

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

April 24, 2007

5:19 p.m.

**MEMBERS PRESENT**

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

**MEMBERS ABSENT**

Representative Carl Gatto  
Representative Vic Kohring

**COMMITTEE CALENDAR**

PRESENTATION: The Economics of Sport Fishing

- HEARD

PRESENTATION: Agrium's Economic Impact on the Kenai

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

RICKY GEASE, Executive Director  
Kenai River Sportfishing Association  
Soldotna, Alaska

POSITION STATEMENT: Provided the presentation by the Kenai River Sportfishing Association.

BRUCE KNOWLES  
Wasilla, Alaska

POSITION STATEMENT: Testified during the hearing on the Economics of Sport Fishing.

GREG SUTTER, Owner

Captain Greg's Charters  
Homer, Alaska

POSITION STATEMENT: Testified during the hearing on the  
Economics of Sport Fishing.

BOB HOWARD, Owner  
Sea Nymph Charters;  
Chair, Board of Directors  
Homer Economic Development Commission  
Homer, Alaska

POSITION STATEMENT: Speaking on his own behalf, testified  
during the hearing on the Economics of Sport Fishing.

CHARLES PEARMAN, Owner  
Pristine Charters  
Kodiak, Alaska

POSITION STATEMENT: Testified during the hearing on the  
Economics of Sport Fishing.

RON WILSON, Owner  
Ron's Riverboat Service and Susitna Landing;  
Member, Board of Directors  
Mat-Su Convention and Visitor's Bureau  
Willow, Alaska

POSITION STATEMENT: Testified during the hearing on the  
Economics of Sport Fishing.

ROBERT MEALS, General Manager  
Tri River Charters  
Talkeetna, Alaska

POSITION STATEMENT: Testified during the hearing on the  
Economics of Sport Fishing.

BILL MACKAY, Member  
Board of Directors  
Kenai River Sportfishing Association;  
Senior Vice-President  
Alaska Airlines  
Soldotna, Alaska

POSITION STATEMENT: Testified during the hearing on the  
Economics of Sport Fishing.

RON RAINEY, Member  
Board of Directors  
Kenai River Sportfishing Association  
Soldotna, Alaska

POSITION STATEMENT: Speaking as an individual, testified during the hearing on the Economics of Sport Fishing.

RIK BUCY, Chair  
Board of Directors  
Kenai River Sportfishing Association  
Soldotna, Alaska

POSITION STATEMENT: Testified during the hearing on the Economics of Sport Fishing.

BOB PENNY, Member  
Board of Directors  
Kenai River Sportfishing Association  
Soldotna, Alaska

POSITION STATEMENT: Testified during the hearing on the Economics of Sport Fishing.

LISA PARKER, Manager  
Government & Public Relations  
Agrium U.S. Inc.  
Kenai, Alaska

POSITION STATEMENT: Provided the presentation on Agrium U.S. Inc.

CHRIS J. SONNICHSEN, Director  
Alaska Operations  
Agrium U. S. Inc.  
Kenai, Alaska

POSITION STATEMENT: Answered a question during the presentation on Agrium U.S. Inc.

#### **ACTION NARRATIVE**

**CHAIR MARK NEUMAN** called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at [5:19:54 PM](#). Representatives Lynn, Doogan, Doll, and Neuman were present at the call to order. Representative Johansen arrived as the meeting was in progress.

PRESENTATION: THE ECONOMICS OF SPORT FISHING

[5:21:00 PM](#)

CHAIR NEUMAN announced that the first order of business would be a presentation by the Kenai River Sportfishing Association.

[5:21:02 PM](#)

RICKY GEASE, Executive Director, Kenai River Sportfishing Association (KRSA), informed the committee that KRSA is a nonprofit fishery conservation organization located on the Kenai Peninsula, and is dedicated to keeping the Kenai River one of the world's foremost sport fishing rivers. Mr. Gease said that sportfishing in Alaska is a billion dollar industry and \$650 million is earned in the Kenai Peninsula Borough. In addition, sport fishing provides 11,000 jobs statewide with a payroll of \$250 million. Mr. Gease said that one of the main points of his presentation today is to emphasize that up-to-date and comprehensive studies of the economic impact of this industry are needed.

[5:23:02 PM](#)

CHAIR NEUMAN asked whether ice fishing was included in the total value of sportfishing.

MR. GEASE answered yes. He continued his presentation by saying that sportsmen pay for conservation in Alaska by purchasing licenses and paying taxes that fund facility bonds. Total revenue to the state for fishing licenses was \$13 million in 1993 and \$21 million in 2006. Taxes on outdoor equipment for angling generate \$16 million to pay for fishery conservation efforts in Alaska. Anglers are ardent conservationists and spend time and energy to introduce children and others to the enjoyment of the outdoors. Mr. Gease explained that public access and allocation for anglers is critical to support the recreational economy, as is the basic infrastructure of boardwalks, trails, and boat launches. He pointed out that anglers are losing access to rivers by the closure of private boat launches.

[5:27:27 PM](#)

CHAIR NEUMAN asked about current legislation that provides for public access to rivers, streams, and banks.

[5:27:51 PM](#)

MR. GEASE indicated that the KRSA supports the legislation that would require the Department of Natural Resources (DNR) and the Alaska Department of Fish and Game (ADF&G) to prioritize river systems that need public access, and to purchase and maintain easements from private property owners. He explained that it is important for legislators and fishery managers to be aware of

the size and importance of sport fishing to the recreational economy and the quality of life for citizens. Fishing supports tourism and provides recreation and food for residents; however, without comprehensive economic data the central role of sport angling will be underestimated in public policy decisions.

[5:30:29 PM](#)

REPRESENTATIVE DOOGAN asked whether the state's 1993 study has been updated.

MR. GEASE answered no.

REPRESENTATIVE DOOGAN further asked whether insufficient funding is the cause of the lack of research.

[5:31:35 PM](#)

MR. GEASE replied that the systematic economic analysis of the data collected is needed. The number of visitors and licenses sold can be modeled to determine their economic value. Some studies are in progress by the ADF&G, the National Oceanic and Atmospheric Administration (NOAA), and the University of Alaska, Anchorage, Institute of Social and Economic Research, (ISER). Further research is needed to collect data on both sport fishing and commercial fishing.

[5:33:09 PM](#)

REPRESENTATIVE JOHANSEN asked how the value of the sport fishing industry was determined without comprehensive economic data.

MR. GEASE answered that information from the 2001 study was adjusted for inflation.

[5:34:22 PM](#)

REPRESENTATIVE JOHANSEN observed that, based on the increase in tourism in Ketchikan, the \$1 billion estimate may be low.

[5:34:36 PM](#)

MR. GEASE affirmed that this is an issue that concerns the KRSA. The North Pacific Fishery Management Council (NPFMC) needs information on the recent growth of the industry to properly determine fish allocations.

[5:34:54 PM](#)

REPRESENTATIVE JOHANSEN noted that KRSA is providing information primarily from Southcentral Alaska.

MR. GEASE confirmed that the information is from the upper Cook Inlet. He continued to say that a lack of information leads to un-informed public policy and that the central role of sportfishing will not be given proper weight in public policy decisions. Mr. Gease pointed out that the growing Alaska retirement community now contributes over \$2 billion annually to the state's economy and retirees want access to fish and game. Mr. Gease concluded by saying that more economic information and representation on regulatory boards and commissions will bring a balance and fairness to decisions.

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CHAIR NEUMAN opened the hearing for public testimony.

BRUCE KNOWLES, speaking as an individual, informed the committee that Cook Inlet provides three percent of the annual statewide sockeye harvest. Yet, this run controls the livelihood of Cook Inlet. Mr. Knowles explained that fish move through inlet, and the catch includes all types of fish. The ADF&G can not make an accurate forecast in a timely manner. He expressed his hope that a new genetic study will publish results by late summer or early fall. It must be determined when the sockeye are coming north through the central district. The northern district will be below escapement goals for sockeye this year. In fact, the northern district is suffering from the forecasted low returns of sockeye and anglers are fishing for other species. Mr. Knowles said that there has not been a study of value in upper Cook Inlet for chum or pink salmon. A viable study is needed. He continued to say that the sport fishing industry in the northern district relies on the hatcheries, but the hatcheries will have to stop putting fish in due to delays in construction. Mr. Knowles opined that the average Alaskan is called a sport fisherman, but really is a consumption user.

[5:43:16 PM](#)

CHAIR NEUMAN asked why the hatcheries are behind schedule with the stocking of fish.

[5:43:28 PM](#)

MR. KNOWLES responded that there is a shortage of appropriate water and land available.

[5:44:13 PM](#)

GREG SUTTER, owner of Captain Greg's Charters, informed the committee that the available economic studies on tourism and the sportfishing industry are outdated. Because the sport fishing industry attracts visitors to the state, it is related to tourism, and is also a safe industry based on renewable resources. Mr. Sutter noted that Alaska has five major industries; oil, minerals, tourism, timber, and commercial fishing. He stressed the need to update the data of sport fishing's economic impact on the state as fishery managers restrict and levy moratoriums on fishing. Mr. Sutter explained that encouraging tourism helps the local and state economy. He further explained that 50 percent of the growth from his sportfishing business is invested in the local economy. Mr. Sutter urged members to support a comprehensive study of Alaska's fishing industry.

[5:48:59 PM](#)

CHAIR NEUMAN expressed his intention for the committee to review sport and commercial fishing quotas.

[5:49:48 PM](#)

BOB HOWARD, owner, Sea Nymph Charters; chair, board of Directors, Homer Economic Development Commission, informed the committee that he is testifying as a concerned citizen. Mr. Howard said that his interest is in seeing that Homer has a strong economy that will improve the standard of living for its residents. Sport fishing is an important economic element in Homer. Homer operates an enhanced salmon fishery and supports a salt water fleet of 120 vessels. The fleet provides an estimated \$9 to \$10 million to the charter businesses and additional millions to the local economy for support services. Mr. Howard expressed his belief that sport fishing is a reliable and sustainable component of Homer's tourism economy. He stressed the need to increase the allocation of sustainable fish stocks for sport fishing and to ensure access. Mr. Howard concluded by saying that comprehensive economic analysis is necessary to understand how to best utilize this natural resource.

[5:52:36 PM](#)

CHARLES PEARMAN, owner, Pristine Charters, stated that discussions of allocations between commercial and sport fishing in Southeast and Southcentral continue without sufficient data on the economic impacts on the communities. He noted that Kodiak has experienced closures of processing plants due to shorter processing seasons and community fish tax revenues are declining. Mr. Pearman said that recreational fishing and tourism are the only areas of growth in the private sector in Kodiak. Extensive economic data is needed to make sound decisions. He concluded by saying that Kodiak is a small and remote part of the statewide fishery and economic analysis is critical so that sound allocation decisions can take into consideration the impact of closures to the community.

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RON WILSON, owner of Ron's Riverboat Service and Susitna Landing, stated that he is also on the board of directors of the Mat-Su Convention and Visitor's Bureau. Mr. Wilson informed the committee that sport fishing generates a large volume of business for the tourism industry in his community. He said that his clientele is 70 percent Alaskans and that tourism is growing at 7 percent to 8 percent per year. Mr. Wilson added that sport fishing is also very important to the consumptive user.

[5:59:04 PM](#)

CHAIR NEUMAN asked about the effect of the sockeye fishery closure.

[5:59:31 PM](#)

MR. WILSON responded that customers want to catch red salmon. However, escapement goals are lowered each year but have never been met in his community. He stated that fish are intercepted by drift and set netters during the commercial openings. He concluded by saying that there is a need for a commercial fleet and the fishery study will indicate the source and status of the fish.

[6:02:08 PM](#)

ROBERT MEALS, General Manager, Tri River Charters, stated that he has been in the sport fishing business for 25 years in Talkeetna. Mr. Meals said that in the last ten years business

in Talkeetna has changed from servicing Alaska residents to providing charters for out-of-state tourists. Two tourism companies have built large lodges and are bringing in tourists from all over the world. His business provides income to the fishing guides and is completely dependent on the availability of fish. Mr. Meals pointed out that in the fall, fishermen are limited to two sockeye salmon that have a value to his business of \$75 per fish. He added that 90 percent of his clients catch and release and have no impact on the resource. Mr. Meals expressed his belief that the allocation of the resource is out of balance and that fishery management needs to look at the overall economic impact. His community should be able to meet its yearly escapement goals. He concluded by saying that Cook Inlet needs to get a higher sport fish priority and the last users should never be shut off from the supply of fish because tourism is the most valuable use of the resource.

[6:07:52 PM](#)

CHAIR NEUMAN invited testimony from the audience.

BILL MACKAY, member, board of directors, Kenai River Sportfishing Association; senior vice-president, Alaska Airlines, stated that Alaska Airlines serves 20 cities in Alaska, all of which support one sport fishery or another. Thousands of anglers from around the world and around the state travel to the sport fishing centers. Mr. MacKay stressed that sport fishing is an important and viable industry that supports aviation and other industries throughout the state. He supported documentation of the impact that sport fishing has on the economics of Alaskan communities.

[6:10:15 PM](#)

RON RAINEY, member, board of directors, Kenai River Sportfishing Association, informed the committee that he is a 25 year resident of Alaska and is testifying as an individual. Mr. Rainey stated that his last job was running a fishing lodge on the Kenai River. He opined that the Kenai Peninsula is becoming a retirement community. Retirees provide a tax base for the community with no impact on schools. He stressed that the allocation of fish is important to encourage retirees to stay in Alaska. Mr. Rainey said that it is also very important to maintain balanced representation on the fisheries boards and commissions.

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RIK BUCY, Board Chair, Kenai River Sportfishing Association, stated that he operates a large scale retail business, employing between 200 and 260 workers, since 1984. Mr. Bucy said that his business is most profitable during the summer months because of sport fishing. When the fishery is closed, he must lay-off employees. Mr. Bucy confirmed that the tax base on land along the Kenai River has increased dramatically due, in part, to retirees who are staying in Alaska because of the fishing opportunities.

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BOB PENNY, member, board of directors, Kenai River Sportfishing Association, informed the committee that the single most important act to affect tourism and economic development is to increase the amount of fish available in Cook Inlet. He stated that Cook Inlet is only allowed 15 percent of the harvest and the commercial take is 85 percent. He opined that fisheries management in Southcentral should be changed to give the priority to the public for personal use. Mr. Penny stated that surplus fish, after personal and tourism use, should be made available for commercial harvest.

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REPRESENTATIVE DOOGAN recalled that 1989 was his best fishing year due to the closed commercial fishery.

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MR. PENNY added that, in 2004, the assessed value of private land on the Kenai River was \$335 million dollars due to the fish in the river.

[6:19:50 PM](#)

CHAIR NEUMAN challenged committee members to talk with the sport fishing industry.

[6:21:19 PM](#)

REPRESENTATIVE DOLL asked whether the sport fishing industry utilizes a trade association for advertising.

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MR. GEASE responded that the majority of marketing is done through the internet and through the cruise lines. In addition to the Alaska Travel Industry Association (ATIA), local convention and visitor's boroughs, and chambers of commerce, sport fishing services advertise through direct marketing. Sport fishing charters and lodges also benefit from the advantage of repeat Alaskan, and out-of-state, customers.

[6:24:02 PM](#)

REPRESENTATIVE DOLL further asked for a typical percentage of advertising costs for a small sport fishing charter business.

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MR. GEASE replied that the advertising costs are dependent on many variables.

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REPRESENTATIVE DOLL asked for the cost of joining ATIA.

[6:24:54 PM](#)

MR. GEASE answered that the ATIA provides consistent statewide advertising. Enrollment is voluntary, and different organizations have different enrollment levels.

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REPRESENTATIVE DOLL noted that one sport fishing business reported the majority of his clientele is from Alaska.

[6:26:16 PM](#)

MR. GEASE affirmed that sport fishing serves locals who choose to live, work, and retire in Alaska.

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REPRESENTATIVE LYNN asked whether commercial or sport fishing brings in the most money to Alaska.

[6:27:57 PM](#)

MR. GEASE replied that in Cook Inlet sport fish return is ten times over the commercial catch. He recalled that the ex-vessel

value of 20,000 king salmon caught in the commercial fishery in the set-nets generates about \$500,000 of economic activity. Mr. Gease stated that the introduction of farmed fish can support the economics of the commercial industry. The commercial industry's focus on the quantity, not quality, of fish is in the process of reorientation so both industries can begin to produce a quality product. Mr. Gease concluded by saying that the rivers must have meaningful and predictable pulses of fish.

[6:31:26 PM](#)

REPRESENTATIVE JOHANSEN requested written information on the Cook Inlet sport and commercial fishing industries. He stated that the commercial fleet has recognized the need to increase the quality of the fish catch. Representative Johansen noted that the fishing industries in Southeast work together.

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CHAIR NEUMAN noted that Southeast maintains a large commercial and sport fishing industry.

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REPRESENTATIVE LYNN clarified that the issue is to balance both sport and commercial industries.

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MR. GEASE assured the committee that the KRSA will provide comprehensive information on the upper Cook Inlet fishing industry.

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MR. PENNY stated that, 20 years ago, three regional studies by Jones & Stokes Associates, Inc. consulting firm revealed that the economic value of sport caught fish is 14 to 18 times the value of commercially caught fish. He added that the Cook Inlet fishery provides three percent of the statewide commercial harvest and sixty-five percent of the public fishery.

[6:36:15 PM](#)

REPRESENTATIVE JOHANSEN asked for the source of the report.

MR. GEASE responded that the KRSA compiled the data but did not create or collect the economic data. He noted that much of the data is out-dated.

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The committee took an at-ease from 6:37 p.m. to 6:40 p.m.

CHAIR NEUMAN announced that the final order of business would be a presentation by Agrium U.S. Inc.

[6:40:44 PM](#)

PRESENTATION: AGRIMUM'S ECONOMIC IMPACT ON THE KENAI

[6:42:43 PM](#)

LISA PARKER, manager, Government & Public Relations, Agrium U.S. Inc., informed the committee that the information she is presenting is a "forward-looking statement". Ms Parker said that Agrium has been in business since 1931 as a subsidiary of Cominco Ltd. Fertilizers. Agrium today is a compilation of companies and is publicly traded company on the Toronto and New York Stock Exchanges. Ms. Parker continued to explain that Agrium reaches throughout the value chain and 2006 sales were \$4.3 billion. Agrium maintains a diverse portfolio, with 50 percent of the profits from the nitrogen industry from international and North American markets.

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CHAIR NEUMAN asked whether border crossings into Canada are a problem for Agrium.

[6:44:55 PM](#)

MS. PARKER responded that since [the terrorist attacks of September 11, 2001] there is more security for truck and rail transportation. She continued to say that Agrium is the largest North American agricultural retailer in the U. S., and maintains 400 retail facilities. In addition, Agrium is a leader in advanced technologies and holds a patent for ESN, a controlled-release environmentally friendly product for commodity crops.

MS. PARKER assured the committee that Agrium is committed to Alaska and will try to continue to operate the facility in Kenai. The Kenai complex is valued at \$1 billion and is the

fourth largest private employer on the Kenai Peninsula. The Agrium plant is a large economic engine in Southcentral Alaska and for every thousand cubic foot (Mcf) of natural gas used the plant generates \$9.35 in economic value. The Kenai complex pays the competitive market price for natural gas but is operating today at 50 percent of plant capacity, due to the supply shortage of natural gas. Presently, Agrium is negotiating for natural gas contracts beyond 2007, to keep the plant operational. The plant is forecasted to consume about 14 to 14.5 billion cubic feet (Bcf) of natural gas in 2007.

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CHAIR NEUMAN asked whether Ms. Parker would comment on Alaska's exportation of natural gas when Agrium needs 53 Bcf to operate at full capacity.

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MS. PARKER responded that the liquefied natural gas (LNG) is exported to Japan by approval of a license from the U. S. Department of Energy. The license will expire in 2009, and an extension of the license, to 2011, has been requested.

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CHAIR NEUMAN asked for further information regarding the export of LNG.

[6:52:43 PM](#)

CHRIS J. SONNICHSEN, Director, Alaska Operations, Agrium U. S. Inc., informed the committee that the state endorsed the extension of the export license with conditions. The U. S. Department of Energy, Department of Fossil Energy, is the authority that will review the extension of the license. He said that Agrium is negotiating with all of the natural gas producers and will pay competitive rates.

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REPRESENTATIVE LYNN asked whether there is a difference between the past and current state administrations.

[6:55:45 PM](#)

MS. PARKER replied that the previous administration was focused on encouraging exploration in Cook Inlet and the current administration is presently gathering data.

[6:56:36 PM](#)

REPRESENTATIVE DOOGAN expressed his understanding that there is a market to support operating the plant at peak capacity but an insufficient supply of natural gas feedstock.

[6:57:03 PM](#)

MS. PARKER answered yes, and continued her presentation. The Agrium plant can produce sufficient product to supply in-state markets for ammonia and urea, and exports grossed \$160 million in 2006. She pointed out that Agrium was the state's third largest exporter, even while operating at 50 percent capacity. Ms. Parker stressed that Agrium wants to continue production in Alaska at the Kenai plant but it must close the facility later this year without additional supplies of natural gas. Therefore, it has begun the development of a gasification project that will capitalize on the long-term supply of low cost coal. The project will bring Usibelli Coal Mine, Inc., coal from Healy by rail and barge to Nikiski. The coal will generate power and will be processed through a gasifier that will derive nitrogen, hydrogen, and carbon dioxide (CO<sub>2</sub>) for the production of ammonia and urea. Excess CO<sub>2</sub> will be used for enhanced oil recovery. Ms. Parker stated that the power plant is needed to produce 120 megawatts of electricity to support the expanded facility. Homer Electric Association Inc. (HEA) is taking the lead on the power project that will also produce excess power for the community. The project was begun in October of 2004, and the feasibility study is completed. Phase Two is front-end engineering design and permitting; Phase Three is detailed engineering and final permitting; Phase Four is construction and the start-up scheduled for 2009.

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MS. PARKER explained that the Phase One feasibility study included work with Usibelli Coal Mine, Inc., to examine design and permitting possibilities. The U. S. Department of Energy has determined that the project is feasible. She said that the partnership with HEA, and final engineering and permitting studies are in progress. In addition, the Usibelli Coal Mine has verified that it can supply the three million tons of coal needed each year. Finally, environmental permitting and

financing arrangements are underway. In fact, HB 229 will provide authority for the Alaska Railroad Corporation to seek tax-free bonds to finance the project.

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REPRESENTATIVE DOOGAN observed that the advantage of the Alaska Railroad Corporation bonds is low cost financing, but the Internal Revenue Service (IRS) may refuse permission to issue tax-exempt bonds. He asked whether the project can proceed with alternative financing.

[7:07:26 PM](#)

MS. PARKER answered yes. The gasification project will use other financing, if necessary.

[7:07:47 PM](#)

CHAIR NEUMAN recalled that the Alaska Railroad Corporation has set precedence for issuing bonds for projects that are important to the welfare of the state.

[7:08:24 PM](#)

MS. PARKER pointed out that the coal gasification project is estimated to begin production in 2011, or 2012. In the interim, Agrium will need a source of natural gas to keep the plant operational up to the conversion to coal. She concluded by saying that Agrium will decide in July about the future of the gasification conversion.

[7:10:41 PM](#)

CHAIR NEUMAN stated that the loss of Agrium would result in a loss of 200 jobs in Kenai, with average annual salaries of \$80,000.

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REPRESENTATIVE JOHANSEN asked whether the use of coal will bring controversy to the project.

[7:11:41 PM](#)

MS. PARKER responded that the completed environmental analysis determined that the project could be permitted. She stated that

clean coal technology is available and that the air and water quality standards are within reach.

7:13:28 PM

CHAIR NEUMAN observed that the energy industry is looking to diversify.

**ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Economic Development, International Trade and Tourism meeting was adjourned at 7:14 p.m.