find viable alternatives to strike a balance that is both safe and sustainable for our community. Hospitality is part of who we are as a people, place, and culture. Hawai'i residents share the aloha spirit with our visitors from all over the world and are the core of what makes us our Hawaiian Islands and the special place we live, work, and visit. We all have a responsibility to work together to meet the needs of the community, businesses, and guests." Mr. McCartney stated that part of our work going forward is trying to help everyone find a balance.

Mr. Bloom asked if there will be an opportunity to discuss the Auditor's report at the next board meeting. Mr. McCartney responded that we could do that, if that is the pleasure of the board. Mr. Bloom commented that it seems as if this is a matter of some import, so the board should have the opportunity to be updated directly and have some dialogue.

5. Presentation of Visitor Data

Ms. Anderson introduced Mr. Jeffrey Eslinger, Director of Account Services for D.K. Shifflet, who presented a PowerPoint on Hawai'i Travel Intentions. Ms. Anderson explained that for the past 10 years, a Marketing Effectiveness Study has been conducted that fields US and Japanese behavior as it relates to travel. She said that the key attributes are looking at

a preference for Hawai'i; a preference for Hawai'i as compared to other destinations and competitors; and looking at behavioral segments. She said that Mr. Eslinger is here to present the findings of the study.

Mr. Eslinger explained that he has been working on this study since 2009. He said that this study is a follow-up from the Marketing Effectiveness Study that is conducted every quarter and in it, respondents are asked if they intend to visit Hawai'i in the next 24 months. He said that this presentation focuses on those respondents who indicated that they were intending to travel to Hawai'i and actually did, along with their characteristics, as well as the characteristics of respondents who indicated that they would visit Hawai'i, but did not, and some of the destinations they went to, instead. He said that also included in the study are the reasons why they decided not to come and/or why they changed their travel plans.

Mr. Eslinger reported that respondents who intended on visiting Hawai'i traveled at a higher rate than originally planned. He pointed out that these intentions were made during the 4th quarter of 2009 and all of 2010, which was the beginning of the economic downturn. For the East, 19 percent indicated that they intended to travel to Hawai'i in the next 24 months and of that, 23 percent actually did, so that shows a higher response than the original intent. He said that in the West region, 38 percent expressed the intention to visit and 44 percent actually followed through.

He pointed out that the East region performed better than the West region in terms of actual travel when compared to intentions for the competitive set. He said that travelers in the West region traveled closer to home and chose more "value" destinations than they had originally intended.

Mr. Eslinger said that travel intentions for 2013 and beyond for the East region appear promising, but it appears that the West region will show flat growth in 2013 and 2014. He added that in addition to Hawai'i, Alaska, Australia, the Caribbean, Mexico, and "Other" destinations show the greatest share of people who intend to travel to those destinations in 2013 and beyond and that California, Florida, and Las Vegas show an overall decrease in travel intentions.

Mr. Fitzgerald asked about the size of the sample. Mr. Eslinger replied that the sample size starts out at 9,000 and the actual recontact sample for the US is 2,904 of people who said that they were intending to come to Hawai'i.

Mr. Fitzgerald asked if the study was broken out demographically, besides the East and West regions and if so, was it by such factors as age or income levels? Mr. Eslinger said that in terms of age, the respondents are approximately in their mid-40's and the average income is about \$114,000 to \$117,000.

Mr. Bloom referenced the slide on page 9 of Mr. Eslinger's presentation and asked if the percentages in the high 80's for Hawai'i is in the aggregate. Mr. Eslinger confirmed that his understanding was correct.

Mr. Kimura asked if information for the other destinations on that slide could be broken out, reasoning that if we have new competitive destinations, we need to understand whether or not our competitive set is going to change. Mr. Eslinger replied that he has not had a chance to delve into that other information, as the study was just completed, but said that he would conduct additional analysis and provide that information to Mr. Nāho'opī'i so that he could share it with the board.

Mr. Kimura asked if the purpose or reason for travel to a destination was qualified in terms of what they are looking for in a destination and whether the information was cross-sectioned against any safety or stability issues by region or country. As an example, he cited travel to Costa Rica and certain issues there and the issues in Greece caused by the Euro dollar being in flux. He asked if the information in 2010, 2011, and 2012 regarding the desire to travel in those areas was cross-referenced to see if there was anything in those regions or areas that may have deterred an individual who wished to travel there, but ultimately did not.

Mr. Eslinger replied that he had that information, but it was not contained in this specific presentation.

Mr. Kimura commented that it would be helpful if the information could be cross-referenced so that the report about percentages is not skewed and we are able to surmise that certain things occurred and that is why people were deterred. He stated that Hawai'i is still known as a safe destination.

Mr. Uchiyama said that this is just a portion of the Marketing Effectiveness Study and that it drills down to the key attributes and how we measure up against our competitive set. He explained that one of the things we wanted to do was to make sure that those whom we are serving and who were saying that they were considering traveling to Hawai'i within the next 24 months were actually doing so and that it was not just a wish list item. He said that this is a portion of the study that validates that the people whom we serve really have the ability to travel, and the second part is how we measure up against our competitive set. He said that there are approximately 30 different attributes, with "Safe and secure" being number one across the board and all the way down to attributes such as history, culture, and nightlife. He explained that this study is also used with our marketing contractors, particularly in the domestic US and Japan, to enable us to see how we are marketing in those areas and whether or not we are matching up to key attributes that trigger people's intention to travel, as well as ensuring that our advertising aligns with promotions or efforts in those areas.

Mr. Eslinger reported that the ratings of importance and preference of key marketing attributes are similar across both regions of people who visited Hawai'i in the past 24 months. He shared that the Top Six (6) attributes for the East are: Safe and secure; great place to get away from it all; great value for the money; variety of cuisines and dining options; clean environment; and ease of getting around. The Top Six (6) attributes for the West were similar: Safe and secure; good value for the money; great place to get away from it all; clean environment; variety of cuisines and dining options; and scenery that is unique to Hawai'i. He shared that the likelihood of this subset returning to Hawai'i is 69 percent – 64 percent from the East region and 72 percent from the West, respectively.

Mr. Eslinger shared that visitors from Japan who expressed the intent of coming to Hawai'i within the 24-month period traveled at a higher rate than actually planned. He reported that 29 percent expressed the intent, while the actual numbers reflected 49 percent.

He explained that Japan's competitive set consists of Australia, China, Guam/Saipan, Korea, and Other. He said that people from Japan who intend to travel to Hawai'i performed the best when compared to the remainder of the competitive set, with Korea a close second. He added that China also showed a greater share of actual travel when compared against intentions, but Australia, Guam/Saipan, and "Other" did not perform well.

Mr. Eslinger shared that for the Japan region, a clean environment ranked at the top for key attributes, followed by the sentiment that there is always more to keep them coming back; safe and secure; a variety of the types of accommodations; scenery that is unique to Hawai'i; and ease of getting here. He said that the likelihood of this subset making a return to Hawai'i is 82 percent. He shared that the Japanese traveler rates Hawai'i on how it delivers on the attributes at a much higher level across the board.

Mr. Rae referenced the slide on page 12 that listed the reasons why travel plans to Hawai'i were changed in the East and West regions and asked if there was a similar breakdown for other visitors that showed what part of the cost of traveling is the most problematic.

Mr. Eslinger replied that for this particular study, when the respondents are asked if they traveled to Hawai'i and they reply that they did not, the follow-up question asks why they did not, but the analysis does not go beyond that.

Mr. Williams asked for clarification on when the study was conducted. Mr. Eslinger replied that the basis for this study was for the 4th quarter of 2009 and all of 2010 of all respondents who said that they were planning to visit Hawai'i in the next 24 months. He explained that in June, he went back into the field to follow-up with these respondents and asked them if they went through with their travel plans. He said that this study reflects the people who said they were going to come, who then came, and their behaviors.

Mr. Bloom asked how the survey was conducted and if it was presented as a survey being conducted for Hawai'i. Mr. Eslinger confirmed that the survey is presented as such and that it is administered online.

Mr. Bloom asked Mr. Eslinger's professional opinion about how much he thinks that skews the responses in favor of Hawai'i as opposed to other destinations. Mr. Eslinger replied that the respondents are not qualified as Hawai'i travelers. He said that the first question is not, "Did you travel to Hawai'i?" but rather, "Did you travel to any of these destinations?" and, "if they reply that they chose Hawai'i, we go forward, but we collect the information of everyone else who did not choose to travel to Hawai'i as well." He said that the respondents are asked about their general travel behavior and do not get into the questions about Hawai'i until they are about six (6) or seven (7) questions into the survey.

Mr. Uchiyama shared that there would not be a presentation of visitor statistics at today's meeting, but he wanted to provide the board with a brief update on how we are doing and how we are pacing in the market. He said that for the month of July – with a margin of error with really rough numbers – we should be about 5 or 6 percent ahead of last year. He said that for August, we are currently pacing at probably 8 or 9 percent ahead of last year.

He explained that when the targets were first looked at and charted, the thought was that the domestic US would slow down a little more than it actually has, but in July, we pulled about 4.1 percent and for August, we are currently at about 7.8 percent, so the domestic US is holding its own and doing quite well. He said that in terms of the international markets, we are at about 21.4 percent in July and about 19 percent in August. He clarified that these numbers reflect a lump sum and that there continues to be growth in the international markets. He said that for us to be on top of those numbers is a good indication of the momentum and the attention that we have in these markets.

Mr. McCartney announced that the visitor statistics and dashboards would be emailed and mailed to the board after the information is compiled next week.

The meeting was recessed at 10:39 a.m.

The meeting was reconvened at 10:55 a.m.

6. Action to Approve HTA's Financial Reports for June 2012

Before Mr. Togashi presented the June 2012 Financial Reports, Mr. McCartney recounted the problems with the server and reported that while all the data was recovered, not all of it has been reconfigured, so the financial reports are a little behind schedule. He said that we should be caught up in about a month.

Mr. Togashi presented an Executive Summary of the budgets for the HTA Special Fund and the Convention Center Enterprise Special Fund (CCESF) for the month of June 2012. He

reported that as of June 30, 2012, the HTA Special Fund had approximately \$40.8 million in cash and investments, which includes the \$5 million from the Emergency Trust Fund. He explained that this \$40.8 million is a \$5.1 million decrease from May 2012 that resulted from spending \$5.1 million in June and not receiving any corresponding TAT revenues, since the \$69 million cap was reached back in April. He said that for FY 2012, various HTA initiatives used approximately \$5.8 million out of the fund's reserve balance. For the year, \$500,000.00 of the \$75.9 million budget was unspent. He explained that at the end of the fiscal year, the result is approximately \$30.5 million in encumbrances and \$4.9 million in unencumbered reserves. He added that approximately \$670,000.00 of the \$4.9 million in reserves is earmarked and allocated for the FY 2013 budget.

He reported that as of June 30th, the CCESF had \$7.1 million in cash and investments, which is a \$9.6 million decrease from the previous month, due primarily to having \$14.8 million in expenditures that related almost entirely to making payments on the bond debt service. He said that this expenditure was partially offset by the receipt of \$4.2 million in TAT revenues in May receivables from Convention Center operations. He said that the CCESF has \$13.4 million in cash either with SMG or the Department of Accounting and General Services (DAGS) that is earmarked for significant repair and maintenance projects.

Mr. Corteway asked about the location of the money. Mr. Togashi replied that the money is either with SMG or DAGS. Mr. Corteway asked if there is an investment policy that needs to be followed based on the State's requirements. Mr. Togashi explained that the funds were not previously invested because these funds were intended to be turned around quickly and used for capital improvement projects, but added that in light of recent circumstances where a significant accumulation of funds has been noted, he instructed SMG to go ahead and invest those funds. He said that he instructed them to follow the State policy, which is in accordance with the law, but has also placed stricter restrictions on the things in which they can invest.

Mr. Corteway asked if the funds are maintained in local banks. Mr. Togashi replied that they are.

Mr. Kinkley added that as a result of recent legislative changes, as a technical matter, these monies are being held outside of the State treasury, so those rubrics are not applicable, but we are following them, anyway, which he believes is good practice.

Mr. Togashi reported that the CCESF showed a net income of \$2.8 million for FY 2012, which was a result of receiving more than the budgeted \$2.6 million in TAT revenue and also spending \$300,000.00 less under Convention Center operations. He stated that the Convention Center operated at a \$4.4 million loss for FY 2012.

Mr. Togashi pointed out a separate handout that was distributed to the board that shows the detailed financial statements for the Convention Center and the specifics of the \$4.4

million loss. He stated that this handout was provided by SMG and has been reconciled to our financial statements.

He explained that we had budgeted to operate at a loss of approximately \$4.7 million and that the Convention Center had approximately \$280,000.00 higher than expected direct event income, including rent and service revenue. He reported that the Convention Center also had approximately \$700,000.00 in unanticipated electricity costs as a result of rising oil prices during the fiscal year, and to offset those costs, spending was reduced in various areas to include \$200,000.00 in labor savings; \$150,000.00 in General and Administrative costs; \$130,000.00 from operational supplies; and \$150,000.00 from minor repair and maintenance. He said that this results in coming in at approximately \$300,000.00 under budget for the fiscal year to end up at \$4.4 million in Operating Loss. He pointed out that the statement was unaudited and thus subject to further adjustment.

Mr. Togashi stated that all things considered, this results in having approximately \$10.9 million in unencumbered reserve for the CCEFS, which is to be earmarked mostly to fund future capital improvement projects or repair and maintenance projects.

Mr. Bloom asked if the overage in contracted services had been addressed. Mr. Togashi replied that he included that information when he spoke to the \$200,000.00 in labor savings. He explained that it is a combination of labor savings and contracting.

Mr. Bloom made a motion to approve the Financial Statements of June 2012. Mr. Fitzgerald seconded the motion, which was unanimously approved without objection.

7. Discussion and/or Action to Amend the Bylaws regarding terms of Board Chair and Vice Chair

Mr. Murdock presented the staff's recommendation to approve the amendment to paragraph 2.1 of the HTA Bylaws beginning with the words, "No officer may serve" and ending with the words, "until June 30, 2002," which will allow the Chair to serve at the pleasure of the Board in one (1) year terms. He explained that this amendment would provide the Board with the opportunity to extend the President or Chair or to allow another board member to serve as Chair.

Mr. Kobayashi made a motion to approve the amendment to the HTA Bylaws. Mr. Kimura seconded the motion, which was unanimously approved without objection.

8. Discussion and/or Action to Elect the Chair and the Vice Chair of the HTA Board of Directors

Mr. Murdock presented the staff's recommendation – now in accordance with the revised bylaws – to hold elections for the positions of Chair and Vice Chair of the HTA Board of

Directors and that at this time, it would be appropriate to open the floor to nominations for Board Chair.

Mr. Nakamura nominated Mr. Williams for Board Chair. Mr. Bloom seconded the nomination.

Mr. Murdock called for any other nominations. Mr. Kimura made a motion to close nominations; Mr. Salā seconded the motion, which was unanimously approved without objection.

The motion to elect Mr. Williams as the HTA Board Chair with a term to end June 30, 2013 was unanimously approved without objection.

Mr. Murdock called for nominations for the position of HTA Vice Chair.

Mr. Williams nominated Ms. Ewing for Vice Chair. Mr. Kimura seconded the nomination.

Mr. Bloom made a motion to close nominations. Mr. Murdock called for any other nominations. Mr. Kimura seconded the motion, which was unanimously approved without objection.

The motion to elect Ms. Ewing as the HTA Vice Chair was unanimously approved without objection.

9. Appointments to the Audit Committee

Mr. Murdock stated that records reflect that Mr. Bloom, Mr. Fitzgerald, and Mr. Kobayashi were members of the Budget and Audit Committee. He explained that the Budget and Audit Committee was replaced by an Audit Committee in June 2011 as an amendment to the Bylaws at the time. He presented the staff's recommendation that the board select members for the Audit Committee going forward for the next year and added that the three (3) members who were on the committee could serve again or new members could be added.

Mr. Williams stated that he wished to keep Mr. Bloom, Mr. Fitzgerald, and Mr. Kobayashi on the Audit Committee and to add Mr. Corteway as a fourth member. He said that in the event that there were other board members who wished to attend meetings of the Audit Committee, there would be two (2) available slots for that purpose. He asked for a motion to have Mr. Bloom, Mr. Fitzgerald, Mr. Kobayashi, and Mr. Corteway as members of the Audit Committee.

Mr. Corteway said that he is already sitting on the committee for the Hawai'i Convention Center and did not know if he would be able to make the time commitment over the next 12 months to sit on the Audit Committee as well. He said that he is unsure of what the

demands were going to be for the Hawai'i Convention Center Committee, so he suggested that someone else would be able to serve on the Audit Committee, at least for this year.

Mr. Williams reminded the board that the investigative committees for the Tourism Strategic Plan and the Hawai'i Convention Center are very important committees and thanked Mr. Corteway for his candor. He stated that he would like to keep the Audit Committee members to three (3) at this time, but that he would like to keep open the possibility of adding a fourth member to allow for other board members to attend meetings.

Mr. Kobayashi made a motion to have three (3) board members on the Audit Committee. Mr. Salā seconded the motion, which was unanimously approved without objection.

After clarifying that board approval was not required, Mr. Williams stated that he would like Mr. Fitzgerald to serve as the Audit Committee Chair. Mr. Corteway commented that he would be glad to take a look at being on the committee next year.

Mr. Togashi reported to the board that KPMG has been selected as the HTA's external auditor for the next four (4) years, for the fiscal years 2012-2015.

Mr. Williams asked if the board's approval was sought. Mr. Togashi explained that the selection and contracting of the external auditor is done through the Office of the Auditor. He stated that our input was sought, but the final decision was made by the Office of the Auditor.

Mr. Williams asked Mr. Uchiyama to clarify the reasons for going into executive session to discuss Agenda item no. 10. He commented that the matter should be vetted beforehand.

Mr. Uchiyama explained that the request was being made to go into executive session for this Agenda item because of a discussion regarding where our targets are based on airlift, along with information that would be shared about growth in the international market, including information on aircraft purchases by certain carriers. He said that if that information got out, all of our competitors would be lining up in the same place, which is why an executive session discussion is being requested.

Mr. Kinkley asked if that conversation would inextricably link all that data. Mr. Uchiyama confirmed his understanding to be correct and added that information is going to be shared about what some of our competitive destinations and airports are doing to attract some of these carriers as well as our own plans, so he does not want that information disclosed to our competitors.

Mr. Kinkley responded that he understands and believes that it is fine to go into executive session to have that discussion. He added that it would be good for the public record to think about what information could be shared after the executive session. He asked if Air

Access was also going to be discussed as well, or if it was going to be a separate discussion later.

Mr. McCartney clarified that the discussion in question is about Air Access. He said that he thinks Mr. Williams was referring to Agenda item no. 10 when the question was posed about going into executive session and asked Mr. Uchiyama to explain why an executive session is needed to discuss a recap of the marketing partners' quarterly performance reports.

Mr. Uchiyama replied that pointing out our weaknesses and strengths would provide our competitors with an advantage over us. He said that the discussion is going to involve identifying areas that we are focusing on in each of the individual markets and those are the types of things that are best kept confidential.

Mr. Kinkley stated that he does not see a problem with Agenda item no. 11 being discussed in an executive session. He cautioned that discussing Agenda item no. 10 in executive session is a little trickier, but if it relates back to the competitive advantage factor within the statutory provision, it is ok. He reiterated his earlier comment regarding thinking about what information could be released to the public after coming out of executive session.

Mr. McCartney recommended that after the executive session to discuss Agenda item no. 10 is complete, staff can report back in public session on how every contractor is doing in a general sense. He agreed that some specific information should not be revealed because competitors may use that information against Hawai'i as we make some shifts. Mr. McCartney shared that part of the agreement with the Legislature when the statute was passed was that information would be available to the public at a later date and after the execution of tactics and plans.

Mr. Williams confirmed with Mr. Kinkley that he was comfortable with going into executive session and said that the board has to be comfortable with it as well. He said that it is good practice for the board to make sure that the importance and privilege of executive session is understood and that we do not abuse that privilege. Mr. Williams called for a motion to go into executive session.

Mr. Fitzgerald made a motion to go into executive session. Mr. Kimura seconded the motion, which was unanimously approved without objection.

The meeting was recessed to go into executive session at 11:20 a.m.
The meeting was reconvened at 1:28 p.m.

10. Recap of Quarterly Performance Reports for Major Market Area Contractors

Mr. Bloom asked about the strategy to promote multi-island visits, given the inherent challenges regarding inter-island travel. Mr. Uchiyama replied that one thing that is being worked on is addressing the disadvantage the international carriers are faced with because of Hawaiian Airlines' set up. He said that we are trying to get alignment with inter-island carriers such as go! with Island Air and added that there has been success in positioning go! with the tour operators and Delta and Japan Airlines. He said that discussions have also taken place regarding route restructuring because of the problem of having to circle back to Honolulu. He shared that one of the proposals is for one of those carriers to have direct Kona-Maui service to be in alignment with service from Japan.

Mr. Uchiyama shared that he has met with representatives from Island Air to discuss the acquisition of new aircraft. He reported that with the additional funding they have received for potential growth, they want to be able to get the same type of exposure and alignment with all of these partners. He said that they have not had a sales team in the marketplace and their concentration has been mostly on local business, but with the increased capacity gained with new aircraft, they are going to have to develop those relationships.

He said that multi-island packages with markets such as China is also something that we're trying to do. He explained that China is a market that has great potential for multi-island business because of the profile of how they move; they do not stay in one place for too long. He pointed out that the problem is going to be in the domestic market, with trying to create multi-island programs for the domestic market, especially out of the West Coast.

Mr. Rae asked why a hub operation could not be done through Hilo, where there is a huge airport with a lot of capacity. Mr. Uchiyama expressed his agreement with that idea, but explained that the Customs and Immigration facility is not available in Hilo. He said that it would be easier for us to gain international flights because such a facility already exists in Kona.

12. Adjournment

The meeting was adjourned at 1:35 p.m.

Recorded:


