Looking Back at 2007 and Ahead to 2008

This is the final issue of Saturday Briefing for 2007, and it offers an opportunity to review everything that happened in our company over the past 12 months. The following pages chronicle another amazing, busy year. The articles speak about great performances by the talented members of our far-flung ‘ohana. From our Worldwide Reservations Center in Denver, across the Pacific Ocean, and as far west as Fiji, Australia, and Guam, we have delivered an exceptional brand of hospitality. At each of our Pacific destinations, we have developed a strong “sense of place,” where arriving guests quickly discover they are in a special location and will truly experience local culture and traditions.

This year was very special because the Outrigger Enterprises Group celebrated its 60th birthday. Yes, it has been 60 years since Roy and Estelle Kelley started in the hospitality business by renting out apartment units on Seaside Avenue in Waikiki, with housekeeping services, on a daily basis. My sisters and I, then ages 10, 12, and 14, helped out where we could. The tradition continues six decades later, with third-generation members of the Kelley family taking an active role in the operation of the business, and fourth-generation members learning the ropes as summer interns.

This past year was also memorable for the opening of the Waikiki Beach Walk*. This unique collection of retail, hotel, timeshare and condominium facilities has revitalized the Lewers Street area in the heart of Waikiki. It took over 15 years of hard work to get to that point, but the result is spectacular.

Work on the Waikiki Beach Walk project continues with the renovation and repositioning of the Outrigger Reef Hotel, the renovation of the OHANA Islander Waikiki Hotel, and the development of the ultra-deluxe Trump International Hotel & Tower.

We have added some properties to our portfolio and some went out of our system. That is the inherent nature of business, as we try to match our company’s talents with the ever-changing marketplace.

Accordingly, the Ala Moana Hotel is operated by an independent Outrigger affiliate, and our properties in Australia and New Zealand were sold to a strategic buyer who made an offer that was hard to refuse.

Now, we are rebuilding our presence in the Western Pacific and expanding to Bali, a favorite destination for Aussies and Kiwis. The beautiful Outrigger O-CE-AN Bali, a 112-suite condo hotel, will open in a few weeks. Resort amenities will include two swimming pools, a beachfront fine dining restaurant, specialty bistro, tapas bar, business centre, 24-hour concierge, and onsite day spa. In addition, two other Outrigger projects are underway in Bali.

During the year, our ‘ohana in Fiji has struggled with low occupancies caused by travel advisories issued by the Australian and New Zealand governments. In May, I flew to Fiji for the opening of the deluxe Bebe Spa at the Outrigger on the Lagoon – Fiji and saw no reason for continued travel advisories. Let’s hope the politicians come to the same conclusion soon.

I want to thank every member of our ‘ohana for contributing to the success of our company in 2007. At all of our properties, it has been a team effort. Whether you are at the Front Desk, in Engineering, Housekeeping, Accounting, Reservations, Renovations, or some other area, your efforts made our success possible. I want you to know you are all tremendously appreciated.

As we look forward to 2008, we face a number of factors we do not control. The good news is that the weakness of the U.S. dollar means that the properties we manage in Hawaii and Guam will seem like a bargain to many overseas travelers, including those coming from the European Union, Canada, Australia, and Japan.

Add to this the very recent tourism agreement signed between the U.S. and the People’s Republic of China to allow leisure travel from China to the U.S., and there is reason to be optimistic about the coming year.

Unfortunately, that really great news is offset by a number of factors.

There is an apparent weakness in the U.S. economy, which is still the source of a vast majority of our customers in Waikiki. The high price of oil will probably continue to dampen the U.S. economy throughout 2008 and the years that follow.

Oil has become a source of strategic power for many countries, and with growing demands for energy, depletion of existing oil fields, lack of reinvestment in oil production, and increased environmental concerns (it has been 30 years since a new refinery was built in the U.S.), the world is already using almost every drop of oil that can be produced and refined. That, in turn, translates into higher prices for energy, higher airline fares, higher hotel operating costs, and a struggle to attract visitors to our properties anywhere in the world.

Add to that the threat of terrorism and the remote, but frightening, possibility of an infectious disease pandemic, and the world could suddenly be a very scary place.

Yes, we all have our challenges, no matter where we work in our company. Nonetheless, I am confident that no matter what happens, by continuing to work as a team, we will get through it and grow as a company and as individuals.

Again, my thanks to everyone for a great 2007, and my warmest wishes to you and your families for a healthy, prosperous, Happy New Year!