

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

April 3, 2007  
5:29 p.m.

**MEMBERS PRESENT**

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

**MEMBERS ABSENT**

All members present

**OTHER LEGISLATORS PRESENT**

Representative Lindsey Holmes  
Representative Bill Thomas

**COMMITTEE CALENDAR**

PRESENTATION: ALASKA SEAFOOD MARKETING INSTITUTE

- HEARD

HOUSE BILL NO. 217

"An Act relating to required onboard disclosures and displays about tours, flight seeing operations, other shoreside activities, and visitors bureaus; and providing for an effective date."

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 217

SHORT TITLE: TOURISM DISCLOSURES AND NOTICES

SPONSOR(S): REPRESENTATIVE(S) HOLMES

03/22/07 (H) READ THE FIRST TIME - REFERRALS  
03/22/07 (H) EDT, JUD

04/03/07

(H)

EDT AT 5:30 PM CAPITOL 106

**WITNESS REGISTER**

RAY RUITTA, Executive Director

Alaska Seafood Marketing Institute (ASMI)

Juneau, Alaska

POSITION STATEMENT: Provided the presentation on the Alaska Seafood Marketing Institute.

JOHN WHITE, Owner

Nenana Raft Adventures

Healy, Alaska

POSITION STATEMENT: Testified in support of HB 217.

STEVE HITES, Owner

Skagway Street Car Company

Skagway, Alaska

POSITION STATEMENT: Testified in support of HB 217.

TOM TOUGAS, Owner

Four Seasons Tours;

Alaska Coach Tours

Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 217.

BRUCE BUSTAMANTE, President

Anchorage Convention and Visitors Bureau (ACVB)

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 217.

RON PECK, President and Chief Operating Officer

Alaska Travel Industry Association (ATIA)

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 217.

PAT LUBY, Advocacy Director

American Association of Retired Persons (AARP)

Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on HB 217.

KAREN HESS, Owner

Chilkat River Adventures

Haines, Alaska

POSITION STATEMENT: Testified in support of HB 217.

CHIP THOMA

Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on HB 217.

MIKE WINDRED, Employee

Alaska Travel Adventures, Inc.

Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 217.

JEREMY GEISER, Employee

Gastineau Guiding;

President

Juneau Chapter

Alaska Travel Industry Association (ATIA)

Juneau, Alaska

POSITION STATEMENT: Speaking as an employee of Gastineau Guiding, testified in support of HB 217.

BOB JANES, Owner

Gastineau Guiding

Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 217.

BOB WYSOCKI, President and Chief Executive Officer

Huna Totem Corporation (Huna Totem)

Icy Strait Point

Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on HB 217.

#### **ACTION NARRATIVE**

**CHAIR MARK NEUMAN** called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at [5:29:55 PM](#). Representatives Doogan, Gatto, Doll, and Neuman were present at the call to order. Representatives Kohring, Lynn, and Johansen arrived as the meeting was in progress.

Presentation: Alaska Seafood Marketing Institute

[5:30:28 PM](#)

CHAIR NEUMAN announced that the first order of business would be a presentation by the Alaska Seafood Marketing Institute (ASMI).

[5:30:59 PM](#)

RAY RUITTA, Executive Director, Alaska Seafood Marketing Institute (ASMI), showed the committee some of the current

advertisements broadcast nationally on the Food Network. He highlighted that the advertisements attempt to capitalize on the beauty of Alaska and indirectly support the tourism industry. He then began his PowerPoint presentation. Slide one, "What is Alaska Seafood Marketing Institute?", indicated that ASMI is a partnership of public and private sectors established 25 years ago and has been reorganized to include seven board members who are appointed by the governor. The ASMI mission is to increase the economic value of the Alaska seafood resource which is accomplished by promoting the seafood industry from the point of harvest to the consumption of the product. Mr. Ruitta stated that ASMI's ultimate goal is to encourage consumers to pay a little more for a premium product.

[5:35:24 PM](#)

CHAIR NEUMAN asked for information regarding ASMI's budget.

[5:35:39 PM](#)

MR. RUITTA pointed out that Alaska seafood represents \$1.4 million in direct payments to fishermen for their harvest. The core funding for ASMI is provided by processors who pay a voluntary seafood marketing assessment amounting to 0.5 percent of the first value of what they process. This assessment provides about \$7 million annually in core funding that is then used to leverage federal funding through the U. S. Department of Agriculture (USDA), Foreign Agricultural Service Market Access Program. Additional funding, for a total FY 07 budget of \$19 million, was provided through the Alaska Fisheries Marketing Board and the general fund. The FY 08 budget is estimated to be \$16.5 million, and this reduction will result in a diminished advertising program.

[5:38:16 PM](#)

CHAIR NEUMAN questioned whether ASMI will receive general funds from the FY 08 budget.

MR. RUITTA confirmed that \$1 million in general funds has been requested again this year.

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MR. RUITTA then displayed a pie chart illustrating that ground fish species provide almost 50 percent of the total value of the seafood marketing assessment. Halibut and sablefish contribute

20 percent of value. There is a significant disparity between the tonnage of harvested fish and the commercial value. Mr. Ruitta stressed that over 5 billion pounds of Alaska seafood is marketed. He then turned to some of the threats and opportunities that face the industry. Alaska is the model for the world in sustainability, which is mandated by the state constitution. Mr. Ruitta informed the committee that Alaska's practices are similar to the science supported principles encouraged by the North Pacific Fisheries Management Council and the future looks good regarding this issue. The question of wild versus organic is currently creating confusion in the industry. Some foreign farmed seafood is identified as organic and ASMI is working to inform consumers that wild is superior to organic, and to fight efforts to have the organic designation for U. S. farmed fish. Currently, the industry is doing well with the exception of king crab, which, due to imports from Russia, has dropped in value by 50 percent.

[5:42:43 PM](#)

CHAIR NEUMAN asked about the challenges of import and export markets.

MR. RUITTA said that low import and high export tariffs are problematic for the industry. For example, Europe assesses a 15 percent premium on Pacific halibut, but not on Atlantic halibut. Valued-added products are assessed heavy tariffs as well. In addition, China, although a large potential market, sets a very high tariff on finished, rather than raw, products.

[5:44:06 PM](#)

MR. RUITTA continued his presentation by informing the committee that aquaculture continues to be a serious challenge for the industry. The availability of farmed whitefish varieties are a threat to the pollock, halibut, and sablefish fisheries. He said that talapia is a vegetarian fish that grows almost anywhere, is now the fastest growing import in the U. S. market, and will threaten the value of cod and halibut. Mr. Ruitta explained that Alaska harvests 5 billion pounds of seafood but only provides 2 percent of the world's supply. This disparity is due to the high cost of transportation and processing; Alaska can only compete at the higher level of premium valued fish and not on a commodity basis. For example, the salmon harvest stays within the range of biological limits and is a sustainable resource; however, the aquaculture industry can grow its harvest, and Alaska can not grow the salmon harvest. Similarly,

Alaska's pollock harvest is stable, whereas, the talapia harvest continues to grow and will drive the price of pollock down.

[5:47:09 PM](#)

CHAIR NEUMAN asked for clarification on how the world market brings the prices down for the fish caught by Alaska's commercial fishermen.

MR. RUITTA further explained that the global seafood market is growing due to the large number of aquaculture products. Mr. Ruitta returned to the subject of challenges and opportunities to the industry. He said that consumers around the world are interested in healthful eating and in the value of omega 3s. Wild seafood is accepted to be the best source for omega 3s, though other options are becoming available. However, confusion over seafood contaminants impairs the market. The ASMI must continue to emphasize that Alaska's seafood is nearly contaminant free and to work closely with the Department of Health and Social Services (HESS) and the Department of Environmental Conservation (DEC) to provide information regarding the safety of Alaska's seafood. Mr. Ruitta reiterated that the seafood prices, particularly halibut, are doing well with the exception of king crab. It is extremely difficult to compete with nations such as China, Norway, and Chile, that spend millions of dollars for seafood marketing. In addition, Alaska's geographic distance from its market drives up production cost.

[5:52:09 PM](#)

REPRESENTATIVE GATTO asked whether farmed fish have a different colored flesh than wild fish.

MR. RUITTA answered yes, artificial additives are put in the feed to change the flesh to red.

[5:52:41 PM](#)

CHAIR NEUMAN asked whether ASMI marketing has resulted in higher prices for halibut.

MR. RUITTA responded that ASMI has established a powerful brand name for Alaska's seafood; however, to determine the specific impact is difficult. He pointed out that the rise in prices coincides with ASMI's active marketing campaign. Mr. Ruitta returned to the PowerPoint presentation. He noted that the

value of seafood has steadily increased, not from volume, but from higher prices, and that the expectation is that revenue in 2006 will be equally high or higher. Specifically, the salmon prices are returning to their highest levels.

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MR. RUITTA then described ASMI's international marketing efforts in Japan, China, and the European Union (EU). Japan is Alaska's largest international seafood customer; however, for the first time, the EU imported more salmon than Japan. He said this is an indication of Europe's renewed interest in seafood and ASMI's diverse international marketing campaign.

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REPRESENTATIVE LYNN recalled his opportunity to go to Japan for the Special Olympics and he said that he was hosted in Tokyo by ASMI. He expressed his impression that ASMI representatives are very knowledgeable of their products and of the Japanese market.

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CHAIR NEUMAN requested that Mr. Ruitta describe a European marketing tour.

MR. RUITTA described the European Seafood Show that will be held in Brussels in May, 2007. He noted that sales directly following last year's show amounted to approximately \$104 million. The cost to sponsor the show is approximately \$400,000 to \$500,000.

[6:00:18 PM](#)

REPRESENTATIVE LYNN asked how ASMI and World Trade Center Alaska work together.

MR. RUITTA replied that ASMI exchanges marketing information with World Trade Center Alaska and the Alaska Travel Industry Association (ATIA) whenever possible.

[6:01:11 PM](#)

REPRESENTATIVE DOLL asked whether ASMI works with any type of regulatory agency.

MR. RUITTA answered that ASMI's technical program works with the U. S. Food and Drug Association (FDA), the U. S. Department of Agriculture (USDA, and the United Nations Alimentarius Commission (Codex), which set standards for food quality and safety. Although ASMI has no regulatory powers, it serves as a resource to the industry and to state, national, and international agencies.

[6:02:33 PM](#)

MR. RUITTA further described the European Union as a mixture of mature and emerging markets, including the United Kingdom, Russia, Eastern Europe, Czechoslovakia, and Ukraine. China is still an emerging market and ASMI is maintaining an active presence there as China begins to increase the size of its middle class. Mr. Ruitta pointed out that in countries where ASMI is marketing, seafood demand has grown by 44 percent; in countries lacking an ASMI campaign, seafood demand has grown by 24 percent. The U.S. market is also growing, particularly for sockeye. Many U. S. consumers are re-discovering Alaska seafood and ASMI is advertising heavily in the U. S. in magazines and on television. Television advertising began for the first time on the Food Network in 2006, and has increased ASMI's marketing presence by five-fold. Television advertising reaches 193 million households and the target audience is women aged 35-54 and with a household income of over \$75,000. Advertising campaigns will often tie in with the tourism industry and include cruise promotions. Mr. Ruitta concluded by saying that a consumer is 77 percent more likely to purchase salmon or halibut from Alaska than from another source. Thus, ASMI believes it is contributing to the rising value of Alaska's seafood. Present and future ASMI marketing will focus on foreign consumers, in promoting the purchase of frozen seafood, and on continuing the message that wild Alaska seafood is the best in the world.

[6:09:19 PM](#)

CHAIR NEUMAN recognized Representative Thomas as a commercial fisherman and asked him to advise the committee about how the legislature can assist the commercial fishing industry.

[6:09:37 PM](#)

REPRESENTATIVE BILL THOMAS, Alaska State Legislature, drawing upon his many years of experience as a commercial fisherman, informed the committee that ASMI's efforts have led to more

money for fisherman. He pointed out that the fishing industry pays a 3 percent raw fish tax of which 1.5 percent stays in the local communities. Representative Thomas opined that the legislature should continue its support of ASMI and the Alaska Department of Fish & Game (ADF&G). The ADF&G needs funding to complete research and fish surveys. Representative Thomas recalled that last year an additional \$120,000 was allocated to ADF&G for ground crab research and the result was an additional three weeks of fishing.

[6:12:13 PM](#)

CHAIR NEUMAN asked whether the Alaska Industrial Development and Export Authority (AIDEA) was assisting commercial fisherman with refrigerated salt water and flash-freezing.

REPRESENTATIVE THOMAS replied that federal and state funds are available for fisherman. He pointed out that it is incumbent on the fisherman, with or without incentives, to maintain the quality of the fish and protect the market.

[6:13:43 PM](#)

REPRESENTATIVE JOHANSEN asked whether fishermen are concerned about fish quality.

REPRESENTATIVE THOMAS replied yes, and said that how a fish is handled determines its marketability.

REPRESENTATIVE JOHANSEN further asked whether the fishing industry is responding to the fact that fish quality is important.

REPRESENTATIVE THOMAS replied yes; his partnership with Ocean Beauty requires ice and bleeding at the time of the catch, and fish quality is the key to the industry's success.

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CHAIR NEUMAN thanked the presenter and Representative Thomas.

HB 217-TOURISM DISCLOSURES AND NOTICES

[6:17:19 PM](#)

CHAIR NEUMAN announced that the final order of business would be HOUSE BILL NO. 217, "An Act relating to required onboard

disclosures and displays about tours, flight seeing operations, other shoreside activities, and visitors bureaus; and providing for an effective date."

6:18:26 PM

REPRESENTATIVE LYNN moved that the committee adopt Amendment 1, which read:

Page 2, line 1

After "other alternatives may available":  
Insert "for a higher or lower price"

[Although not formally stated, line 2 of the amendment reads:  
After "other alternatives may be available":]

REPRESENTATIVE LYNN informed the committee that Amendment 1 is a friendly amendment and will ensure that the cruise ship passenger understands that other alternative tours are available for a higher or lower cost.

REPRESENTATIVE GATTO objected. He expressed his concern that there would be few instances when the price of an alternative tour will be higher and many instances when the price will be lower. The implication of equal weight to the words "higher" and "lower" gives little useful information to the purchaser. Representative Gatto suggested striking the word "higher".

REPRESENTATIVE LYNN, after discussion, noted that the amendment to Amendment 1 would strike the words "higher or".

6:20:48 PM

REPRESENTATIVE LINDSEY HOLMES, Alaska State Legislature, stated that she is amenable to action on Amendment 1, as amended. She said that the purpose of HB 217 is to implement the intent of the Alaska Cruise Ship Initiative and avoid unintended consequences.

6:22:18 PM

There being no objection, the Amendment to Amendment 1 was adopted.

REPRESENTATIVE GATTO withdrew his objection to Amendment 1.

There being no objection, Amendment 1, as amended, was adopted.

[6:23:37 PM](#)

REPRESENTATIVE HOLMES explained that the intent of HB 217 is to implement the intent of the voters who passed the Alaska Cruise Ship Initiative ("initiative") while avoiding unintended consequences. She noted that the bill adds a second alternative disclosure requirement for tour operators that sell tours on-board the cruise ships. The alternative requires that tour operators disclose the existence of a paid promotion and that other options may be available in the port of call for a lower price. In addition, the cruise ship passenger is given contact information for the convention and visitors bureau in each port of call. Representative Holmes expressed her belief that HB 217 complies with the voter pamphlet language of the initiative, with the language on the initiative ballot, and with the initiative sponsor statement. She added that the committee packets include many letters of support for HB 217 and that her office has not received any letters in opposition. Representative Holmes concluded that the intent of the initiative was not to harm local Alaska businesses; however, unintended consequences result in the disclosure of pricing structures of local businesses and will limit their ability to compete. This legislation addresses the aforementioned and informs the consumer of his or her options.

[6:27:45 PM](#)

REPRESENTATIVE DOLL remarked:

What I want to do is just sort of clarify where this comes inside the initiative ... it is actually on page 6b, "A person or other entity aboard a cruise ship, conducting or making a sale of tours, flight seeing operations or other shore-side activities to be delivered by a vendor or other entity, shall disclose both orally and in writing the amount of commission or percentage of the total sale retained or returned to the ... person making the sale." ... That is, I think, what we're looking at right now in terms of intent of the initiative....

[6:29:21 PM](#)

JOHN WHITE, Owner, Nenana Raft Adventures, informed the committee that this particular initiative is flawed. His company pays a 20 percent commission to the cruise industry and

to other local travel agents and he expressed his concern about the disclosure of the wholesale pricing arrangements for his white-water rafting company. Mr. White said that other industries make arrangements for discounts based on sales volume. He noted that he has lived in Alaska for 32 years and that the initiative was heavy-handed revenge against the cruise industry. In the white-water rafting industry, discounts result in discounts to safety and the cruise ships require stringent safety procedures from the tours they book. Mr. White concluded by saying that cruise ship passengers account for two-thirds of his business and the disclosure of his confidential pricing information is an intrusion on small business owners.

[6:33:49 PM](#)

REPRESENTATIVE GATTO asked whether Mr. White feels that the 90-day Session Initiative is flawed.

MR. WHITE replied yes. He added that he felt that the legislature is the best judge of the amount of time necessary to complete its business.

REPRESENTATIVE GATTO remarked that if the initiative is flawed, that would mean that the voters are flawed in their vote. He expressed his belief that the voters tell the legislature what they want and the legislature must deal with what voters have asked it to do, rather than search for a way to circumvent the vote. He said that his respect for the voters supports his inclination to not make changes in the initiative.

[6:35:50 PM](#)

REPRESENTATIVE LYNN asked whether the rafting company's arrangement with the cruise ships included limits of liability.

MR. WHITE responded that the standard practice for liability insurance is that the booking agents are named as additional insured; however, essentially the service provider is liable. Mr. White expressed his belief that there is a need for the regulation of rafting and kayaking companies, and repeated his concern that a lower price can mean an unsafe operation.

[6:39:02 PM](#)

REPRESENTATIVE DOLL expressed concerns with regard to the constitutionality of the initiative and thus wanted that to be addressed.

CHAIR NEUMAN told the committee that there will be testimony from the Department of Law at a later date.

[6:40:15 PM](#)

STEVE HITES, owner, Skagway Street Car Company, informed the committee that he is a 34-year resident of Skagway and the owner of a Skagway sightseeing company. He said that his business has grown with the market, has five year-around employees, and has been in business for 21 years. He said that he felt that the disclosure statement in the initiative goes far beyond what the voters intended. He noted that other businesses are not required to disclose prices. He stated that his concern is that his family business and other tourism businesses that work with the cruise lines will be forced to disclose confidential and negotiated pricing to consumers and competitors. This bill will offer an alternative choice that still meets the spirit of the disclosure initiative. Mr. Hites concluded that parts of the initiative were not clearly stated for the public and, thus, HB 217 will correct unforeseen ramifications. He urged the committee to consider supporting HB 217.

[6:44:47 PM](#)

REPRESENTATIVE GATTO remarked:

I'm going to give you a statement that I have here; [reading] "Since 1994 Alaska law has required oral and written disclosure to passengers by cruise lines when they receive commissions for promoting shore-based tours." That, that statement is a pretty powerful statement, because as a person who's bought 15 tickets on the cruise lines, I can promise you I have never seen that disclosure. ... What the initiative has done ... is to it set out as clearly as possible that since they did not observe the requirement that maybe the requirement was not clear to the cruise ship operators....

[6:45:57 PM](#)

TOM TOUGAS, Owner, Four Seasons Tours and Alaska Coach Tours, said that he and his wife operate a tour business offering tours in Seward, Juneau, Ketchikan and Skagway. He informed the committee that the initiative puts his company at a disadvantage in its negotiations with the cruise lines due to the fact that

his company gives different prices to different cruise lines. The disclosure, he said, harms small Alaska businesses and benefits the cruise lines who will now compare pricing with other operators. Mr. Tougas expressed his concern that the time necessary for the oral disclosure will slow the sales process and hurt business. He suggested that the changes in HB 217 have more impact on helping Alaska businesses and less on hurting the cruise lines.

[6:48:47 PM](#)

REPRESENTATIVE DOOGAN expressed his understanding that the initiative requires the shoreside tour operator to disclose to the consumer how much the operator receives from the price of the tour.

MR. TOUGAS responded that the assumption is that the consumer must be told what percentage or amount that the operator retains from the price of the tour. It is important to know, he added, that the cruise lines are doing all of the marketing and accounting and, thereby, earn a commission.

REPRESENTATIVE HOLMES clarified that, as written, the initiative requires the disclosure of the amount of the commission or the percentage of the total sale. She gave an example of a tour that cost \$100, with a commission of 20 percent or \$20, that would reveal to the consumer the wholesale cost of the tour to be \$80.

MR. TOUGAS added that the commission may not be a consistent amount when it is based on the volume of tickets sold.

[6:52:41 PM](#)

BRUCE BUSTAMANTE, President, Anchorage Convention and Visitors Bureau (ACVB), informed the committee that the ACVB has 1,250 members and its mission is to build and grow the tourism industry in Southcentral Alaska. He said that ACVB's review of the initiative revealed that the disclosure section of the initiative was damaging and punitive to its large and small members. Mr. Bustamante noted that the ACVB board of directors has issued a resolution in support of HB 217, and copies of the resolution have been submitted to members of the legislature.

[6:55:39 PM](#)

REPRESENTATIVE DOOGAN asked whether the ACVB was involved in the campaign against the initiative.

MR. BUSTAMANTE replied yes. In further response to Representative Doogan, he said that the [disclosure issue] did come up during campaign.

REPRESENTATIVE DOOGAN referred to the \$2 million television campaign and asked whether this argument should have been made prior to Election Day.

MR. BUSTAMANTE said yes. However, HB 217 will mitigate the potential damage to Alaska business.

CHAIR NEUMAN noted that he was contacted about the initiative prior to the election.

[6:58:08 PM](#)

REPRESENTATIVE GATTO asked Mr. Bustamante whether the disclosure was "the worst part" of the initiative.

MR. BUSTAMANTE replied that the disclosure has the most impact on small businesses. However, the initiative causes problems throughout an industry that brings one million visitors to Alaska each year and is a big part of its economy.

REPRESENTATIVE GATTO stated that the growth in the cruise industry is fairly substantial. He asked whether the ACVB has objections to the establishment of the Ocean Ranger program or to other parts of the initiative.

MR. BUSTAMANTE responded that all four parts of the initiative can harm the growth of the tourism industry in Alaska. The cruise industry is the state's biggest partner in tourism and Alaska needs to ensure that it remains competitive and does not layer costs on its product.

[7:00:53 PM](#)

RON PECK, President, and Chief Operating Officer, Alaska Travel Industry Association (ATIA), testified that ATIA represents 1,050 small and large businesses. The board of directors of ATIA has passed a resolution in support of HB 217. Mr. Peck read the resolution and concluded by saying that the initiative undermines the basic business model of tour programs.

[7:02:33 PM](#)

[Although not formally stated the gavel was passed to Vice Chair Lynn]

VICE CHAIR LYNN inquired as to what portion of the initiative is of most concern to ATIA.

MR. PECK responded that ATIA is specifically in support of HB 217 and that the ATIA board has only taken a position to request modification of the disclosure portion of the initiative. Through HB 217, a modification is made which is good for business in Alaska and fulfills the intent of initiative.

[7:04:14 PM](#)

REPRESENTATIVE JOHANSEN expressed his desire for the committee to focus only on HB 217 and to not continue a "fishing expedition."

VICE CHAIR LYNN acknowledged Representative Johansen's comment.

[Although not formally stated Vice Chair Lynn returned the gavel to Chair Neuman]

[7:05:17 PM](#)

MR. PECK urged the committee to move forward with HB 217 as it will continue to support small businesses within Alaska. He then read from an Alaska Daily News article.

REPRESENTATIVE GATTO objected to the testimony.

[7:06:24 PM](#)

PAT LUBY, Advocacy Director, American Association of Retired Persons (AARP), informed the committee that AARP of Alaska has no position on HB 217 at this time and will need more information with regard to the impact on consumers. He said that AARP's standard on evaluating bills is normally that the more consumer information available, the better it is for the consumer. This bill, he said, seems to limit the information available to the consumer and he requested clarification from Representative Holmes.

[7:08:29 PM](#)

KAREN HESS, owner, Chilkat River Adventures, informed the committee that passage of HB 217 is vital to her business. She noted that she has submitted additional written testimony for members to review in their committee packets. Ms. Hess told the committee that, in 1991, she and her husband choose to begin a small tourism business with their savings and hard work. She said that she was asking for protection for her business, and for all future businesses, from the impact of the disclosure statement. Ms. Hess expressed her belief in free enterprise and the American value of opportunities for private business. She stated that virtually every business in America operates according to the principles of free enterprise, and the initiative is discriminatory to Alaska tourism. Ms. Hess read from the Alaska Constitution of the State of Alaska, Article 1., Declaration of Rights, subsection 1, Inherent Rights. Ms. Hess stated that the disclosure statement does not allow her the enjoyment of the rewards of her industry or equal rights and opportunities. In fact, the disclosure requirement violates her right to privacy and confidentiality. She expressed her hope that the committee will support HB 217.

[7:12:42 PM](#)

CHIP THOMA testified that he is in support of HB 217 with one recommendation. He commented that HB 217 attempts to devise an alternate system of public disclosure regarding the choice of tours. However, the bill does not address the many local tours and activities that are purchased prior to the actual cruise. He pointed out that the initiative does not affect these purchases either; in fact, the language of the initiative was designed for consumer protection of the passenger on-route because many local businesses are not advertised or recommended on-board the ships. It is estimated that in northern Southeast \$250 million of business is done by shore-based tours annually and this amounts to a \$50 million profit to cruise lines. Mr. Thoma said that this amount is generally off the books, because there are no ship taxes or reporting requirements for shore trips. Ship passengers, he said, should have a choice of activities and the ability to shop for inexpensive tours because that is the basis of consumer protection. He recommended a change to HB 217; on page 1, line 13, change "or" to "and." This change will preserve the consumer protection language in the initiative, enable cruise passengers to search further for local activities, and thereby, satisfy all parties.

[7:17:11 PM](#)

REPRESENTATIVE JOHANSEN asked whether HB 217 changes the language of the initiative that was approved by the voters.

MR. THOMA said he believes it does.

REPRESENTATIVE JOHANSEN expressed his concern about the potential impact of changing one word [in an amendment]. He said that he also has a problem with the reference to "kickbacks" by local tour operators and requested that Mr. Thoma's written testimony be re-drafted with less inflammatory language.

[7:19:43 PM](#)

MIKE WINDRED, employee, Alaska Travel Adventures, Inc. (ATA), said that ATA operates 15 shore excursions and books travel with the cruise line passengers and with independent travelers. He expressed his support of HB 217. Mr. Windred explained that ATA has developed its pricing structure since its beginnings in the 1980s and that transparency to consumers has to do with retail prices, rather than pricing structures. For example, ATA's Gold Creek Salmon Bake does not receive many complaints about the price, but he believes that passengers will begin to compare mark-ups and will subsequently stay on board to eat. He urged the committee to move HB 217 on to the House Judiciary Standing Committee.

[7:22:27 PM](#)

JEREMY GEISER, employee of Gastineau Guiding and the Juneau Chapter president of the Alaska Travel Industry Association (ATIA), speaking as an employee of Gastineau Guiding, informed the committee that the pre-election television advertising campaign was too expensive to be conducted by small tourism businesses. This bill, he said, will support the intent of the original initiative, will benefit local businesses and will promote the tourist's use of the local convention and visitors bureaus. Mr. Geiser told the committee that the local operators want to add language that supports the measure as it was originally proposed.

[7:25:36 PM](#)

BOB JANES, Owner, Gastineau Guiding, testified in support of HB 217. He said that his company is a local family-owned business and is an established and commissioned service to the cruise industry. Mr. Janes clarified that commissions to the cruise

lines are paid by check or electronic deposit and local and federal taxes are paid. He expressed his belief that the HB 217 legislation not perfect, but it is a good step to bringing the language closer to the intent of the initiative.

7:27:34 PM

REPRESENTATIVE DOLL asked whether Mr. Janes had taken a cruise, and if so, had felt the need for the disclosure of costs for shore excursions.

MR. JANES answered that he took his first cruise this year and in one port purchased a shore excursion on the ship. He noted that the benefit to buying a more expensive shore excursion affiliated with the ship is that the ship will wait if your party is late returning to the dock. Mr. Janes added that he is opposed to the lower price amendment because the services and reliability of the excursion may be lower as well.

7:30:06 PM

CHAIR NEUMAN advised the committee members that a legal opinion will be requested regarding the change suggested by Mr. Thoma.

7:30:19 PM

BOB WYSOCKI, President, and Chief Executive Officer, Huna Totem Corporation (Huna Totem), Icy Strait Point, informed the committee that Icy Strait Point is Huna Totem's largest investment and is the only private port in Alaska. Mr. Wysocki noted that as a private port owner, Huna Totem has invested millions of dollars to market the Icy Strait Point destination and attract the cruise ship market. This is a very different business model, he explained, and requires that Huna Totem recover its investment through tour sales. Icy Straight Point has no convention and visitors bureau or other independent tours operating on the site. Huna Totem's local economic impact is an annual payroll of \$1.5 million and employment for the residents of Hoonah. All economic activity in Hoonah is related to the evolution of Icy Strait Point. Mr. Wysocki stated that Huna Totem's business has grown from 32 visits by cruise ships to 80 expected visits this year, and he related his support for the disclosure of Huna Totem's relationship with the cruise ships as disclosure promotes safe and quality programs. He said that the cruise industry earns its funds by marketing programs, receiving bookings, and collecting revenues. Huna Totem does not support the disclosure of its business margins. He stated that

encouraging ruthless competition based on proprietary information can not be helpful to Alaskans and small businesses. Consumer demand is driven by the quality and value of the product, not by margins, commissions, or efficiency of volume. Huna Totem has made an investment in the community, the state, and the people of Alaska, and fully supports HB 217. However, for Icy Strait Point as a unique port, the reference to a local convention and visitor bureau does not apply, and thus he requested an amendment.

[7:37:44 PM](#)

CHAIR NEUMAN requested that Mr. Wysocki submit his suggestion for an amendment to Representative Holmes. Chair Neuman noted that the legislative process is a discovery process and issues need to be studied in depth. He then read the names of some of the businesses present and asked for a show of hands as to how many support HB 217. Chair Neuman noted that galley opposition to the bill was nominal.

[7:39:09 PM](#)

REPRESENTATIVE GATTO stated that approximately one million passengers a year come to Alaska; however, they are not represented by today's testimony. The initiative was to address the concerns of those visiting the state and thereby, affected those running the tourism businesses in the state. He expressed his belief that visitors desire transparency. The initiative was inspired by the concerns of an owner of a flight service who stated that 40 percent of her profit was paid to cruise ships. In addition, she expressed her fear that the cruise industry would refuse to sell her tours if her concerns were made public. Representative Gatto said that this bill tends to modify the initiative and that he is very cautious when the legislature attempts to change an initiative passed by a vote of the people of the state.

[7:42:35 PM](#)

CHAIR NEUMAN stated that further testimony must refer to HB 217.

[7:43:13 PM](#)

REPRESENTATIVE DOOGAN opined that discussion of HB 217 must include discussion of the intent of the initiative, and he

requested to see authorization that permits the chair to restrict debate.

CHAIR NEUMAN remarked:

Representative Doogan, as the chair of this committee, I certainly control the tone of the debate, and I did state earlier that we would get a legal opinion and have some discovery. I never, I never cut anybody back, but I wanted to make sure, that, I want to stay on the bill here.

REPRESENTATIVE DOOGAN said, "I renew my request."

[7:44:03 PM](#)

REPRESENTATIVE LYNN opined that the committee must realize that HB 217 impacts the initiative and members will need to review the bill in a broad context. He said that he was supportive of the legislation, but was concerned about how much the legislature should change the initiative.

CHAIR NEUMAN announced that HB 217 would be held over for further discussion and with public testimony open.

[7:45:08 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 7:45 p.m.