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Josh Green, M.D.
Governor

John De Fries
President and Chief Executive Officer

Statement of
JOHN DE FRIES
Hawai'i Tourism Authority
before the
COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

Thursday, February 16, 2023
1:00 p.m.
State Capitol Conference Room 229 & Videoconference

In consideration of
SENATE BILL NO. 629
RELATING TO THE HAWAII TOURISM AUTHORITY

Aloha Chair DeCoite, Vice Chair Wakai, and members of the Committee on Energy, Economic Development, and Tourism,

The Hawai'i Tourism Authority (HTA) appreciates the opportunity to offer comments on SB629, which would require contracts entered into by the Hawai'i Tourism Authority for the mangament or the Hawai'i Convention Center facility to include marketing for all uses of the facility.

The Hawai'i Convention Center is an important part of HTA's responsibilities and key to the capacity of the Hawaiian Islands to host large meetings, conventions, and incentives. Events of scale often require coordination with multiple properties and venues. In 2019, HB226 passed allowing HTA to contract the marketing of all uses of the Hawai'i Convention Center seperately from the management of the facility.

The current statute allows HTA to procure marketing services through a competetive bidding process seeking the best value for the state. Nothing in HRS 201B-7 precludes the firm managing the convention center from bidding on that procurement.

In December 2021, HTA awarded a contract for Global Meetings, Conventions, and Incentives Marketing and Management Services for the Hawaiian Islands to commence in January 2022. That contractor has been working diligently to rebuild our meetings, conventions and incentives business in the wake of the devastating global pandemic.

Our current convention center management contractor and our Meet Hawai'i contractor have been working well together, and industry stakeholders we have been in touch with had positive feedback about the collaboration. The following table shows the results of that collaboration:

Meet Hawai'i Production

Calendar Year	Citywide Seller FTEs	Definite Citywide Bookings	Definite Citywide Room Nights	Economic Impact ¹
2022	3.00	14	144,043	\$396 million
2021	2.75	2	4,144	\$28 million
2020	1.50	1	2,279	\$6 million
2019	5.00	17	58,025	\$153 million

Source: Meet Hawai'i Tableau/Simpleview Sales Production

In other highly competitive destinations, it is common practice to separate the marketing and 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.

While we are encouraged by the strong performance of meetings and conventions in 2022, it is important to note that the planning of 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, this is an especially fragile time to disrupt that important work.

Mahalo for the opportunity to provide these comments on SB629.

¹ *Estimated economic impact for each booking based on client's estimated attendance (excluding local attendance), DBEDT's per-person-per-day spending for convention, corporate and incentive travelers based on Table 90 (Meeting Convention and Incentive (MCI) Visitor Characteristics and Spending) of the DBEDT Annual Research Report, length of stay + DBEDT Table 90 length of stay before/after events, and the output multiplier from DBEDT's workbook for calculating statewide economic impact of events.*

Thursday, February 16, 2023, 1:00 pm



State of Hawaii

Senate Committee on Energy, Economic Development and Tourism
State Capitol, Conference Room 229
TESTIMONY OF THE HAWAII HOTEL ALLIANCE IN OPPOSITION OF SB629
RELATION TO THE HAWAII TOURISM AUTHORITY

Dear Chair DeCoite, Vice Chair Wakai and EET Committee Members:

My name is Jerry Gibson, President of the Hawaii Hotel Alliance ("HHA") and have been an hotelier in Hawaii for over 40 years. HHA membership includes most major hotel brands in Hawaii, including Hilton, Marriott, Hyatt, Aulani, Outrigger, Highgate Hotels, Springboard Hospitality and many independent hotels. Our members represent almost 30,000 hotel rooms of the approximately 44,000 hotel rooms in Hawaii. We submit this testimony in strong opposition to Senate Bill 629.

The current law, HRS 201B-7(a)(7), appropriately gives the State of Hawai'i (in this case represented by HTA) more flexibility to make sure they have the best contractors doing the Hawai'i Convention Center (HCC) citywide sales and marketing through a competitive procurement. Under the amended version of HRS 201B-7(a)(7) as proposed by HB229 and SB629, there would be no competitive procurement for citywide sales and marketing.

If you conduct an audit of competitive convention centers around the world, you'll find that the vast majority of sales and marketing support is provided by the visitor bureau for the destination. It requires two different skill sets to run a convention center and sales & marketing of a destination. Hawaii has tried both models over the years, but currently is operating under the traditional model and has finally gained momentum as we ramp out of COVID. Interestingly, there have been two HTA procurements for the HCC citywide sales and marketing contract in the past 3 years, the most recent just over a year ago. **In neither case did the current HCC operator submit a bid.**

Leave the law as is. If HTA is ever unhappy with the performance of the contracted global citywide convention sales and marketing contractor or in fact any contractor, they can take it to competitive procurement which they have successfully done as recently as a year ago. Under those circumstances, if the HCC operator would like to vie for the global citywide sales and marketing they can enter a competitive bid. Put differently, any state agency put under the circumstances as amended by HB229 and SB629 is more restricted in their ability to procure the best possible contractor than under the current law, HRS 2018-7-7(a)(7).

Thank you Senators for you time and efforts on the industries behalf. Look forward to speaking with you soon.

Mahalo and Aloha,

A handwritten signature in black ink, appearing to read "Jerry Gibson". The signature is stylized and fluid, with a long horizontal stroke extending to the right.

Jerry Gibson
President, Hawaii Hotel Alliance