



TESTIMONY OF DANIEL NĀHO'OPI'I
INTERIM PRESIDENT & CEO, HAWAII TOURISM AUTHORITY
BEFORE THE HOUSE COMMITTEE ON TOURISM
Tuesday, March 12, 2024 10:30 a.m.
In consideration of
SB 2406 SD 1
RELATING TO THE HAWAII TOURISM AUTHORITY

Aloha Chair Quinlan, Vice Chair Hussey-Burdick, and Members of the Committee,

The Hawai'i Tourism Authority (HTA) appreciates the opportunity to offer comments on SB2406 SD1, which would require contracts entered into by HTA for management of the Hawai'i Convention Center (HCC) facility to include marketing for all uses of the facility.

HCC is key to the capacity of the Hawaiian Islands to host large meetings, conventions, and incentives. In 2019, HB226 passed allowing HTA to contract marketing use of the HCC separately from the management of the facility. Events of scale often require coordination with multiple properties and venues. Sales are approached as selling a destination (Hawai'i) and not selling just a single venue. This allows development and education of the potential client, particularly finding and developing new clients, and identifying new industries. The benefit of a separate marketing arm that also does single-property sales is the ability to exchange leads from single property or vice versa.

Current statute allows HTA to procure marketing services through a competitive bidding process seeking the best value for the state. Nothing precludes the firm managing HCC from bidding on that procurement. In December 2021, HTA awarded a contract for Global Meetings, Conventions, and Incentives (MCI) Marketing and Management Services for the Hawaiian Islands that commenced in January 2022. That contractor has been working diligently to rebuild our meetings, conventions and incentives business in the wake of the pandemic.

Our current HCC management contractor and our Meet Hawai'i contractor have been working well together. In other competitive destinations, it is common practice to separate the marketing of the destination in the MCI market and the operations of their convention centers. Our current arrangement reflects this common industry practice. This measure would remove HTA's ability to seek competitive proposals for this service through the state procurement process.

Planning large scale meetings involves long lead times and often takes years of preparation to execute. With Hawai'i's recovery in that market still in progress and on the right track, this is an especially fragile time to disrupt that important work.

Mahalo for the opportunity to provide these comments on SB2406 SD1.

Tuesday, March 12, 2024, 10:30 a.m.
Committee on Tourism
State Capitol, Room 423

**TESTIMONY OF THE HAWAI'I VISITORS AND CONVENTION BUREAU IN OPPOSITION OF
SB2406, SD1 (SSCR2932) RELATING TO THE HAWAI'I TOURISM AUTHORITY**

Dear Chair Quinlan, Vice Chair Hussey-Burdick, and Tourism Committee Members:

I am the Interim President and CEO of the Hawai'i Visitors and Convention Bureau (HVCB) Tom Mullen. SB 2406 disregards the success of HVCB's Global MCI sales and marketing team only two years after Safe Travels ended and the possibilities of large gatherings becoming realistic. In 2022, our team booked 14 citywide events that will produce more than twice the peak room nights and twice the economic impact as the last year before the pandemic (2019). In 2023, the team more than doubled citywide booked events from 2019 with a total of 35 contracted citywide events. This is only a snapshot of what HVCB's Global MCI team has been able to accomplish and more is yet to come. This testimony is submitted in **strong opposition of SB2406, SD1 (SSCR2932)**.

The Hawai'i State Legislature gave the Hawai'i Tourism Authority (HTA) the option to contract marketing efforts separately from operations for the Hawai'i Convention Center (HCC) with an effective start date of January 1, 2020. Prior to January 1, 2020, HCC managed the sales and marketing for the center. To prepare for this change, HTA issued a request for information (RFI) for global MCI program management services and HVCB was deemed the only qualified offeror and was contracted for a 10-year contract from 2020 to 2030. We understand that the HCC operator (AEG) did not respond to the RFI.

Shortly after the contract was awarded, the COVID-19 pandemic hit, travel to Hawai'i was curtailed, and MCI business around the world was shutdown. Existing group and meetings contracts were cancelled or postponed and no new business was booked due to the widespread uncertainty and strict travel restrictions. Hawai'i's mandatory 14-day quarantine for all arrivals to any of the Hawaiian Islands began in March of 2020 (only three months after the HVCB contract began with HTA) as a protection for residents. Later, exemptions were possible with valid, pre-travel testing or full vaccination. But two, full years of these restrictions effectively shut down Hawai'i's citywide business. As a further result of the COVID-19 crisis, all funding to HTA and its contracts was stopped resulting in a 65% cut in the HTA MCI budget.

With the CY2020-2021 contract coming to an end, HTA issued a new RFP for Global MCI services with a start date of January 1, 2022, through December 31, 2025. HVCB was the only qualified bidder. We understand that ASM, the current convention center operator, once again did not bid. Last year, one year into the new contract, the state legislature proposed circumventing the RFP process with HB229. This bill did not move forward. In 2024, this legislative season a similar bill to HB229, SB2406 is now being proposed. The HVCB is in strong opposition to this bill.

The justification for our strong opposition is because industry best practice calls for long-term offshore convention center bookings to be managed by the CVB (convention and visitors bureau) of the destination, with close in and local sales being managed by the convention center operator. With the current, standard model, Hawai'i has enjoyed major success in both local and offshore "citywide" events. The HCC local sales team manages all groups within a 13-month period. All groups outside of 13 months are managed by HVCB's citywide sales team.

This best practice model has resulted in HVCB's MCI global sales and marketing team focused on and managing the destination sales. We'd also like to stress this selling model is preferred by seasoned clients who handle larger conventions. **Under HVCB's current contract with the HTA, the economic impact to the state in 2022 and 2023 surpassed 2019 production, pre-covid, by 259% in 2022 and 430% in 2023.**

SALES PRODUCTION UNDER CVB/DMO MODEL (HVCB Management)

CALENDAR YEAR	SELLERS FTE'S	DEFINITE BOOKINGS	DEFINITE ROOM NIGHTS	ECONOMIC IMPACT
2023	3.00	35	158,680	\$659 MIL
2022	3.00	14	144,043	\$396 MIL
*2021	2.75	2	4,144	\$28 MIL
*2020	1.50	1	2,279	\$6 MIL

*Production during "Safe Travels" mandate due to pandemic.

THE DESTINATION SELL: When clients are requesting proposals for a future conference, they require Hawai'i and competing cities to present the complete destination package offering, but not limited to, the following components.

- A complete destination package offering the value proposition of bringing their meeting to the state along with rates, dates, and space that meets the client's criteria.
- Dates at the Hawai'i Convention Center and hotel availability must align before the proposal can move forward. A client will not consider a stand-alone package without the other destination components that make up a successful convention.
- Proposed hotel availability at multiple hotels offering varied rates to accommodate the clients requested room block.
- Offsite venue options to accommodate requested attendance and budget parameters.
- In reviewing the entirety of the group's objectives, sellers are able to promote other islands or board meetings, pre and post meeting, etc., and provide a more desirable

package to the client in order to win the business for the state of Hawai'i.

- The current model puts the destination first – ALL the islands. The CVB model represents the whole of Hawai'i, not just the island of O'ahu and not just one building, the HCC.

SB2406 proposes ownership of both local and citywide sales are the responsibility of the convention center. Most major cities and Hawai'i's comp set have the destination marketing organization (DMO) or convention and visitors bureau (CVB) handle the long-term center bookings while the center operator handles short-term and local business. SB2406 will not benefit the state and will have an adverse impact on MCI business to Hawai'i.

SALES PRODUCTION UNDER CONVENTION CENTER MODEL (HCC Management)

CALENDAR YEAR	SELLERS FTES	DEFINITE BOOKINGS	DEFINITE ROOM NIGHTS	ECONOMIC IMPACT
2019	5.00	17	58,025	\$153 MIL

Source: Meet Hawai'i Tableau/Simpleview sales production
Data as of 3/8/2024

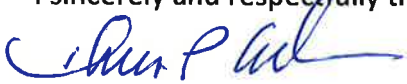
Changing the citywide sales model now will disrupt the current momentum HVCB's global sales and marketing team has generated. They are the assembled expert team to sell citywide groups and promote Hawai'i as a meetings, conventions and incentive destination. As the business cycle of booking convention business is five to seven years, the HVCB team is already working on leads that are five years out.

We don't understand the need to change the current statute as proposed by SB2406. The current law, [HRS 201B-7\(a\)\(7\)](#), appropriately gives the State of Hawaii (in this case represented by HTA) more flexibility to make sure they have the best contractors doing the Hawaii Convention Center (HCC) citywide sales and marketing for the Hawaii Convention Center (HCC) through a competitive procurement. Under the amended version of HRS 201B-7(a)(7) as proposed by SB2406 where there would be no competitive procurement for citywide sales and marketing.

In conclusion, the current CVB model works. HVCB's global sales and marketing team under the CVB model has instilled confidence and provided consistent messaging to current and potential clients to Hawai'i. Another change will slow down the momentum our team has worked hard on and accomplished in two years. In addition, in the last two RFP cycles, HCC management, AEG and ASM, declined to bid on the sales and marketing responsibility. The convention center's primary focus should be to run and operate all aspects of the building in order to welcome and service conventions. The HVCB team's priority is to be the subject matter expert on all aspects of the destination. Allowing both entities to focus on their core competencies allows the destination to deliver and exceed the client's and attendees' expectations.

For all of the reasons we have stated, **we oppose SB2406.**

I sincerely and respectfully thank you for your time and consideration.

A handwritten signature in blue ink, appearing to read "Tom Mullen", written in a cursive style.

Tom Mullen
Interim President and CEO
Hawai'i Visitors and Convention Bureau



Gerard C. Gibson
President
Hawai'i Hotel Alliance

Tuesday, March 12, 2024 at 10:30 am
State of Hawai'i

House Committee on Tourism
House Conference Room 423

**TESTIMONY OF THE HAWAII HOTEL ALLIANCE IN OPPOSITION TO SB2406 SD1
RELATING TO THE HAWAII TOURISM AUTHORITY (HTA)**

Dear Chairman Quinlan, Vice-Chair Hussey-Burdick and Tourism Committee Members:

My name is Jerry Gibson and I am the President of the Hawai'i Hotel Alliance ("HHA") and have been a hotelier in Hawai'i for more than 42 years. HHA membership includes all of the major hotel brands in Hawai'i, including Hilton, Hyatt, Marriot, Aulani, Outrigger, Springboard Hospitality and Highgate Hotels. Our members represent almost 32,000 hotel room of the approximately 44,000 hotel rooms in Hawai'i. We submit this testimony in **strong opposition** of SB 2406 SD1.

Most major cities, and definitely the ones that Hawai'i competes against, have the destination marketing organization (DMO) or convention and visitors bureau (CVB) handle the long-term center bookings while the center operator handles short-term and local business along with operations. In 2022, Meet Hawai'i booked 14 citywide events that will produce more than twice the peak room nights and twice the economic impact as the last year before the pandemic (2019). Already in 2023, the Hawai'i Visitors and Convention Bureau has booked 35 future citywides out of COVID! This is an incredible success.

The current model also puts the destination first – all the islands. HVCB represents the whole of Hawai'i, not just the island of O'ahu and not just one building. First and foremost, its team educates MCI customers about the unique culture and experiences Hawai'i has to offer. The single property sales team then distributes single property leads to the islands that best match

the customers' needs and wants. The citywide sales team engages their customers in the Hawai'i experience. It's an integrated MCI approach that maximizes the benefit to the State and to all of the islands not just O'ahu. This is a very important point of fairness and productivity.

Now with the COVID-19 restrictions behind us, the current model is working. The partial reinstatement of the pre-COVID budgets enabled Meet Hawai'i to assemble a formidable team of long-time industry citywide sellers with a history of performance. The Meet Hawai'i team is booking HCC with a vengeance. Changing the model would destroy that momentum and the professionally assembled team just as it is picking up steam with a remarkable performance. It would adversely affect the State's interest to curtail the current progress and put us behind at least two years. ASM would sell not just Hawaii, but their sales team would sell all their competitive portfolio in the United States. Our current HVCB "Meet Hawai'i" specializes and sells the State of "Hawai'i" only. Meet Hawai'i's complete effort and concentration is with our State of Hawai'i.

In 2005, SMG handled the Convention Center sales. It failed miserably. Why repeat a past fatal mistake? Knocking our number one taxable source back to the dark ages with a proven flawed system.

I would humbly ask all of you to take the time to review the new bookings over the last year. The numbers are impressive. We need this type of convention center citywide success to remain viable and to help create competitive compression on our Islands. I sincerely and respectfully thank you for your time and consideration.

Aloha,

A handwritten signature in black ink, appearing to read "Jerry Gibson", with a long horizontal flourish extending to the right.

Jerry Gibson
President
Hawai'i Hotel Alliance

SB-2406-SD-1

Submitted on: 3/11/2024 2:13:49 PM

Testimony for TOU on 3/12/2024 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Johan Marzuki	MC&A	Oppose	Written Testimony Only

Comments:

TESTIMONY OF JOHAN MARZUKI

TITLE: EXECUTIVE VICE PRESIDENT & GENERAL MANAGER

Tuesday, March 12, 2024, 10:30 a.m.

In opposition of **SB 2406, SD1 (SSCR2932)**

RELATING TO THE HAWAII TOURISM AUTHORITY

Dear Chair Quinlan, Vice Chair Hussey-Burdick, and Tourism Committee Members:

My name is Johan Marzuki, and I am the Executive Vice President & General Manager for MC&A, Inc., going on 6 years. I have worked with the Meet Hawaii team at the Hawaii Visitors and Convention Bureau during my tenure in Hawaii and know firsthand the collective expertise they bring selling the Hawaii Convention Center, working hand-in-hand with all of the industry partners ensuring successful programs, and representing the destination. For these reasons, I'm in **strong opposition of SB 2406 (SSCR2932).**

The current model puts the destination first, which means all of the islands are part of the selling process. The HVCB Meet Hawaii team represents the Hawaiian Islands as a destination and not just Oahu, selling one building and one experience. Being with the MC&A, Inc., brand, I can speak to the benefits reaped when this team can, and does, educate MCI customers about the unique culture and myriad experiences that may be found in Hawaii on the different islands. The single property sales team distributes single property leads to the islands that best match the customers' needs and wants. The citywide sales team engages their customers in the Hawaii experience and the advantages of holding their meeting at the Hawaii Convention Center. This

integrated approach maximizes the benefits to the State, Hawaii Convention Center, local businesses, and industry partners.

Hawaii is two short years away from the COVID-19 restrictions, which placed safety measures and travel stipulations around both visitor and resident travel to the islands. Coupled with a halt to funding for HTA contracts resulting in a 65% cut to the HTA MCI budget, MCI travel and future bookings were majorly impacted. It was toward the end of the COVID-19 restrictions that HTA issued an RFP for Global MCI services, including selling of the Hawaii Convention Center. HVCB was selected as HTA's contractor in 2022 and it is my understanding the business who has the contract to operate and manage the Hawaii Convention Center opted not to bid for the marketing and selling of the Hawaii Convention Center.

After winning the RFP in 2022, the Hawaii Visitors and Convention Bureau brought together a citywide sales team with a long history of industry knowledge and experience. The team has gained momentum and it would be extremely detrimental to make any changes to the selling process because of the amount of time it takes to contract a meeting to the day its actually held on Oahu. The disruption to the traction the Meet Hawaii team has in the global market would result in Hawaii being set back once again.

It is in the state's best interest to not pass this bill. I humbly ask you to review what the Meet Hawaii team has accomplished since it won the contract to sell the Hawaii Convention Center and allow them to continue their stellar work. I sincerely and respectfully thank you for your time and consideration.

Johan Marzuki

MC&A, Inc.



TESTIMONY OF Joe Ibarra
TITLE: Vice President and General Manager

Tuesday, March 12, 2024, 10:30 a.m.
In opposition of **SB 2406, SD1 (SSCR2932)**
RELATING TO THE HAWAII TOURISM AUTHORITY

Dear Chair Quinlan, Vice Chair Hussey-Burdick, and Tourism Committee Members:

My name is Joe Ibarra and I am the Vice President and General Manager for The Kahala Hotel & Resort. I have worked with the Meet Hawaii team at the Hawaii Visitors and Convention Bureau during my tenure in Hawaii and know firsthand the collective expertise they bring selling the Hawaii Convention Center, working hand-in-hand with all of the industry partners ensuring successful programs, and representing the destination. For these reasons, I'm in strong opposition of SB 2406 (SSCR2932).

The current model puts the destination first, which means all of the islands are part of the selling process. The HVCB Meet Hawaii team represents the Hawaiian Islands as a destination and not just Oahu, selling one building and one experience. Being with The Kahala Hotel & Resort brand, I can speak to the benefits reaped when this team can, and does, educate MCI customers about the unique culture and myriad experiences that may be found in Hawaii on the different islands. The single property sales team distributes single property leads to the islands that best match the customers' needs and wants. The citywide sales team engages their customers in the Hawaii experience and the advantages of holding their meeting at the Hawaii Convention Center. This integrated approach maximizes the benefits to the State, Hawaii Convention Center, local businesses, and industry partners.

Hawaii is two short years away from the COVID-19 restrictions, which placed safety measures and travel stipulations around both visitor and resident travel to the islands. Coupled with a halt to funding for HTA contracts resulting in a 65% cut to the HTA MCI budget, MCI travel and future bookings were majorly impacted. It was toward the end of the COVID-19 restrictions that HTA issued a RFP for Global MCI services, including selling of the Hawaii Convention Center. HVCB was selected as HTA's contractor in 2022 and it is my understanding the business who has the contract to operate and manage the Hawaii Convention Center opted not to bid for the marketing and selling of the Hawaii Convention Center.

After winning the RFP in 2022, the Hawaii Visitors and Convention Bureau brought together a citywide sales team with a long history of industry knowledge and experience. The team has gained momentum and it would be extremely detrimental to make any changes to the selling process because of the amount of time it takes to contract a meeting to the day its actually held on Oahu. The disruption to the traction the Meet Hawaii team has in the global market would result in Hawaii being set back once again.

It is in the state's best interest to not pass this bill. I humbly ask you to review what the Meet Hawaii team has accomplished since it won the contract to sell the Hawaii Convention Center and allow them to continue their stellar work. I sincerely and respectfully thank you for your time and consideration.

Na'u me ka ha'aha'a,

A handwritten signature in black ink that reads "Joe Ibarra". The signature is fluid and cursive, with a long horizontal stroke at the end.

Joe Ibarra
Vice President and General Manager
Resorttrust Hawaii, LLC
The Kahala Hotel & Resort