

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

January 25, 2011

10:18 a.m.

**MEMBERS PRESENT**

Representative Bob Herron, Chair  
Representative Kurt Olson, Vice Chair  
Representative Neal Foster  
Representative Wes Keller  
Representative Cathy Engstrom Munoz  
Representative Steve Thompson  
Representative Peggy Wilson  
Representative Berta Gardner

**MEMBERS ABSENT**

Representative Chris Tuck

**COMMITTEE CALENDAR**

OVERVIEW(S): COMMITTEE GOALS & PRIORITIES

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

No witnesses to record

**ACTION NARRATIVE**

**CHAIR BOB HERRON** called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at 10:18 a.m. Representatives Herron, Peggy Wilson, Olson, Keller, Foster, Thompson, and Gardner were present at the call to order. Representative Munoz arrived as the meeting was in progress. Representative Tuck was excused.

**OVERVIEW(s): COMMITTEE GOALS & PRIORITIES**

[10:19:25 AM](#)

CHAIR HERRON announced that the only order of business would be soliciting committee members' goals and priorities for the committee during this session. He noted that the constituencies of the members of the committee contain all of the elements of economic development, tourism, and trade, and without duplication of any one region of the state. His expectation is that the committee will travel throughout the state so each member can showcase the successes, and near successes, in each community. Chair Herron advised members that the committee will hear two bills from the governor and will receive one more shortly. He asked members to speak to their interests and expectations for the committee.

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REPRESENTATIVE OLSON stated that tourism is a good portion of the economy in the central Kenai Peninsula and he is pleased to sit on a committee with a focus on tourism. He will present information on a business unique to this area at a later time.

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CHAIR HERRON advised that one focus of the committee may be to gather information on "value-added" projects.

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REPRESENTATIVE OLSON related Dow Chemical canceled plans to build a new plant in the next 10 years on the Kenai Peninsula. Land for the plant was offered by the Kenai Peninsula Borough, a skilled work force from the technical college and former Agrium Inc. workers was available, and the peninsula has a practically ice-free port, but it does not have a supply of one billion cubic feet (Bcf) of gas per day.

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CHAIR HERRON observed that members serve on other committees which will be focused on oil and gas taxes; this committee can add information to those discussions.

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REPRESENTATIVE KELLER expressed his concern about the overall economy and opined this committee has a golden opportunity to do proactive and positive activities. In his role on the National

Conference of State Legislators Deficit Reduction Task Force he has heard dire economic projections for other states, but Alaska is not in that situation. He is eager to take the committee on a tour of the Matanuska-Susitna (Mat-Su) Borough port terminal at Port MacKenzie. He said the potential there is "stunning," including a mile loop of rail for staging areas. This development will create jobs in his district and will also have statewide economic impact.

CHAIR HERRON informed the committee the agenda for the 1/27/11 meeting includes a presentation by the Division of Agriculture, Department of Natural Resources (DNR), on the export of seed potatoes to China.

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REPRESENTATIVE KELLER stated his district has a seed potato facility that is undergoing significant growth. In general, agriculture in the Mat-Su is impressive and farms are supplying large amounts of local produce to stores.

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CHAIR HERRON said the next meeting will also include a presentation by an agriculture entrepreneur from Bethel who has grown 50,000 pounds of potatoes for local sale.

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REPRESENTATIVE GARDNER added that the aforementioned entrepreneur has more than just potatoes.

[10:30:43 AM](#)

REPRESENTATIVE THOMPSON noted that the farming of seed potatoes extends into the Tanana Valley and out to Delta Junction. A Chinese delegation visited the area recently, but he cautioned that China's business practices of "grow their own, and take care of their own, and ship their own," can cut Alaskans out of jobs and control. He agreed that Port MacKenzie is very important to Fairbanks because of the goods that must be shipped in, and the potential to ship out value-added products. The focus in Fairbanks now is on energy for home heating and providing affordable energy for businesses such as the lime mine at Livengood. He observed that the in-state natural gas pipeline and the Susitna River Hydroelectric Project are far in the future, however, the Healy Coal plant would be a good source

of electricity in the interim. Tourism is also vital to Fairbanks and the Interior, and in some years has provided the only growth in economic development. Representative Thompson pointed out the successes of the Cold Climate Housing Research Center (CCHRC) and a recently opened pellet plant that employs 30 residents. In addition, Georgia-Pacific was looking at manufacturing several products from the abundant and high quality birch trees, but the cost of shipping out the finished goods is a problem. Fairbanks garners benefits from the Morris Thompson Cultural and Visitors Center that showcases the Bush, and books tours to the Bush and to villages along the Yukon River, taking tourists to "the real Alaska." Representative Thompson urged members to concentrate on improving Alaska's ranking as 50th in the nation for "business friendly," an example of which is that permits for drilling an oil or gas well take much longer here than in Texas or North Dakota.

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CHAIR HERRON related that North Dakota is drilling 2,300 exploration wells this year. He then asked Representative Thompson to press the Division of Agriculture, Department of Natural Resources (DNR) regarding his concerns about China's business practices.

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REPRESENTATIVE THOMPSON, in response to Chair Herron, spoke of the Tanana River Bridge proposed by the Alaska Railroad Corporation and US Army Alaska. The bridge is needed to provide year around access to military training grounds. Because the North Star Borough's air quality does not always meet standards, the base is threatened for closure by the Base Realignment and Closure (BRAC) commission. In order to eliminate another negative aspect of the base, the bridge was proposed to connect the base to its training facility. However, unexpected problems have come up with the Environmental Protection Agency (EPA) permits, and if in two years ground is not broken, the funding will be withdrawn and the opportunity for construction of the bridge will be lost.

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CHAIR HERRON observed one role of the committee is to point out potential opportunities and opportunities that may be lost.

[10:39:09 AM](#)

REPRESENTATIVE P. WILSON stated that the economy in her area is struggling after the loss of 5,000 residents during the last 20 years. Tourism and fishing survive, but there is no timber industry. New projects in Wrangell include a 150-ton boat haul-out that is doing well, a new harbor that is filling up with boats, and a community garden. As the towns in her district are roadless, special events such as the Bald Eagle Festival in Haines and the Little Norway Festival in Petersburg are scheduled to bring participants into these communities, and it is important to have a reliable ferry system and airlines with stable schedules. Reduced energy costs are needed to encourage economic development, and she expressed her hope that communities with hydroelectric power can be connected to those without.

[10:44:42 AM](#)

REPRESENTATIVE GARDNER recognized that much of the wealth of Alaska comes from outside her district in Anchorage, but her interest in this committee is because of the small businesses and small business owners in her constituency. The Institute of Social and Economic Research (ISER) at the University of Alaska Anchorage (UAA) is nearby her district, and she stressed the university should be a booster of economic development and an incubator for entrepreneurs, in addition to offering classes in engineering and global logistics. Important to the future of Anchorage are the Knik Arm Bridge and Toll Authority (KABATA) and the Port of Anchorage, although both projects must address challenges.

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CHAIR HERRON recalled a Pacific NorthWest Economic Region (PNWER) meeting where he learned of a lawmaker from Washington who wants to create an economic development community college. He suggested that would be an interesting topic to present to the university.

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REPRESENTATIVE GARDNER observed there is not a holistic approach to economic development.

[10:48:03 AM](#)

REPRESENTATIVE FOSTER was reminded that economic development means jobs. In the larger communities of his district such as Nome, there was a period of mining exploration and construction which also led to workforce development as residents of villages came into town for training. This is the type of training, like the training of health aides, which can keep residents working in their home villages. At one time tourism from Asia was a big part of the economy of Nome, and smaller cruise ship activity and oil and gas exploration are expected to increase with the opening of the Northwest Passage. This activity will need further development of the current port in Nome. More of a Coast Guard presence is also anticipated - along with the need for a deepwater port - and he said he expected these subjects will be studied by the current legislative task force on Arctic issues. Representative Foster expressed his hope that the courses of the Northwest Career and Technical Center can be coordinated so complementary courses are offered at the various campuses. In the smaller communities, one of the best ways to reduce the cost of energy is through the weatherization of outdated homes. This process creates jobs and energy savings. He has heard of efforts to create an Internet-based system to cooperatively sell Native art, but developing the right site is a challenge. Representative Foster advised the fishing industry is vital to Western Alaska, and a representative from the Alaska Seafood Marketing Institute (ASMI) suggested if there were a cannery in the region, fish and reindeer products could be incorporated into domestic or international food aid programs. As his district includes the poorest economic area in the state, this would be a great opportunity. As a matter of fact, there is a program underway to support the commercial harvesting of reindeer meat.

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REPRESENTATIVE MUNOZ said her interest in the committee has to do with tourism issues. Her district has benefitted from the reduction of the [2006 Cruise Ship Initiative] head tax and she now hopes to focus on tourism marketing needs. A stable marketing system is needed for the tourism industry that pays approximately \$130 million into state coffers. She opined a certain dollar amount of that money should be directed to tourism marketing needs each year so the industry can rely on a level of funding. She urged the committee to hear proposals from the Alaska Travel Industry Association (ATIA) and other focus groups.

[10:57:00 AM](#)

CHAIR HERRON assured Representative Munoz the ATIA will be heard by the committee. He stressed the importance of "getting information out through this committee to things that are important to individual members."

[10:57:45 AM](#)

REPRESENTATIVE MUNOZ relayed the House Resources Standing Committee will be touring the Coeur Alaska Kensington Gold Mine and she would like to include this committee as well.

CHAIR HERRON informed the committee that Representative Tuck will give a report on proposed film industry legislation at the next meeting. He then reviewed the committee's schedule for the beginning of the session. Chair Herron shared his intention to instigate "lunch and learn" sessions that will preview presentations to the committee. Regarding legislation, he will introduce a concurrent resolution that will create a pan-Arctic coalition of Alaska, Northwest Territories, and Yukon Territory, because the Canadian territories and Alaska have similar issues with their respective federal governments. Chair Herron asked members to review HB 119 and HB 120 prior to the scheduled hearings. Finally, the Canadian consulate from Vancouver wants to make a presentation to the committee.

[11:01:57 AM](#)

REPRESENTATIVE GARDNER asked whether there is a consulate in Anchorage.

[11:02:13 AM](#)

CHAIR HERRON indicated yes.

[11:02:51 AM](#)

REPRESENTATIVE P. WILSON heard discussion at the PNWER meeting that Canada would like to open a gateway port into the Arctic. She opined that the U.S. needs to turn its attention to this economic opportunity and determine which Alaska communities are interested in growing into a major port.

[11:04:31 AM](#)

REPRESENTATIVE KELLER emphasized that PNWER is an excellent organization of Pacific Northwest states and Canadian provinces and territories with similar problems.

[11:05:27 AM](#)

CHAIR HERRON, in response to Representative Keller, will get information on whether PNWER will be holding meetings in Alaska.

[11:05:41 AM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Economic Development, International Trade and Tourism meeting was adjourned at 11:05 a.m.