

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, INTERNATIONAL
TRADE AND TOURISM
February 15, 2011
10:19 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 Berta Gardner
Representative Chris Tuck

MEMBERS ABSENT

Representative Peggy Wilson

OTHER LEGISLATORS PRESENT

Representative Anna Fairclough
Representative Eric Feige
Senator Joe Paskvan

COMMITTEE CALENDAR

DISCUSSION ON PLANNED CLOSURE OF THE KENAI LIQUIFIED NATURAL GAS PLANT

- HEARD

HOUSE BILL NO. 67

"An Act relating to transferable film production tax credits; and providing for an effective date by amending the effective dates of secs. 3 and 4, ch. 63, SLA 2008."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 67

SHORT TITLE: FILM PRODUCTION TAX CREDIT

SPONSOR(S): REPRESENTATIVE(S) TUCK, HERRON

01/18/11	(H)	PREFILE RELEASED 1/7/11
01/18/11	(H)	READ THE FIRST TIME - REFERRALS
01/18/11	(H)	L&C, FIN
01/26/11	(H)	EDT REFERRAL ADDED BEFORE L&C
02/10/11	(H)	EDT AT 10:15 AM BARNES 124
02/10/11	(H)	Heard & Held
02/10/11	(H)	MINUTE(EDT)
02/15/11	(H)	EDT AT 10:15 AM BARNES 124

WITNESS REGISTER

REPRESENTATIVE MIKE CHENAULT
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Provided a statement via a previously recorded video during the discussion on Planned Closure of the Kenai Liquefied Natural Gas (LNG) Plant.

TOM NELSON, Deputy Commissioner
 Office of the Commissioner
 Department of Labor & Workforce Development (DLWD)
 Juneau, Alaska

POSITION STATEMENT: Testified during the discussion on Planned Closure of the Kenai Liquefied Natural Gas Plant.

DAN CLARK, Manager
 Cook Inlet Assets
 ConocoPhillips Alaska
 Anchorage, Alaska

POSITION STATEMENT: Provided discussion points during the discussion on Planned Closure of the Kenai Liquefied Natural Gas Plant.

JANIS WILSON, Commissioner
 Regulatory Commission of Alaska (RCA)
 Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion on Planned Closure of the Kenai Liquefied Natural Gas Plant.

COLLEEN STARRING, President
 ENSTAR Natural Gas Company
 Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion on Planned Closure of the Kenai Liquefied Natural Gas Plant.

CARRI LOCKHART, Asset Team Manager
 Marathon Oil Corporation

Anchorage, Alaska

POSITION STATEMENT: Testified during discussion on Planned Plant Closure of the Kenai Liquefied Natural Gas Plant.

PETE KALAMARIDES

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 67.

CINDY DRAPER, Rentals Manager

ABC Motorhome and Car Rental, Inc.

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 67.

BRICE HABERGER

Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on HB 67.

TED SMITH

Barrow, Alaska

POSITION STATEMENT: Testified in support of HB 67.

GARY ZIMMERMAN, General Manager-Statewide

Avis Rent-A-Car

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 67.

MAYA SALGANAK, Assistant Professor of Film/Video Arts;

Director of Film Studies

University of Alaska Fairbanks (UAF)

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 67.

GREG KESSLER, Alaska Commercial Director

Totem Ocean Trailer Express, Inc. (TOTE)

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 67.

KAREN TALLENT, Studio Teacher

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 67.

ACTION NARRATIVE

[10:19:53 AM](#)

CHAIR BOB HERRON called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at

10:19 a.m. Present at the call to order were Representatives Herron, Olson, Thompson, and Foster. Representatives Keller, Munoz, Gardner, and Tuck arrived as the meeting was in progress. Representatives Anna Fairclough and Eric Feige, and Senator Joe Paskvan were also present.

DISCUSSION ON PLANNED CLOSURE OF THE KENAI LIQUIFIED NATURAL GAS PLANT

10:20:15 AM

CHAIR HERRON introduced a video previously recorded by Representative Mike Chenault, Speaker of the House of Representatives.

10:21:35 AM

REPRESENTATIVE MIKE CHENAULT, Alaska State Legislature, via a previously recorded video, informed the committee that his constituency includes employees of the ConocoPhillips Alaska (ConocoPhillips) Liquefied Natural Gas (LNG) plant that was recently scheduled to close. He said that he knew most of the employees at the Kenai plant, and expressed his hope that other Alaskans are aware that the facility was one of the few value-added producers in the state, in addition to providing 30-60 highly-paid jobs in the community. He opined it is imperative for legislators to do all they can to prevent the failure of other industries. In addition to jobs, other losses to the local community include the industry's contributions to community organizations, to schools, to the tax base, and to the electric utility's power load. Representative Chenault said, "I think it's a sad day in Alaska's history that we're losing a facility that has been a contributing factor to Alaska's growth for the last 40 some-odd years"

10:24:16 AM

REPRESENTATIVE OLSON reflected on Representative Chenault's long involvement and depth of knowledge in oil and gas matters on the Kenai Peninsula. Representative Olson said his constituents are also affected, as most of the people that work at the plant or on the platforms live in his district - even though the plant is located in Representative Chenault's district - and the impact of the closure will be felt throughout the central peninsula. The commissioner of the Department of Labor & Workforce Development (DLWD) has offered services to the employees similar to those available at the Kenai transition office established

for the employees of the Agrium Inc. (Agrium) plant that was closed a few years ago. Representative Olson opined the following causes led to the closure: the failure of ConocoPhillips and Marathon Oil Company (Marathon) to obtain a 10-year extension of their export license led to their inability to obtain long-term contracts with Tokyo Electric Power Company, Incorporated (TEPCO); a world-wide glut of cheap natural gas and LNG from shale and other sources that have lower costs of development and production; the length of time taken by the Regulatory Commission of Alaska (RCA) for its decisions on the approval of Cook Inlet natural gas contracts stopped new explorers from looking for natural gas; the disruption in the local market for natural gas due to the Agrium plant closure. Representative Olson concluded this closure will not have quite as much impact on the Kenai Peninsula as did the Agrium closure, but there will be a significant loss of property taxes.

[10:31:10 AM](#)

TOM NELSON, Deputy Commissioner, Office of the Commissioner, Department of Labor & Workforce Development (DLWD), stated that his department has been in contact with ConocoPhillips and has an established good working relationship with the company. He expressed his understanding that Marathon Oil has no employees affected by the plant closure, and that ConocoPhillips has begun to search for other opportunities for the approximately 30 employees who have lost their jobs. The department is also in contact with the legislators from the Kenai Peninsula and with local governmental officials. In addition to helping employees, DLWD works with employers, and has found that job openings are available for the primary occupations affected such as operators, roustabouts, and instrument technicians. In fact, Schulmberger Oil Field Services, Marathon Oil, Arctic Slope Regional Corporation (ASRC) Energy Services, and Tesoro Corporation will have job openings this spring. The department also has a rapid response team staffed by employment and training professionals who respond to this type of situation by working with employers, employees, and the bargaining units that represent displaced employees. Services from the DLWD include providing information and referrals to resources at the job center. Furthermore, DLWD provides the employers with information on applying for U.S. Department of Labor Trade Adjustment Assistance (TAA) funds for additional training and employment resources.

[10:35:10 AM](#)

REPRESENTATIVE GARDNER asked for further information on the Trade Adjustment Assistance act.

[10:35:27 AM](#)

MR. NELSON responded that approximately 8,000 residents in the state are eligible for TAA services. The act applications are for companies that have gone out of business or are depressed because of foreign prices or competition. In further response to Representative Gardner, he confirmed that the TAA client is the employer and assistance services are provided to the employees.

[10:36:14 AM](#)

DAN CLARK, Manager, Cook Inlet Assets, ConocoPhillips Alaska, said he would provide a brief history of the plant, the recent announcement to ConocoPhillips's employees regarding the cessation of LNG energy exports, and a statement of ConocoPhillips's commitments. The Kenai Liquefied Natural Gas (LNG) plant has been in operation for 41 years and is currently the only significant industrial user of natural gas in Southcentral. On 10/5/2010, the plant received a two-year export license which will expire on 3/31/2013; however, market conditions do not support the continued operation of the plant. The plant is jointly owned by ConocoPhillips and Marathon, and will cease LNG exports effective in April or May 2011. Although market conditions are not commercially viable for the export of LNG, ConocoPhillips will continue to operate and staff both the Beluga River and North Cook Inlet units. ConocoPhillips will preserve the plant for future options such as exports of North Slope natural gas, or a reconfiguration of the plant to an import facility. He assured the committee that his company will continue to work with affected employees to look for other opportunities within ConocoPhillips, and will honor its gas supply contracts with Chugach Electric Association, Inc. and ENSTAR Natural Gas Company. Mr. Clark concluded that the Kenai LNG plant has been safely and efficiently operated for 41 years and ConocoPhillips is proud of, and thankful for, its employees.

[10:39:20 AM](#)

CHAIR HERRON asked whether the plant will be preserved in "warm or cold mothballing" condition.

[10:39:38 AM](#)

MR. CLARK said basically the plant will be maintained in good condition so that it could be "utilized in an expeditious fashion."

REPRESENTATIVE KELLER asked what would be involved to reconfigure the plant for imports.

[10:40:15 AM](#)

MR. CLARK advised that the plant has been liquefying, storing, and piping natural gas. A reconfiguration to allow imports will require piping modifications from the existing docks, and the construction of facilities to take the stored LNG, vaporize it, and pipe it out.

CHAIR HERRON, observing that ConocoPhillips makes plans for "50, 60, 70, 80 years out," surmised its future may include importing LNG.

[10:41:45 AM](#)

MR. CLARK acknowledged that utilities believe the importation of LNG may be needed, and ConocoPhillips intends to import or export to meet the future need.

REPRESENTATIVE GARDNER asked whether securing a 10-year export license would have allowed ConocoPhillips to fulfill its contract to export LNG to Japan.

[10:42:26 AM](#)

MR. CLARK said that it was difficult to speculate on other scenarios.

CHAIR HERRON asked whether the state was involved in the effort to renew the export license.

[10:43:24 AM](#)

MR. CLARK responded that his company has long experience in this matter; however, there was support during the application for the last export license. He added that ConocoPhillips has marketing responsibility without direct interaction from the state.

CHAIR HERRON asked whether state government anticipated the closure of the plant.

MR. CLARK said he did not know. ConocoPhillips sought the license extension and commercial contracts.

[10:44:55 AM](#)

CHAIR HERRON questioned the future summer demand for gas.

MR. CLARK advised that the gas that would have been exported by the plant will have to be restricted, and gas production will be "shut in" as a result.

[10:45:49 AM](#)

REPRESENTATIVE OLSON observed most of ConocoPhillips's assets are older, and may not "[come] back, at some point of time in the future."

MR. CLARK affirmed that fields in the Beluga River and North Cook Inlet units have been in production for 40-plus years; thus those with higher levels of water production are at risk. His company will manage these conditions as best it can to minimize the potential impact on future production.

[10:46:57 AM](#)

CHAIR HERRON asked for an estimate of the costs to restart the plant.

MR. CLARK opined that a restart for a long-term gas supply would require significant investment. On the other hand, a short-term situation would be assessed differently. In further response to Chair Herron, he speculated the cost would be "hundreds of millions of dollars."

[10:49:26 AM](#)

CHAIR HERRON recalled efforts to bring newcomers into the Cook Inlet gas fields, and asked whether the closure impacts the plans for a jack-up rig.

MR. CLARK confirmed that the market for gas is not there, but this would not impact the search for oil.

[10:50:10 AM](#)

REPRESENTATIVE FAIRCLOUGH asked whether ConocoPhillips has LNG plants in other markets.

MR. CLARK said ConocoPhillips has a facility in northern Australia that sells in the Asia-Pacific markets, a facility in Qatar, and ownership in several others.

[10:50:44 AM](#)

REPRESENTATIVE FAIRCLOUGH then asked whether the company was able to secure economically viable contracts for other markets.

MR. CLARK explained that those particular contracts "have been very, very significant investments within the last five years ... or so, and so have been long-term arrangements that have been put in place with buyers." In further response to Representative Fairclough, he estimated that the length of those contracts is about 20 years.

[10:51:34 AM](#)

REPRESENTATIVE FAIRCLOUGH surmised these contracts were for the Asian market.

MR. CLARK expressed his belief that significant portions go to Japan.

[10:51:58 AM](#)

REPRESENTATIVE FAIRCLOUGH asked whether higher operating costs and increased transportation costs were factors in the closure of the Kenai plant.

MR. CLARK recalled that 40 years ago the Kenai plant was the only source of LNG exported to Japan, but is now less than one-half of 1 percent of that supply. Regarding costs, he said there are multiple components in the economics of the business climate; generally, the smaller the plant, the higher the cost per unit. In further response to Representative Fairclough, he said the capacity of the Kenai plant is about 230 million cubic feet per day, which at the time was of significant size, but "nowadays, plants are built much bigger."

[10:53:19 AM](#)

REPRESENTATIVE FAIRCLOUGH asked whether the taxing structure has anything to do with the formula for ConocoPhillips's return on

investment that caused the facility to be closed, rather than securing another market.

MR. CLARK noted that taxes are an element when looking at the value of production; however, taxes are very low in the Cook Inlet thus the tax system was not a hindrance.

[10:54:28 AM](#)

CHAIR HERRON said, "Some have characterized this as a silver lining. Do you agree?"

MR. CLARK stated his company has articulated the benefits of keeping the plant open, particularly during the winter months; in fact, he opined, "What I would say is I think there's many benefits to the plant operating"

[10:55:38 AM](#)

REPRESENTATIVE KELLER said he did not understand why, when there are shortages in the supply of natural gas in Southcentral, that producing wells are being shut down. The plant is connected to the supply grid so it would have a market for its gas there.

[10:56:24 AM](#)

MR. CLARK explained that the local market in Southcentral is highly cyclical, thus the demand on a summer day can be 12 times less than it is on a winter day. The gas literally has no place to go in the summer. Conversely, there could be a shortage on a peak winter day. Until there is an underground storage facility that gas can be injected into during the summer to "flatten out the demand," there is nothing that can be done. In further response to Representative Keller, he clarified that there is some producer-owned underground storage available now, but the project for storage with open access by third parties is not expected until 2012.

[10:58:42 AM](#)

REPRESENTATIVE TUCK asked whether the ConocoPhillips export sales contract was with a single contract.

MR. CLARK answered that the current contract is a joint contract with Marathon and ConocoPhillips to jointly sell LNG to Tokyo Electric Power Company (TEPCO) and Tokyo Gas Co. Ltd. In further response to Representative Tuck, he said these companies

have purchased the LNG exported from the Kenai plant exclusively for over 40 years, with the exception of a single cargo sold to a facility in Sakhalin, Russia.

[10:59:58 AM](#)

REPRESENTATIVE TUCK asked for the duration of the present contracts with TEPCO and Tokyo Gas.

MR. CLARK said the contracts have matched the dates of the export licenses.

[11:00:37 AM](#)

REPRESENTATIVE TUCK clarified that he wanted to know about the duration of contracts with suppliers other than ConocoPhillips and Marathon.

MR. CLARK said he was unsure, but he opined they typically secure supplies for longer periods of time.

[11:01:08 AM](#)

REPRESENTATIVE TUCK pointed out the difficulties caused by a license limited to two-year increments such as keeping a plant going, responding to price forecasts, plant maintenance, and shorter contracts.

REPRESENTATIVE KELLER questioned whether ConocoPhillips was required to pay taxes on the gas reserves after a well is shut down, and the affects thereof.

[11:01:58 AM](#)

MR. CLARK explained his company pays production taxes - if there is no production, there are no taxes.

REPRESENTATIVE GARDNER asked whether ConocoPhillips has contracts with TEPCO and Tokyo Gas to supply gas produced elsewhere.

[11:02:41 AM](#)

MR. CLARK said yes, from the facility in Australia.

CHAIR HERRON requested Mr. Clark's opinion on the closure's effect on gas storage.

MR. CLARK observed that the LNG plant has served to store gas until it was needed. That capability will not be available next winter - this highlights the urgency of the storage project.

[11:04:13 AM](#)

JANIS WILSON, Commissioner, Regulatory Commission of Alaska, informed the committee the RCA has no regulatory authority over the LNG plant or any of its transactions. In fact, the Federal Energy Regulatory Commission (FERC) has recently asserted jurisdiction over the plant and the U.S. Department of Energy has the regulatory jurisdiction to approve or deny the export license. She relayed the concern expressed by Southcentral utilities over the closure because they have been using the plant as gas storage during the winter. That is the most critical element of the situation from the RCA's point of view.

[11:05:58 AM](#)

CHAIR HERRON asked Ms. Wilson to comment on the long decision-making process related to gas in Southcentral.

MS. WILSON said the RCA process for approving gas contracts is dependent upon whether the contracts are contested by parties interested in participating in a litigated hearing. If there are no protests, contracts are approved routinely and quickly. In addition, the RCA is directed by statutory timelines that have been in place since 2003.

[11:07:15 AM](#)

CHAIR HERRON questioned whether the Southcentral energy supply is considered to be a problem by producers, the utilities, and the RCA.

[11:07:32 AM](#)

MS. WILSON said that question is better answered by the utilities as the RCA does not contract for gas, but serves as "the approving body, once the gas is contracted for." In further response to Chair Herron, she agreed that the RCA is an "impartial observer."

[11:08:13 AM](#)

REPRESENTATIVE FAIRCLOUGH recalled she was serving on the Anchorage assembly at the time two uncontested commitments were turned down by the RCA. Furthermore, her experience is that RCA commissioners have taken a stand for or against a particular issue. She asked which entity objected to the contract with Marathon that was denied based on the price to the consumer. Representative Fairclough clarified that ENSTAR and other utilities were before the RCA asking to secure 20-year contracts for Southcentral.

[11:09:39 AM](#)

MS. WILSON responded that in 2006 a Marathon contract was opposed by Regulatory Affairs & Public Advocacy (RAPA), Civil Division, Department of Law (DOL), the Tesoro Corporation, and a consumer.

[11:10:15 AM](#)

CHAIR HERRON asked Ms. Wilson to supply complete information about this issue in written form.

[11:10:28 AM](#)

REPRESENTATIVE OLSON observed that there have been three years with serious LNG shortages, and outages were prevented only by ConocoPhillips - with the approval of its customers - voluntarily diverting partial shipments of LNG.

[11:11:42 AM](#)

COLLEEN STARRING, President, ENSTAR Natural Gas Company, advised that one of the contracts mentioned by Representative Fairclough was a 10-year commitment with Marathon that would have provided ENSTAR sufficient gas until 2016. The parties that objected were Tesoro and RAPA, and the fact that the contract was tied to Henry Hub pricing mechanisms influenced a close vote by the RCA commissioners not to approve. Also, in 2007-2008, a ConocoPhillips and Marathon five-year contract was not approved. Subsequently, in order to obtain gas during the peak winter months, ENSTAR has used shorter contracts and different pricing scenarios.

[11:13:57 AM](#)

CARRI LOCKHART, Asset Team Manager, Marathon Oil Corporation, recognized that the plant has a long and important history in

Alaska and its closure is difficult on its employees and the community; however, Marathon has storage mechanisms to provide flexibility, thus its operations are not impacted. She advised that supply was a factor in the decision, but that Marathon can continue to meet its contractual obligations.

[11:15:04 AM](#)

CHAIR HERRON then asked Mr. Clark whether there was a possibility that the plant would be sold to the utilities that purchase its product.

MR. CLARK expressed his company's intent to secure the plant and consider all options and offers.

[11:16:09 AM](#)

REPRESENTATIVE GARDNER asked whether use of the storage facilities was possible.

MR. CLARK explained that in order to use the LNG tanks for storage, an investment for re-gasification heaters would need to be made. In conclusion, he noted that Marathon and ConocoPhillips have a slightly different perspective on the closure, and restated his company's commitment to help its affected employees and to meet its local supply commitments.

[11:17:52 AM](#)

The committee took an at-ease from 11:17 a.m. to 11:18 a.m.

[11:18:04 AM](#)

HB 67-FILM PRODUCTION TAX CREDIT

[11:21:17 AM](#)

CHAIR HERRON announced that the next order of business would be HOUSE BILL NO. 67, "An Act relating to transferable film production tax credits; and providing for an effective date by amending the effective dates of secs. 3 and 4, ch. 63, SLA 2008."

REPRESENTATIVE FOSTER introduced Amendment 2, labeled 27-LS0356\A.2, Bullock, 2/14/11, which read:

Page 2, following line 5:

Insert a new bill section to read:

"* **Sec. 4.** AS 44.33.235(c) is amended to read:

(c) In determining the amount of the tax credit, the percentage provided by (b) of this section shall be increased by the film office based on the following criteria:

- (1) an additional 10 percent of qualified expenditures that are wages paid to Alaska residents;
- (2) an additional **four** [TWO] percent of qualified expenditures made in a rural area; and
- (3) an additional two percent of qualified expenditures made in the state between October 1 and March 30."

Renumber the following bill sections accordingly.

REPRESENTATIVE FOSTER explained the purpose of the amendment is to increase the tax credit for the rural area incentive from 2 percent to 4 percent. He said this will address the additional operational costs and logistical issues incurred when filming in communities of rural Alaska.

[11:22:48 AM](#)

REPRESENTATIVE OLSON introduced Amendment 3 labeled 27-LS0365\A.3, Bullock, 2/14/11, which read:

Page 3, following line 9:

Insert a new bill section to read:

"* **Sec. 5.** AS 44.33.239(7) is amended to read:

(7) "rural area" means a community with a population of 1,500 or less or a community with a population of **6,500** [5,500] or less that is not connected by road or rail to Anchorage or Fairbanks."

Renumber the following bill sections accordingly.

REPRESENTATIVE OLSON explained the purpose of the amendment is to increase the population of an identified rural area from 5,500 to 6,500.

[11:23:21 AM](#)

CHAIR HERRON opened public testimony.

[11:23:40 AM](#)

PETE KALAMARIDES said he was the local captain on the movie *Everybody Loves Whales*, and was employed with a crew of 30-40 others. Mr. Kalamarides expressed his support of the bill and the proposed amendment, because the movie was a very good economic stimulus for Anchorage, and the cast was welcomed throughout town.

[11:24:43 AM](#)

CINDY DRAPER, Rentals Manager, ABC Motorhome and Car Rental, Inc., said her company rented motorhomes during the filming of *Ghost Vision* and *Everybody Loves Whales*. These contracts added over 1,500 additional rental days to their rental season and made a "significant boost to, you know, a fairly small company." Ms. Draper said she was in favor of extending the tax credits.

[11:25:41 AM](#)

BRICE HABERGER informed the committee he is a life-long Alaskan. He referred to his past testimony on legislation supporting the creation of jobs. Mr. Haberger worked on *Everybody Loves Whales* as a production scout and as a grip on *Ghost Vision*. He expressed his belief that the bill will allow Alaska to grow a crew base that will rival that of any other state, and one that is technically proficient and knowledgeable. He pointed out that the private sector has begun training Alaska residents for work in this industry.

[11:28:03 AM](#)

REPRESENTATIVE FOSTER asked whether Mr. Haberger had seen the films screened at the Alaska Federation of Natives (AFN) events.

MR. HABERGER said no.

[11:28:21 AM](#)

REPRESENTATIVE FOSTER urged support for the work done for AFN by students in the Lower Yukon region, and other areas of rural Alaska.

REPRESENTATIVE TUCK asked how much work the two productions generated.

[11:28:52 AM](#)

MR. HARBEGER said he worked for about one week on each production. In further response to Representative Tuck, he explained that after graduating from college in film, his classmates looked for work in Los Angeles, but he is pursuing his career in Alaska.

[11:30:09 AM](#)

TED SMITH said he was a member of the cast of *On the Ice*, a movie that was filmed in Barrow. The movie was screened at the Sundance Film Festival and received excellent reviews. Mr. Smith said he was in favor of the bill, because movies create an opportunity to introduce the cultures of rural Alaska.

[11:31:47 AM](#)

GARY ZIMMERMAN, General Manager-Statewide, Avis Rent-A-Car (Avis), stated his company employs 110 residents across the state and is in favor of HB 67. There is a benefit to all facets of the economy from filming movies on location. He pointed out that a portion of his company's revenue is the state vehicle rental tax that goes to the state, and the municipal taxes that support communities. Mr. Zimmerman opined that Alaska needs to diversify its economy through a long-term commitment to the film industry.

[11:34:27 AM](#)

MAYA SALGANAK, Assistant Professor of Film/Video Arts, Director of Film Studies, University of Anchorage Fairbanks, said her responsibility is to help guide students interested in working in the film industry. The University of Alaska (UA) Board of Regents is reviewing a proposal on whether to begin a Bachelor of Arts (BA) degree program in film by 2013. Since the establishment of the Alaska Film Office, Division of Economic Development, Department of Commerce, Community & Economic Development (DCCED), there has been amazing growth in film and she has been able to place students with dozens of film companies from all over the world. Students have worked in television commercials and feature films, in venues from Anchorage to Barrow, and the program has received funding from various sources. Student enrollment in the UAF film program and related courses has grown by 60 percent in the last four years. Ms. Salganek said tax credits are the first consideration when the film industry decides on a location; in fact, without the incentive program the long-term growth of the industry is threatened, even if the university supports the availability of

film crews through a BA program. She advised that extending the incentive program will solidify the state's ability to bring a "full-force infrastructure into the state."

[11:37:36 AM](#)

GREG KESSLER, Alaska Commercial Director, Totem Ocean Trailer Express, Inc. (TOTE), stated that in the past year his company shipped cargo for two productions, *Everybody Loves Whales* and *Ghost Vision*. In fact, TOTE moved about 35 shipments north and south for the movie production companies, and is in the preparation stages for future shipments. His company and others will benefit from the reauthorization of the tax credits, which will continue to make Alaska an attractive place for the film industry, and bring new and diversified business opportunities to the state.

[11:39:38 AM](#)

KAREN TALLENT, Studio Teacher, said she worked on three film projects as a studio teacher. As required by state law, a studio teacher provides education for, and ensures the legal protection and safety of, minors who are involved in the entertainment industry. Ms. Tallent expressed her support of the bill saying her experience was that the film industry provides jobs for film crews, economic opportunities, and marketing promotion for Alaska tourism, products, and businesses. She is now a studio teacher full-time because of the increased interest in filming in Alaska due to the tax credits. Forty-five other states, Canada, and other countries have incentive programs in place and it is important for Alaska to have a viable and competitive program. Ms. Tallent saw at least 100 crew and 2,000 extras employed in *Everybody Loves Whales* and related that the out-of-state cast shopped and traveled while in Alaska. She concluded the film industry is a multi-million dollar industry that will diversify the economy, provide jobs, and increase tourism.

[11:45:02 AM](#)

[HB 67 was heard and held.]

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Economic Development, International Trade and Tourism meeting was adjourned at 11:45 a.m.