

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

April 10, 2007

5:04 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

COMMITTEE CALENDAR

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

Presentation: Alaska Works Partnership, Inc.

- HEARD

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
04/03/07 (H) Heard & Held
04/03/07 (H) MINUTE(EDT)
04/10/07 (H) EDT AT 5:00 PM BARNES 124

WITNESS REGISTER

RICHARD BENEVILLE, Owner
Nome Discovery Tours;
Member,
Nome Chamber of Commerce;
Member, Board of Directors
Alaska State Chamber of Commerce
Nome, Alaska
POSITION STATEMENT: Testified during the hearing on HB 217.

STAN STEPHENS, President
Stan Stephens Glacier & Wildlife Cruises
Valdez, Alaska
POSITION STATEMENT: Testified in support of HB 217.

LOREN GERHARD, Vice President
Marine Operations
Four Seasons Tours
Juneau, Alaska
POSITION STATEMENT: Testified in support of HB 217.

ROBERT JACOBSEN, President
Wings of Alaska and Wings Airlines
Juneau, Alaska
POSITION STATEMENT: Testified during the hearing on HB 217.

MIKE ANDREWS, Director
Alaska Works Partnership Inc.,
Anchorage, Alaska
POSITION STATEMENT: Provided the presentation on Alaska Works
Partnership, Inc.

ACTION NARRATIVE

CHAIR MARK NEUMAN called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at [5:04:04 PM](#). Representatives Doll, Doogan, Kohring, Gatto, and Neuman were present at the call to order. Representatives Lynn and Johansen arrived as the meeting was in progress. Representative Holmes was also in attendance.

^#hb217

HB 217-TOURISM DISCLOSURES AND NOTICES

5:04:24 PM

CHAIR NEUMAN announced that the first 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."

CHAIR NEUMAN opened the hearing to public testimony on HB 217.

5:06:01 PM

RICHARD BENEVILLE, owner of Nome Discovery Tours, member of the Nome Chamber of Commerce, and board member of the Alaska State Chamber of Commerce, expressed his belief that HB 217 is punitive to the small business owner and to the cruise ship companies. He added that the bill is against fair play and the spirit of small business in Alaska. He urged the committee to not support the [bill].

5:07:52 PM

CHAIR NEUMAN asked how the bill is anti-business.

MR. BENEVILLE stated that he was looking at a copy of the bill, and noted the language regarding the disclosure of fees. Mr. Beneville stated his understanding of the intent, but that the language of the bill is counter to free enterprise. He acknowledged that Nome does not have the cruise ship traffic of Southeast.

5:09:07 PM

REPRESENTATIVE GATTO asked whether Mr. Beneville voted against the Alaska Cruise Ship Initiative (initiative).

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MR. BENEVILLE answered yes.

5:09:43 PM

REPRESENTATIVE GATTO opined that, after passage of the initiative, HB 217 was written to implement the decision by the

voters. The initiative can not be repealed, it can only be modified.

[5:10:17 PM](#)

MR. BENEVILLE suggested that the voters may have been confused by the wording of the initiative.

[5:10:40 PM](#)

STAN STEPHENS, president, Stan Stephens Glacier & Wildlife Cruises, expressed his support of HB 217. Mr. Stephens stated that he participated in the advertising against the initiative and has always supported small business. He said that he saw the initiative as a grudge against the cruise ship industry and the disclosures required by its passage shut down competition, are un-American, and set a new precedent. He concluded by saying that HB 217 will dissolve some of the problems caused by the initiative.

[5:13:04 PM](#)

REPRESENTATIVE DOLL asked whether there should be any regulation of cruise ship commission rates.

[5:13:30 PM](#)

MR. STEPHENS expressed his feeling that there is no need for regulation. He said that he would not want his business pricing to be open to his competitors.

[5:14:23 PM](#)

REPRESENTATIVE DOLL expressed her impression that the initiative was to protect small business and to regulate the cruise ship industry.

MR. STEPHENS opined that this initiative hurts small business and could have an impact to businesses outside of the cruise ship industry.

[5:15:09 PM](#)

LOREN GERHARD, vice president of Marine Operations, Four Seasons Tours, informed the committee that Four Seasons Tours employs about 70 workers in the summer, and contributes \$1 million to the local economy. His business sells its tours on the cruise

ships and to do so must meet standards of quality and of volume. He stressed that his company uses invoices to transfer payments and that transactions are monitored by taxing agencies. Mr. Gerhard said that his negotiations with the cruise ships are private, as are most negotiations between retailers and wholesalers. He expressed his belief that there are no other businesses, outside of tours sold on the ships, that are required to disclose wholesale prices. To be fair, he said, all commissions for travel agents should also be disclosed. He opined that the initiative was about the head tax, and the voters were unaware of this provision. Mr. Gerhard told the committee that he supports HB 217 because it reveals that a commission is paid, but will not disclose the wholesale price. He concluded by saying that the legislature has the authority and responsibility to modify the initiative.

[5:19:54 PM](#)

CHAIR NEUMAN asked whether Mr. Gerhard would describe his business as a wholesale provider to the cruise ship industry.

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MR. GERHARD answered yes. In response to a question, he noted that there is no commitment from the ship to a specific level of volume. The commission is negotiated periodically and is a routine business decision that balances a lower profit margin with a level of potential volume.

[5:21:08 PM](#)

CHAIR NEUMAN asked whether a new competitor has an equal opportunity to approach the cruise industry about sales aboard the ships.

[5:21:51 PM](#)

MR. GERHARD responded yes. However, the cruise ship companies will decide what activities to offer to their passengers and cannot offer every vendor. He opined that if the industry discloses the availability of other shoreside vendors, that disclosure should satisfy the intent of the initiative. In addition, the tours offered on the ship are a better product for the passengers.

[5:23:02 PM](#)

CHAIR NEUMAN asked whether there is a high level of competition between on-shore tour operators for a sales arrangement with the cruise lines.

[5:23:32 PM](#)

MR. GERHARD replied that the strong competition is the reason he does not want to disclose his wholesale price.

[5:23:45 PM](#)

REPRESENTATIVE DOLL asked whether Mr. Gerhard has an interest in knowing what discount rates his competitors pay to the cruise lines.

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MR. GERHARD assured the committee that he would be interested in the information; however, the state government does not have the right to require this information to be made public.

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REPRESENTATIVE DOOGAN remarked:

We had an election in which the voters decided that this should be done. ... Apparently, if I understand your argument correctly, you don't like that they did that, you don't think it's fair that they did that and you think that we ought to do something that changes what they approved, under the theory that they didn't really understand what they were doing....

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MR. GERHARD acknowledged that the initiative has passed, even though tour operators tried to inform the public about the disclosure measure. He expressed his belief that the intent of the voters is met by HB 217.

[5:27:11 PM](#)

REPRESENTATIVE DOOGAN asked:

Don't we have to assume that the voters knew exactly what they were doing and voted to do this on purpose?" ... If we did that, don't we have to assume that their

intent was to do just this, to require exactly what the initiative says it requires?

[5:27:40 PM](#)

MR. GERHARD remarked:

I think that the intent is, is to describe to tourists that the relationship with these cruise ship companies involves a commission. I have no problem admitting that. But for me to have to provide my precise ... wholesale prices, it's overreach, is what it is.

[5:28:17 PM](#)

REPRESENTATIVE DOOGAN said:

This is not, in my view, a particularly discretionary matter for us. ... I don't think that we can assume that we know why they did it, or what parts of it they were voting on, or what parts of it they didn't pay any attention to. ... I just want everybody who wants to make this argument to the committee to understand what it is they're asking us to do here.

[5:29:30 PM](#)

MR. GERHARD expressed his understanding that the change can be made through the Legislative Legal and Research division of the Legislative Affairs Agency.

[5:30:04 PM](#)

CHAIR NEUMAN observed that it is the legislature's job to review the initiative; in fact, subtle changes have been made to the 90 Day Session Initiative.

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REPRESENTATIVE GATTO recalled that the Gas Reserves Tax Initiative failed and inquired whether it was appropriate for the legislature to repeal the initiative and impose the tax. He inquired also whether the legislature should alter the 90 Day Session Initiative. He then said:

Should we go to this bill, in front of us, and say the public probably wasn't aware of what they were voting

on for the head tax. What they were really voting on was part four, which was the information that is supposed to be revealed. ... I don't want to simply object to the people's wishes out of hand and say, and support essentially what your testimony was, was that people may have erred, in not understanding what was there. ... I don't know how I could possibly sit here and say they didn't know. ... What I will do, though, and I'm in favor of the bill myself, is to say, I think what we can do to make this somewhat easier for businessmen, ... but not to repeal it.

[5:33:50 PM](#)

REPRESENTATIVE LYNN stated that Sec. 1 of the bill includes what the voters approved and expands to include another alternative disclosure. He indicated his support of the bill at this time.

[5:34:46 PM](#)

ROBERT JACOBSEN, president of Wings of Alaska and Wings Airlines, informed the committee that his small airline began to sell tours on board the ships 25 years ago. Last year, Wings flew 80,000 passengers on excursions. He expressed his belief that initiatives should be about a single issue and that the lieutenant governor made a mistake by sanctioning the Alaska Cruise Ship Initiative. If the initiative concerned one issue, there would be no doubt about the intent of the voters. Mr. Jacobsen said that competition is open to new operators. In fact, one marine tour company began operations five years ago, and it was able to establish sales on the cruise ships without any problem. He said that HB 217 refers to his business as a "paid promotion" and that is an inaccurate representation of his airline. He remarked:

But, if we're going to say that ... [in HB 217], "other alternatives may be available at a lower price," then I suggest that we also say that "they are also available at a higher price, and they are also available at lesser quality, they're also available by fly-by-nights" ... How far do we go there, when we start saying that they're available at a lower price?
...

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CHAIR NEUMAN stated that the language in the bill is just to inform the passengers about alternatives.

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MR. JACOBSEN agreed that alternatives are great; however, the alternatives must be qualified with more information.

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REPRESENTATIVE GATTO stated his belief that on-shore tours have no opportunity to compete with the tours sold on ships. The motivation for this part of the initiative is that other businesses can not get to the passengers to market their tours. He said this raises the question of whether the cruise ships own the port or whether there is a free market.

[5:41:52 PM](#)

MR. JACOBSEN replied that the alternatives referred to should include: higher value, lesser value, lesser quality, and fly-by-nights.

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CHAIR NEUMAN announced that public testimony was closed for this meeting and that the sponsor will present a committee substitute at the meeting scheduled for April 17, 2007.

[HB 217 was held in committee]

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^Presentation: Alaska Works Partnership

CHAIR NEUMAN announced that the final order of business would be a presentation by the Alaska Works Partnership.

[5:43:49 PM](#)

MIKE ANDREWS, Director of Alaska Works Partnership Inc. (AWP), informed the committee that AWP is a consortium of Alaska building trades unions and their apprenticeship programs. Its focus is on the construction industry and on moving Alaskans into jobs in the construction industry. He presented a video depicting scenes from AWP's training program for future pipeline workers. Mr. Andrews stated that the pipeline program was also supported by the pipeline unions, the North Slope Contractors

Association, and the Department of Labor (DOL), and has trained 297 apprentices with an employment rate of 95 percent.

[5:51:01 PM](#)

MR. ANDREWS continued to say that the Denali Commission and the U. S. Department of Labor provided major funding to establish the AWP in 2000. The Trade Apprentices program accepts 50 to 60 applicants per year and the Technical Trade courses are paid for by the private sector. The Building Maintenance and Repair Apprenticeship program has built over 350 homes in Western Alaska and has provided labor to work on schools, clinics, roads, and safe water projects for nine major employers.

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CHAIR NEUMAN asked whether reductions in federal and state funding will affect AWP.

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MR. ANDREWS expressed his hope that federal and state funds will continue to support the State Training Employment Program (STEP) and the Technical Vocational Education Program (TVEP). The AWP will continue to provide training with the support of the industry. Mr. Andrews continued his presentation by noting that the award winning Women in the Trades program was created in 2003 to increase the percentage of women working in construction. Forty applicants have been accepted in the program. The Helmets to Hardhats (H2H) program is conducted in partnership with the U. S. Department of the Army, Department of Defense, the National Building Construction Trades, and the national H2H organization. In 2006, 37 H2H apprentices participated in training with additional support from the state for job placement for veterans. Mr. Andrews said that the Pipeline Training program has resulted in high employment for graduates. This program received \$1.5 million for pipeline training equipment and \$3 million for construction of a pipeline training facility from the state. The Fairbanks training facility will also receive \$3 million of federal funds dedicated by the Alaska Natural Gas Pipeline Act of 2005.

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CHAIR NEUMAN asked how interested businesses contact AWP for information about training programs.

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MR. ANDREWS replied that employers that are committed to hiring trainees can contact his office. The AWP will then look for resources and other interested parties in the same community to explore the feasibility of a training course or academy.

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CHAIR NEUMAN suggested that committee members contact Mr. Andrews for further information.

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MR. ANDREWS called the committee's attention to the pipeline training facility to be built Fairbanks. Design and engineering plans are underway; however, he estimated that \$3 million will be needed to complete the facility. In addition, mobile Construction Academies provide intensive training for 150 youth aged 17 to 24 years, in conjunction with nine school districts. He added that the emphasis on math at the academies has increased math scores for participating students. In 2006, the state funded a \$1 million grant for the development of the Anchorage Construction Academy which opened in October, 2006. This project was completed through a partnership with the Associated General Contractors, Anchorage Home Builders, Anchorage School District, and others. Mr. Andrews stated that after school classes are held at the King Career Center and evening classes are held for adults. Seven hundred high school students and one hundred and fifty adults have participated. The AWP is planning to expand the mobile vocational education program to the regions of Mat-Su, Kenai, Fairbanks, and Southeast. In conclusion, Mr. Andrews said that the AWP is working to close the construction skills gap with a cost-effective and efficient system that is supported by the construction industry.

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CHAIR NEUMAN observed that the state Department of Education (DOE) has established benchmarks for core subjects. He asked whether AWP and the industry can support youth programs and connect on-the-job training with school benchmarks for grade level achievement. In this way, private industry can provide students with training that will also qualify as credits toward graduation.

[6:04:21 PM](#)

MR. ANDREWS replied that each school district is different and state and federal standards, coupled with limited funding, can restrict possible training opportunities. Schools, he said, are supportive of AWP programs that do not take school instruction time or increase planning responsibilities for teachers. The AWP programs provide an instructional kit and create solutions for schools that wish to increase vocation training. He stressed that legislators need to bring back vocational training in schools to utilize applied math skills and to increase high school graduation rates. Studies have shown that vocational education will increase math and science scores and keep students in school.

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CHAIR NEUMAN opined that applied math is more appealing to many students.

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REPRESENTATIVE JOHANSEN asked how an initial contact, such as the one made by the Ketchikan Homebuilders Association, would be addressed.

[6:08:26 PM](#)

MR. ANDREWS responded that the AWP will encourage the company to talk with the high school and college, and related industries, to begin a dialog and to search for the resources and talent in the community. Local and regional business leaders will determine the future need for skilled workers in their community, based on planned future projects. He stressed that many different occupations have a need for workers with similar skills, such as welding. The best training will teach skills that can be adapted to meet the needs of a variety of construction businesses. The AWP requires that the businesses in the communities it serves will be ready to hire the trainees.

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REPRESENTATIVE JOHANSEN noted that the local community must be part of the initial process.

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MR. ANDREWS added that the AWP periodically has money for rural training dollars from the Denali Commission.

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CHAIR NEUMAN asked how a large industry, such as Northrop Grumman Corporation, can be involved in developing apprenticeship programs.

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MR. ANDREWS answered that the state administration must provide for workforce development. Many large corporations want workers with basic skills and math abilities and they will teach the technical skills as on-the-job training. He said that the world of work requires highly technical skills and other states are providing education at the 13th and 14th year to prepare students for employment.

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CHAIR NEUMAN asked what can be done at the high school level.

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MR. ANDREWS reiterated that an investment by the state in vocational education is needed. He relayed that, before 1985, Alaska had high levels of vocational education in the high schools and high graduation rates, also. As the funding for education was decreased and vocational programs and facilities were eliminated, graduation rates declined.

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CHAIR NEUMAN observed that rural areas have difficulty meeting the requirements for core subjects mandated by the No Child Left Behind Act of 2002. Staffing highly qualified status teachers in small schools is costing school districts additional funds for core subjects and will also keep vocational programs from being re-instated.

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REPRESENTATIVE JOHANSEN asked about the attitude that school districts hold toward vocational education.

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MR. ANDREWS responded that school districts are becoming more interested in vocational education but do not have the resources necessary to provide it. Again, when the AWP is providing instructors and after school programs, they are very well received.

[6:18:29 PM](#)

CHAIR NEUMAN observed that special needs and vocational education is funded from the same budget.

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REPRESENTATIVE DOLL stated that the University of Alaska has apprentice programs and is well connected with the high schools. She suggested that there is a need for more cooperation with the university.

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MR. ANDREWS affirmed that the AWP does work with the University of Alaska and with the Technical Education Center in Kotzebue. He pointed out that there are many opportunities for students to obtain dual credits for high school and college. Industry, labor, and education partnerships are vital for workforce development.

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REPRESENTATIVE GATTO observed that the new Mat-Su Career and Technical High School experienced a disappointing enrollment.

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MR. ANDREWS informed the committee that the school experienced problems attracting students from their home schools and providing transportation for students from throughout the district. The AWP is interested in using the facility for training adults during evening hours and will be assisting the school district with new ideas.

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CHAIR NEUMAN opined that the new program teaches skills beginning in 9th grade and perhaps a student is too young to identify his or her interests.

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MR. ANDREWS clarified that the Mat-Su Career and Technical High School is incorporating standard academic courses with technical education and will be opening soon.

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REPRESENTATIVE GATTO opined that students are often loyal to their neighborhood schools.

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MR. ANDREWS added that sports were not offered at the new school and that transportation a big problem. He noted that funds were available to bus Anchorage students to the King Career Center and enrollment there is very high.

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CHAIR NEUMAN asked how much money is needed to be directed toward vocational education.

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MR. ANDREWS answered that in the private sector the construction trade and union apprenticeship programs are funded at the \$10 million level to train 1,600 apprentices and 3,000 journeymen. The return on investment for vocational training is very high based on private sector investment, and investment by the state will entice industry to participate at even higher levels.

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CHAIR NEUMAN suggested that committee members contact Mr. Andrews for ideas about educational opportunities in their districts.

[6:27:21 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 6:27 p.m.