



P.O. Box 249
1000 Arlberg Avenue
Girdwood, Alaska 99587

February 26, 2018

Representative Jason Grenn
State Capitol Room 418
Juneau, Alaska 99801

Dear Representative Grenn,

We would like to express our appreciation for the opportunity to meet with you to discuss SB 110 and the new companion bill HB 383. Thank you for taking the time to talk with our team about issues that are extremely important to Alyeska Resort and other members of the tourism industry. As a member of the Alaska Tourism Industry Association (ATIA) and its pending Tourism Improvement District (TID) committee, we are writing to voice our opposition to SB 110 and HB 383. We have already expressed our concerns SB 110 to you, ATIA and Senator Costello's staff. We believe, amongst other things, additional statewide tourism marketing funding is unnecessary and a new assessment will overly burden the targeted segments of the tourism industry.

We oppose HB 383 for the following reasons:

1. **Funds are already earmarked and have been collected for statewide tourism marketing from the Vehicle Rental Tax (VRT).** Millions of dollars have already been collected through the VRT that are intended to be used for statewide marketing. Alaska should use the money it has already collected from the VRT rather than create a new tax for the exact same purpose. There are ample funds generated from VRT for statewide tourism marketing. In 2016, \$10.5 million was collected from VRT. The Alaska Department of Revenue forecasted that \$11.1 million and \$11.7 million would be collected from VRT in 2017 and 2018 respectively. Instead of introducing a new assessment to generate additional revenue for statewide marketing, the Travel Alaska Board, if established, could manage and use the existing funds collected from the VRT. Using the funds already collected from the VRT should be the first priority as opposed to creating a new tax for the same purpose.
2. **Additional statewide tourism marketing funds are not needed.** Despite the fact that the legislature has not allocated all of the VRT collected to statewide tourism marketing over the past few years, there has not been an adverse effect on statewide tourism. ATIA's research demonstrates a reasonable growth in tourism in Alaska in 2016. See Visitor Traffic Trends 2007-2016, Total Spending 2016 and Total Visitor Spending by Category attached hereto.

Alaska Visitors Statistics Program (AVSP) VII shows a 4% growth in visitation to Alaska in 2016. Additional data can be found here: <http://www.alaskatia.org/marketing/alaska-visitors-statistics-program-avsp-vii>.

The number of cruise ship passengers visiting Alaska has increased from 810,000 passengers in 2010 to 1.1 million passengers in 2017. The Alaska Cruise Association projects a 12% growth in



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passengers from 2018 to 2019. Additional statistics regarding cruise passenger spend can be found on the Cruise Lines International Association Alaska's website at <http://www.cliaalaska.org/economy/alaska-cruise-history> and <http://www.cliaalaska.org/economy/alaska-at-a-glance/>.

All this growth has occurred during an era of reduced state funding for tourism marketing. Additional statewide tourism marketing funds are unnecessary, and will not likely have a positive impact (see item 4 below).

3. The tax cannot be dedicated to statewide tourism marketing. The funds collected via this tax cannot be dedicated to the purpose for which they were collected and will go into the general fund. These funds can be, and very likely will be in this current budget crisis, reallocated for another purpose.

4. The bill lacks performance metrics. There is no mechanism to track the performance of the Travel Alaska Board or the effectiveness of its marketing plan (e.g., website, social media, room nights generated, occupancy rate, sales generated via referrals, etc.). There is no certainty about how the funds will be allocated to market Alaska, especially in the "off seasons" to support growth of tourism for year round sustainability. Efforts to market Alaska as a winter destination to date have been almost nonexistent. Although the bill contains a provision that the marketing plan must promote all assessed tourism segments, "tourism segment" is undefined and there is no clarity on how funds will be allocated to the various segments. One of the many flaws in ATIA's approach is to push for legislation that lacks a mechanism to track the effectiveness of the board's marketing plan and does not assure accountability.

Furthermore, currently, less than half of ATIA's marketing budget is spent on advertising and a majority of the budget is spent on the association's overhead, including payroll, research and personnel travel. If the Travel Alaska Board is not accountable for marketing performance, an increase in the amount of funds allocated to statewide tourism marketing will not guarantee additional, effective ad spend.

5. It is impossible to know which tourism businesses will be assessed. There is no transparency about which tourism businesses will be targeted and assessed. "Tourism industry", "tourism business" and "tourism segment" are undefined terms in the bill. The bill proposes the Travel Alaska Board will propose definitions for these terms for adoption by the Department of Revenue. However, the bill legislates that an initial election will be held to nominate board members and propose an assessment. It is not possible to hold an election without knowing which "tourism businesses" will vote, and which "tourism businesses" and "tourism segments" will be assessed. Also, votes cannot be weighted until an assessment is levied because votes are weighted in proportion to the assessment that each voting "tourism business" is estimated to pay for the calendar year immediately following the election (as determined under AS 44.25.260).

In SB 110, upon which this bill was modeled, ATIA focused on assessing only a fraction of the tourism industry – vehicle rentals, tour activities and attractions, and accommodations. Other



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sectors of the tourism industry were not assessed under SB110. Transportation, airlines, cruise ships, restaurant and retail, to name a few, were excluded. It is unfair that only some of the tourism sectors might be assessed yet all sectors of the tourism industry, including retail stores, restaurants, cruise ship operators and airlines, would benefit from the statewide marketing activities (see attached Total Visitor Spending by Category guide). There is no clarity in HB 383 about which businesses might be assessed, which leads to a circular problem in establishing the Travel Alaska Board to implement this legislation.

6. The tax will hit certain Alaskan residents the hardest. A large percentage of the tax will come from Alaskan residents who would utilize the services of the assessed businesses year round. This burdens Alaskan residents with funding Alaska's campaign to market the state as a summer tourist destination.

ATIA still has many questions to answer about an effective statewide tourism marketing plan and how it should be implemented before members of the tourism industry are asked to give support to a new assessment to fund statewide tourism marketing. ATIA and its members should resolve all outstanding questions and issues before any legislation moves forward. Furthermore, existing alternatives for funding should be explored first. As you consider avenues for funding statewide tourism marketing, we ask you obtain input from the all parties impacted by any proposed assessment, and not just ATIA whose governance is too heavily weighted toward local visitor bureaus, which largely live off of hotel bed taxes already. With half of the current tourism marketing funds controlled by ATIA going toward its overhead, administration and staffing, it would be a step in the wrong direction to give ATIA more money to support itself while it continues to undertake antiquated, expensive and inefficient marketing efforts.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Fullerton".

Eric Fullerton
VP & Director of Marketing

A handwritten signature in black ink, appearing to read "Mark Weakland".

Mark Weakland
VP & General Manager

Total Spending

- Visitor spending on their Alaska trip, excluding transportation costs to travel to and from Alaska, totaled \$1.97 billion in summer 2016. That figure includes \$1.25 billion in spending by air visitors, \$640 million in spending by cruise passengers, and \$84 million in spending by highway/ferry visitors. Spending on cruise packages, ferry tickets, and airfare to enter/exit Alaska are excluded.
- Total spending increased by 31 percent between 2011 and 2016. Spending by air visitors increased by 42 percent, while spending by cruise visitors increased by 15 percent, and spending by highway/ferry visitors increased by 18 percent.
- Adjusting 2011 dollars to 2016 value, total spending increased by 21 percent, including by 32 percent among air visitors, by 6 percent among cruise visitors, and by 9 percent among highway/ferry visitors.

CHART 7.16 – Total Visitor Spending in Alaska, Summer 2016

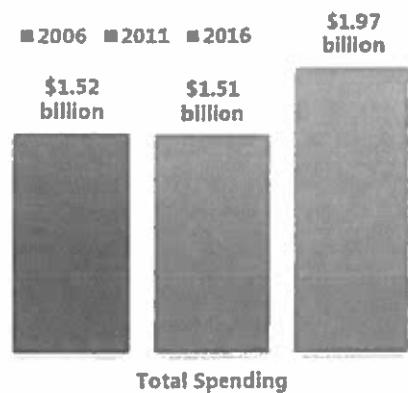


TABLE 7.16 - Total Visitor Expenditures in Alaska
Excluding Transportation to/from Alaska
By Transportation Market, 2006, 2011, and 2016 (\$Millions)

	AIR			CRUISE			HWY/FERRY		
	2006	2011	2016	2006	2011	2016	2006	2011	2016
Total Spending	\$809	\$880	\$1,250	\$610	\$558	\$640	\$111	\$71	\$84

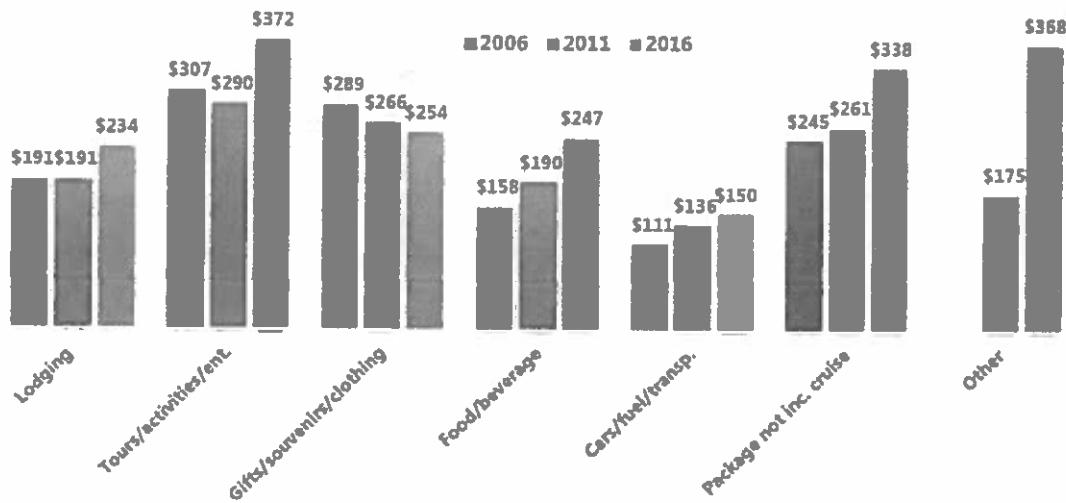
Notes: This data is based to intercept respondents only. Spending on transportation to enter/exit state is excluded.

Total Spending by Category

The chart below shows total spending by spending category. These figures are determined by multiplying average spending by visitor volume.

- The largest total spending category (naturally mirroring the average per-person order) was tours/activities/entertainment (\$372 million), followed by non-cruise packages (\$338 million), gifts/souvenirs/clothing (\$254 million), food/beverage (\$247 million), lodging (\$234 million), and cars/fuel/transportation (\$150 million). Unattributed spending totaled \$368 million.
- Changes in total spending reflected changes in per-person spending, discussed in the previous section.

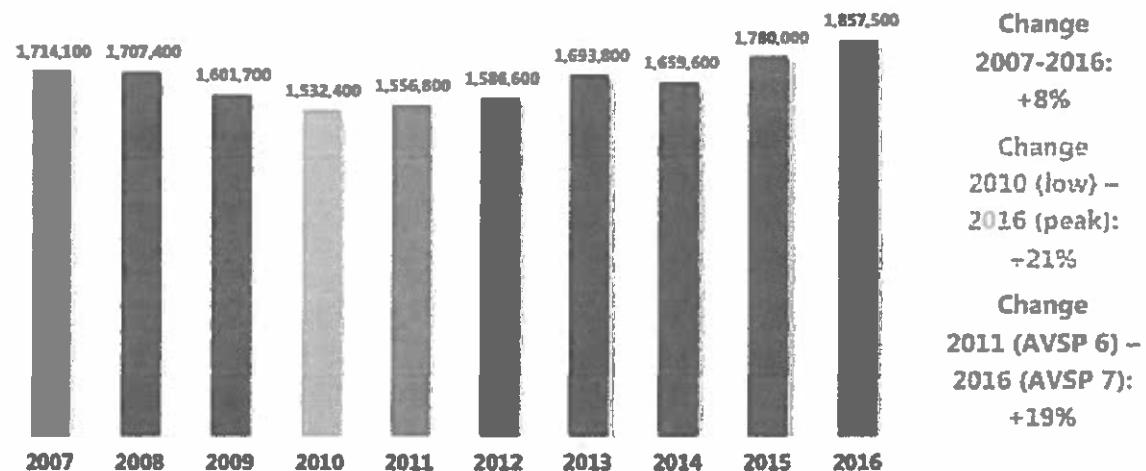
CHART 7.17 - Total Visitor Spending in Alaska, by Category
Excluding Transportation to/from Alaska
All Visitors, 2006, 2011, and 2016 (\$Millions)



Visitor Traffic Trends

The summer 2016 visitor volume of 1,857,500 represents the highest volume on record. From a long-term perspective, the 2016 volume is 8 percent higher than the volume visiting Alaska a decade earlier in 2007, and 21 percent higher than the low point of 2010. The 2016 volume is 19 percent higher than when the last AVSP was conducted, in 2011.

CHART 3.3 - Alaska Visitor Volume, Summers 2007-2016



Sources: AVSP 6 and 7.