

**ALASKA STATE LEGISLATURE**  
**HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, INTERNATIONAL**  
**TRADE AND TOURISM**

March 20, 2007  
11:01 a.m.

**MEMBERS PRESENT**

Representative Mark Neuman, Chair  
Representative Carl Gatto  
Representative Kyle Johansen  
Representative Bob Lynn  
Representative Andrea Doll  
Representative Mike Doogan

**MEMBERS ABSENT**

Representative Vic Kohring

**COMMITTEE CALENDAR**

HOUSE BILL NO. 147

"An Act relating to matching funds in state tourism marketing contracts with trade associations."

- MOVED HB 147 OUT OF COMMITTEE

HOUSE BILL NO. 167

"An Act making special appropriations for a contract with a qualified trade association and for a marketing program; and providing for an effective date."

- MOVED HB 167 OUT OF COMMITTEE

PRESENTATION BY M2Z NETWORKS

- HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 147

SHORT TITLE: TOURISM CONTRACT MATCHING FUNDS

SPONSOR(S): REPRESENTATIVE(S) HARRIS BY REQUEST

02/21/07	(H)	READ THE FIRST TIME - REFERRALS
02/21/07	(H)	EDT, FIN
03/13/07	(H)	EDT AT 11:00 AM CAPITOL 106

03/13/07 (H) Heard & Held  
03/13/07 (H) MINUTE(EDT)  
03/20/07 (H) EDT AT 11:00 AM CAPITOL 106

BILL: HB 167

SHORT TITLE: APPROP: TOURISM MARKETING

SPONSOR(S): REPRESENTATIVE(S) JOHNSON

02/28/07 (H) READ THE FIRST TIME - REFERRALS  
02/28/07 (H) EDT, FIN  
03/13/07 (H) EDT AT 11:00 AM CAPITOL 106  
03/13/07 (H) Heard & Held  
03/13/07 (H) MINUTE(EDT)  
03/20/07 (H) EDT AT 11:00 AM CAPITOL 106

**WITNESS REGISTER**

CHARISSE MILLETT, Staff  
to Representative John Harris  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 147, on behalf of Representative Harris, sponsor.

JEANNE OSTNES, Staff  
to Representative Craig Johnson  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 167, on behalf of Representative Johnson, sponsor.

DAVE COBB, Business Manager  
Valdez Fisheries Development Association Inc.  
Valdez, Alaska

POSITION STATEMENT: Testified in support of HB 147 and HB 167.

COLLEEN STEPHENS, President  
Valdez Visitors Bureau  
Valdez, Alaska

POSITION STATEMENT: Testified in support of HB 147 and HB 167.

BONNIE QUILL, Director  
Mat-Su Convention and Visitors Bureau  
Palmer, Alaska

POSITION STATEMENT: Testified in support of HB 147 and HB 167.

SANDRA WHITE, Manager  
Talkeetna Air Taxi

Talkeetna, Alaska

POSITION STATEMENT: Testified in support of HB 147 and HB 167.

DEB HICKOK, President, and CEO

Fairbanks Convention and Visitors Bureau;  
Chair

Marketing Committee

Alaska Travel Industry Association (ATIA)

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 147 and HB 167.

PARK KRINGER, President

American Village of Alaska, Inc.

Glennallen, Alaska

POSITION STATEMENT: Testified in support of HB 147 and HB 167.

DEE DEE KAY, Sales Manager for Lodging

Talkeetna Alaskan Lodge and Seward Windsong Lodge

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 147 and HB 167.

ALAN LEMASTER, Owner

Copper River Salmon Charters;

Gakona Junction Village

Gakona, Alaska

POSITION STATEMENT: Testified in support of HB 147 and HB 167.

TRACY BEAUDOIN, Executive Director

Glennallen/Copper Valley Chamber of Commerce

Glennallen, Alaska

POSITION STATEMENT: Testified in support of HB 147 and HB 167.

BRETT CARLSON, Member

Board of Directors

Alaska Travel Industry Association

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 147 and HB 167.

JOHN MULETA, Founder and Chief Executive Officer

M2Z Networks Inc.

Menlo Park, California

POSITION STATEMENT: Provided the M2Z Networks presentation.

#### **ACTION NARRATIVE**

**CHAIR MARK NEUMAN** called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at

11:01:34 AM. Representatives Doogan, Doll, Lynn, and Neuman were present at the call to order. Representatives Johansen and Gatto arrived as the meeting was in progress.

HB 147-TOURISM CONTRACT MATCHING FUNDS  
HB 167-APPROP: TOURISM MARKETING

11:02:00 AM

CHAIR NEUMAN announced that the first order of business would be HOUSE BILL NO. 147, "An Act relating to matching funds in state tourism marketing contracts with trade associations", and HOUSE BILL NO. 167, "An Act making special appropriations for a contract with a qualified trade association and for a marketing program; and providing for an effective date."

CHAIR NEUMAN said that public comment would be held jointly on HB 147 and HB 167 due to the close subject matter of the bills. Following the consideration of the bills, there will be a presentation by M2Z Networks. He requested that staff members review the bills.

11:03:03 AM

CHARISSE MILLETT, Staff to Representative Harris, sponsor of HB 147, informed the committee that the current statute for funding tourism marketing requires a 50 percent to 50 percent match. This bill will change that percentage to a 90 percent to 10 percent match, with the state providing 90 percent of the funds.

11:04:04 AM

JEANNE OSTNES, Staff to Representative Johnson, sponsor of HB 167, informed the committee that HB 167 is an appropriations bill for funding from the general fund and the vehicle rental tax account. She stated that this increase in funding is an indication of the state's support of marketing for the tourism industry.

CHAIR NEUMAN called for questions from the committee prior to public testimony.

11:05:21 AM

REPRESENTATIVE DOOGAN asked how the 90 percent to 10 percent match split was determined by the sponsors of HB 147.

MS. MILLETT responded that the Alaska Travel Industry Association (ATIA) is currently providing funding in the amount of \$8 million; however, the ATIA does not expect the cruise ship industry to continue its contribution of \$4 million for the FY 07 budget. In addition, funding from members for FY 07 is estimated at \$2 million. A total of \$4 million, after the state's contribution, is insufficient to maintain a national and international marketing campaign, she said. The ATIA anticipates the need for a FY 07 marketing budget of \$20 million.

REPRESENTATIVE DOOGAN observed that the percentage is based on the present situation. He asked whether HB 167 contains details for the use of the additional money.

[11:07:44 AM](#)

MS. OSTNES explained that the details will be contained in the state's contract with the ATIA. She noted that the funding is for the expansion of marketing and that the ATIA will discuss its budget with the committee.

CHAIR NEUMAN added that the tourism industry feels that the Alaska Cruise Ship Initiative (ACSI) will result in a reduction of support from the cruise line industry.

MS. OSTNES pointed out that the previous \$5 million match with the industry resulted in a net surplus.

REPRESENTATIVE DOLL asked if the requested increase in funding will be a permanent change.

[11:10:25 AM](#)

MS. MILLETT responded that the 90 percent to 10 percent match will be a permanent change in the statute.

CHAIR NEUMAN added that all funds are appropriated by the legislature each year.

CHAIR NEUMAN asked for public testimony.

DAVE COBB, Business Manager, Valdez Fisheries Development Association Inc., informed the committee that he supports HB 147 and HB 167. This legislation, he said, is very important to the future of tourism in Alaska. Marketing campaigns are essential to ensure that the visitor industry remains a strong sector of

the economy. Mr. Cobb said that Valdez Fisheries is a local aquaculture program that has developed a successful sport fishing and visitor industry. He said that the visitor industry in Valdez consists of small businesses that depend on a large statewide program for an effective marketing campaign. Mr. Cobb concluded by saying that Alaska's visitor industry is one of the state's largest employers, and is a major element in the economy of Valdez and other small communities.

[11:12:48 AM](#)

CHAIR NEUMAN recalled previous testimony that stated 51 percent of tourism businesses have 5 or fewer employees.

COLLEEN STEPHENS, President, Valdez Convention & Visitors Bureau, informed the committee that the Valdez Convention & Visitors Bureau membership is comprised of 175 small businesses. The economy of Valdez, she said, is tied to tourism and especially to the independent traveler. Beginning in the 1990s, independent travel and public funding for tourism marketing began to decline. Tourism benefits all Valdez citizens and citizens statewide by providing a tax base. Alaska must compete for tourism business to maintain these benefits to its economy. On behalf of small tourism businesses, she urged the committee to support HB 147 and HB 167.

[11:15:11 AM](#)

BONNIE QUILL, Director, Mat-Su Convention and Visitors Bureau (Mat-Su CVB), said that the Mat-Su CVB's 300 members are asking for the committee's support of HB 147 and HB 167. Through cooperative marketing with the ATIA, the Mat-Su CVB creates an awareness of the Matanuska-Susitna valley as a visitor destination. The Mat-Su CVB does not have a marketing budget sufficient to make connections with visitors. Without the marketing of ATIA the Mat-Su CVB would have difficulty continuing to increase the number of visitors to its area.

SANDRA WHITE, Manager, Talkeetna Air Taxi, informed the committee that her family has worked in tourism in Alaska since the late 1960s. She said that she has trained dozens of other Alaskans who are now employed in the tourism industry. Her experience is that the Alaska Cruise Ship Initiative tax has changed the climate of tourism in Alaska. Ms. White opined

that, even though her business does not have contracts with the cruise ship industry, the state should now support tourism through the passage of these bills. Tourism in Alaska, she said, should not be allowed to dwindle. The community of Talkeetna benefits from tourism by the development of trails and growth. She continued to say that the original intent of HB 147 is that the funds from the vehicle rental tax are paid to support tourism marketing. She concluded by saying that her small business is unable to continue a sufficient marketing campaign alone.

[11:19:14 AM](#)

CHAIR NEUMAN asked for the percentage of Talkeetna Air Taxi customers that are from outside Alaska.

MS. WHITE answered that 90 percent of her business is from outside the state.

DEB HICKOK, President and CEO, Fairbanks Convention and Visitors Bureau; Chair, Marketing Committee, Alaska Travel Industry Association informed the committee that the passage of HB 147 and HB 167 is a vote for small business in Alaska. The ATIA marketing committee is composed of 30 volunteers, most of whom represent small businesses. This committee, she said, directs and monitors the advertising sales and marketing programs. The marketing committee and ATIA staff can provide a detailed proposed spending plan for the FY 07 budget of \$26.5 million. In addition, the ATIA organization is a small business program. Research shows that domestic travelers see an Alaska vacation as too expensive and time consuming. Increased funding for marketing is the only way to compete for visitor dollars. Fairbanks and the interior have difficulty attracting independent and winter travelers. A vote for these bills, Ms. Hickok continued, is a vote for committee member's constituents, friends, and neighbors.

[11:24:44 AM](#)

PARK KRINER, President, American Village of Alaska, Inc., informed the committee that he has been in the tourism business for 35 years. When tourism funding was high, visits from tourists could be credited to national and international television advertising. Today, business in the American Village gift shop is down by 13 percent from the previous year. Mr. Kriner said that the benefits from HB 147 and HB 167 will trickle down to every business in Glennallen and provide jobs

for high school and college students. He asked why would we not fund an industry that provides economic stability. He concluded by saying that he supports HB 147 and HB 167, which will enable residents to stay in Alaska through the winter.

CHAIR NEUMAN added that a visitor stopping in a town will often stop at several different businesses.

DEE DEE KAY, Sales Manager for Lodging, Talkeetna Alaskan Lodge, and Seward Windsong Lodge, testified that her work in tourism has supported her family for 20 years. In her experience she has found that Alaska travel marketing delegations are very small compared to those of other states. Talkeetna Alaskan Lodge is able to provide not only summer lodging, but remains open during the shoulder season to benefit the local community. She said that she believes tourism profits have allowed Talkeetna to build a new clinic, and have supported new businesses in Seward. Ms. Kay encouraged members of the committee to support HB 147 and HB 167 and thereby support the visitor business which is a unique, clean, fun, and competitive industry.

11:30:01 AM

ALAN LEMASTER, Owner, Copper River Salmon Charters and Gakona Junction Village, informed the committee that his part of the state, from Valdez to Fairbanks, and Palmer to the Canadian border, has been severely impacted by the reduction of marketing dollars. Fewer highway travelers and border crossings have resulted in the closures of small businesses. Mr. LeMaster recalled that in the past the cruise ship and air line industries dominated tourism in Alaska. Presently, however, 80 percent of ATIA's members are small businesses with fewer than five employees. During 25 years in business, he said, marketing costs have increased and he supports the estimate of \$25 million needed to market Alaska tourism at the 1980s level. He stressed that state money for tourism is not a gift but an investment. Research indicates that increased funding will give ATIA the ability to bolster television marketing with an emphasis on travel to rural Alaska and the independent businesses across the state. Mr. LeMaster noted that the increased funding will also be directed at the small businesses that have been neglected. He encouraged the legislature to re-invest the vehicle rental tax money into the marketing efforts of the vibrant visitor industry. The investment will ensure the success of the visitor industry and increase revenue for the

state. He urged the committee to make a strong investment in the tourism industry of tomorrow.

[11:36:34 AM](#)

TRACY BEAUDOIN, Executive Director, Glennallen/Copper Valley Chamber of Commerce, said that she agreed with the previous witnesses and added that rural business owners need help from the state.

REPRESENTATIVE DOLL remarked:

I'm kind of curious about the effect of the marketing dollars that we're going to be putting in and when the tourism trade started to decline. I see that we have an increase in cruise ship traffic and more and more it would appear that people in this country prefer taking short, quick ... these wonderful trips on cruise ships and they pretty much stay on those ships or they, there's a contract with the ships to certain tour activities and I'm wondering if there's any correlation between the increased number of cruise ships coming and the way they contract and set up their recreational activities for there passengers and the actual decline of business ... to the small tour companies. ... If we add more money into this are we really going to get the benefit for the dollar or are things changing on a world level, that we're no longer going to see that kind of return on that dollar.

REPRESENTATIVE LYNN suggested that the increase in the price of gasoline may limit travel on the road system.

BRETT CARLSON, Member, Board of Directors, Alaska Travel Industry Association, answered yes; the cruise ship companies are providing vacations that the global market demands. Mr. Carlson said that cruise travel success is based on a trip that is easy to book, short, and available at a competitive price. In addition, the cruise industry spends \$70 million per year on advertising. A drive or fly and drive vacation can not compete in cost with a cruise vacation. However, he said that he feels that tourists who are independent travelers are going to other destinations due to a lack of marketing by Alaska.

[11:41:39 AM](#)

REPRESENTATIVE GATTO confirmed that the cruise industry budgets \$70 million per year for marketing.

MR. CARLSON answered yes; the cruise industry spends \$70 million in marketing and advertising for travel in Alaska.

REPRESENTATIVE GATTO observed that, according to the sponsor statement, the cruise industry will no longer be able to contribute voluntarily to the state marketing program. He said:

I can't make the connection, between if they're spending \$70 million and they can't contribute to the state marketing program, does this mean they're willing to spend \$70 million of their own money on advertising, but won't contribute a couple of million to ATIA.

MR. CARLSON surmised that Representative Gatto is right. He added that the bottom line is that the tourism industry in Alaska has been able to raise \$5 million; \$3 million is based on voluntary contributions and \$2 million is for contributions that add value. He noted that the cruise industry will be providing \$100 million to the state involuntarily through the Alaska Cruise Ship Initiative tax.

[11:43:26 AM](#)

REPRESENTATIVE GATTO compared the statement "will no longer" able to" with the statement "will no longer." He remarked:

Is that an intent? I guess what I'm trying to find out is, did they make a declaration, or is this just an estimate in the sectional analysis of a probability or a likelihood or maybe a guess.

MR. CARLSON opined that the statement is a reasonable likelihood, and that no declarations have been made, as yet. He added that the ATIA would not stake the future of thousands of small businesses on the hope that the cruise industry will continue its voluntary contribution.

REPRESENTATIVE GATTO asked whether the contribution is truly voluntary or is based on an assessment or dues.

MR. CARLSON replied that the cruise industry contribution is voluntary. The purchase of advertising in the ATIA "Vacation

Planner" and participation in outside marketing events totals \$2.5 million in value added contributions to ATIA's budget.

REPRESENTATIVE DOLL asked the bill sponsors whether there is flexibility in the 90 percent to 10 percent match ratio.

MS. MILLETT responded that the percentage is a policy call to be made by the legislature. She added that marketing dollars do not go far when funding a competitive national campaign.

MR. CARLSON opined that the percentage is based on the \$20 million minimum that ATIA estimates is necessary. This minimum amount is determined by comparisons with what is spent by other destinations. Mr. Carlson concluded by saying that ATIA can raise \$2 million this year.

[11:49:02 AM](#)

CHAIR NEUMAN closed public testimony.

REPRESENTATIVE LYNN moved to report HB 147, 25-LS0560\C, out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE GATTO objected.

[11:49:59 AM](#)

A roll call vote was taken. Representatives Doogan, Lynn, Johansen, Doll, and Neuman voted in favor of HB 147. Representative Gatto voted against it. Therefore, HB 147 was reported out of the House Special Committee on Economic Development, International Trade and Tourism by a vote of 5-1.

[11:49:57 AM](#)

REPRESENTATIVE DOOGAN requested a copy of the detailed ATIA proposed budget for FY 07.

[11:51:18 AM](#)

REPRESENTATIVE LYNN moved to report HB 167, 25-LS0656\C out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE GATTO objected.

[11:52:18 AM](#)

A roll call vote was taken. Representatives Johansen, Doll, Doogan, Lynn, and Neuman voted in favor of HB 167. Representative Gatto voted against it. Therefore, HB 167 was reported out of the House Special Committee on Economic Development, International Trade and Tourism by a vote of 5-1.

PRESENTATION BY M2Z Networks

[11:52:34 AM](#)

CHAIR NEUMAN announced that the final order of business would be the presentation from M2Z Networks Inc.

[11:52:44 AM](#)

JOHN MULETA, Founder, and Chief Executive Officer, M2Z Networks Inc. (M2Z Networks), informed the committee that M2Z Networks is a national wireless broadband company headquartered in Menlo Park, California, and with offices in Washington D. C. M2Z Networks is seeking a Federal Communications Commission (FCC) license to provide free nationwide wireless broadband service. This service, he said, is similar to how consumers receive television broadcasts. Mr. Muleta said that his 22 years experience in the telecommunications industry ranges from assisting phone companies and internet services providers, to positions as deputy bureau chief and enforcement division chief for the FCC. Mr. Muleta said he is a well-known advocate of wireless local number portability. Mr. Milo Medin, also of M2Z Networks, has over 20 years of experience in the field developing provider networks for the National Aeronautics and Space Administration (NASA) and the federal government, and co-founded @Home network. M2Z Networks is backed by investors from companies such as Google, Amazon, Netscape, and Redpoint Ventures. These companies have generated 400,000 jobs and \$100 billion in revenue. Mr. Muleta said that M2Z Networks represents the new industry known as internet broadband. He explained that broadband is the foundation of education and economic development in the U. S. and is the ability for everyone to communicate and use the content available on the internet. Providing universal broadband access in the near future is supported by both political parties.

[11:58:33 AM](#)

MR. MULETA pointed out that affordable and universal broadband access is an important issue for the next generation. Currently, the U.S. is ranked 21st in the global index for broadband availability in terms of speed, price, and geographic availability. The broadband gap is in the consumer and small business markets; in fact, 69 million American adults have no internet access. Speaking of small businesses, he said, 50 percent do not have broadband, and 35 percent have no internet presence. Mr. Muleta informed the committee that M2Z Networks has the solution to this problem.

11:59:02 AM

MR. MULETA explained that Alaskans can benefit from affordable broadband by providing this connection to children in their homes. Having internet access only at school and in libraries, he said, is equal to limiting children's access to books after school hours. In addition, economic development is based on the ability of Alaska to communicate with consumers in the Lower 48. He stressed that citizens and visitors need wireless connections everywhere they travel. M2Z Networks will provide free broadband to the consumer at 384 kilobits per second (kbps) service. Also available will be paid subscriptions for faster service. This service will be premised on nationwide roaming and will reach 95 percent of the U. S within 10 years. Additionally, M2Z Networks' use of WiMax technology will lower cost to consumers. M2Z Networks has filed an application for a communications license with the FCC and has asked to lease an unpaired spectrum for a five percent franchise fee. Future service, he continued, will block indecent content for all free access users, and will provide free access to public safety officials.

12:03:12 PM

MR. MULETA noted that M2Z Networks' competitors provide high-speed service by charging for the cost of the equipment and annual service fees of \$720 to \$900. M2Z Networks is committed to provide a private sector solution to a public policy goal. Mr. Muleta encouraged the committee to focus on promoting market based solutions, increased competition, and technology neutrality for the benefit of internet consumers. M2Z Networks has applied for a license to lease a portion of the broadband spectrum between 1710 and 2200 megahertz (MHz), and it expects the license to be granted during 2007. Mr. Muleta concluded by asking for committee members and all Alaskans to support M2Z Networks' application by contacting the FCC.

12:07:12 PM

CHAIR NEUMAN asked Mr. Muleta why his company has traveled so far to make this presentation.

MR. MULETA responded that communication services are national in scope and should cover all states. Currently, Alaska does not offer sufficient broadband choices for municipalities and consumers. M2Z Networks, he said, believes it is here not simply to provide competition, but to directly benefit consumers with a free broadband service, as wide in scope as television broadcasting, with two-way non-passive interaction and in a responsible manner.

REPRESENTATIVE JOHANSEN asked if the importance of the broadband connection is due to the future emphasis on video streaming and live video.

MR. MULETA expressed his belief that the primary driver of broadband is the personalization of the internet. In addition, broadband is always available for instant two-way communication.

REPRESENTATIVE GATTO asked for a definition of "slamming and cramming".

MR. MULETA replied that "slamming" is the unauthorized switching of long distance providers, and "cramming" is adding charges to the bills.

REPRESENTATIVE GATTO further asked who participates in "cramming".

MR. MULETA answered that some phone companies offer their billing information to other businesses that then add charges for unsolicited services.

REPRESENTATIVE LYNN noted that local and national politics can be influenced by internet blog sites.

MR. MULETA affirmed that statistics prove that the internet can impact politics.

CHAIR NEUMAN asked what investments M2Z Networks will make in Alaska.

MR. MULETA responded that, after FCC licensing, M2Z Networks estimates an investment of \$50 million in Alaska over the next ten years.

[12:16:02 PM](#)

REPRESENTATIVE GATTO asked how to stop unsolicited contact over the broadband network.

MR. MULETA answered that consumers need to request their service providers to stop spam.

CHAIR NEUMAN asked which Alaska companies have been contacted by M2Z Networks for possible future partnerships.

MR. MULETA replied that M2Z Networks has contacted rural phone companies and national telecommunications cooperatives; however, business partnerships can not be formed prior to the issuance of the FCC license.

[12:18:48 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Economic Development, International Trade and Tourism meeting was adjourned at 12:20 p.m.