

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

March 1, 2011
10:21 a.m.

MEMBERS PRESENT

Representative Bob Herron, Chair
Representative Neal Foster
Representative Reggie Joule
Representative Wes Keller
Representative Cathy Engstrom Munoz
Representative Steve Thompson

MEMBERS ABSENT

Representative Kurt Olson, Vice Chair
Representative Berta Gardner
Representative Chris Tuck

COMMITTEE CALENDAR

HOUSE BILL NO. 160

"An Act establishing and relating to the Alaska visitor industry investment fund; relating to matching funds for state tourism marketing contracts with qualified trade associations; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 160

SHORT TITLE: TOURISM MARKETING CONTRACTS/CAMPAIGNS

SPONSOR(s): ECON. DEV., TRADE & TOURISM

02/16/11	(H)	READ THE FIRST TIME - REFERRALS
02/16/11	(H)	EDT, FIN
03/01/11	(H)	EDT AT 10:15 AM BARNES 124

WITNESS REGISTER

TERRY HARVEY, Staff
Representative Cathy Munoz
Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Introduced the committee substitute (CS) for HB 160 on behalf of the House Special Committee on Economic Development, International Trade and Tourism, sponsor.

SUSAN BELL, Commissioner

Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: On behalf of the administration, testified in support of HB 160.

PATTI MACKAY, President/CEO

Ketchikan Visitors Bureau; Board Member
Alaska Travel Industry Association (ATIA)
Ketchikan, Alaska

POSITION STATEMENT: Testified in support of HB 160.

RICHARD BENEVILLE, Owner/Operator

Nome Discovery Tours
Nome, Alaska

POSITION STATEMENT: Testified in support of HB 160.

TERRY WANZER, Executive Board Member

Alaska Hotel & Lodging Association (AkH&LA); Owner
Best Western Landing
Ketchikan, Alaska

POSITION STATEMENT: Testified in support of HB 160.

JOHN MCCONNOCHIE, Co-owner

Cycle Alaska
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 160.

SHANON HAMRICK, Executive Director

Kenai Peninsula Tourism Marketing Council, Inc. (KPTMC)
Soldotna, Alaska

POSITION STATEMENT: Testified in support of HB 160.

FRED REEDER, Board Member

Alaska Travel Industry Association (ATIA)
Sitka, Alaska

POSITION STATEMENT: Testified in support of HB 160.

PAUL LANDIS, Chief Operating Officer

CIRI Alaska Tourism Corporation (CATC); Steering Committee
Member
AlaskaACT; Board Member

Alaska Travel Industry Association (ATIA)
Anchorage, Alaska
POSITION STATEMENT: Testified in support of HB 160.

CHIP THOMA, President
Responsible Cruising in Alaska
Juneau, Alaska
POSITION STATEMENT: Testified in opposition to HB 160.

BRUCE BUSTAMANTE, Vice-President
Community and Public Affairs
Princess Cruises and HAP Alaska-Yukon
Anchorage, Alaska
POSITION STATEMENT: Testified in support of HB 160.

DALE FOX, President/CEO
Alaska Cabaret, Hotel, Restaurant & Retailer's (Alaska CHARR)
Anchorage, Alaska
POSITION STATEMENT: Testified in support of HB 160.

ACTION NARRATIVE

[10:21:47 AM](#)

CHAIR BOB HERRON called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at 10:21 a.m. Representatives Herron, Thompson, Munoz, and Keller were present at the call to order. Representatives Joule and Foster arrived as the meeting was in progress.

HB 160-TOURISM MARKETING CONTRACTS/CAMPAIGNS

[10:22:02 AM](#)

CHAIR HERRON announced that the only order of business would be HOUSE BILL NO. 160, "An Act establishing and relating to the Alaska visitor industry investment fund; relating to matching funds for state tourism marketing contracts with qualified trade associations; and providing for an effective date."

[10:22:33 AM](#)

REPRESENTATIVE MUNOZ moved to adopt the proposed committee substitute (CS) for HB 160, Version 27-LS0509\I, Bannister, 2/28/11, as the working document. There being no objection, Version I was before the committee.

[10:23:07 AM](#)

TERRY HARVEY, staff, Representative Cathy Munoz, Alaska State Legislature, reminded the committee of compelling economic testimony by the visitor industry earlier this session that tourism-related spending in Alaska is estimated to be \$3.4 billion per year. However, the industry statewide and nationwide is now struggling, and today's discussion would address what the legislature can do to turn this trend around. At this time, the visitor industry's top priority is to establish the visitor industry investment fund, and Mr. Harvey advised that HB 160 is about a sustainable marketing approach for Alaska that offers much needed stability for the future, in contrast to the varied plans in use during the recent past. The bill is also a top priority of the administration, and an opportunity to embrace a sustainable reinvestment plan for the visitor industry.

[10:25:34 AM](#)

CHAIR HERRON asked whether this legislation not only addresses the overarching theme of marketing Alaska in terms of fish and tourism, but also for other aspects such as national security and responsible resource development.

[10:26:20 AM](#)

MR. HARVEY agreed that all of the aforementioned aspects are important to Alaska as a whole. However, this legislation attempts to focus on one of the primary industries in the state - the visitor industry. In a manner similar to the approach taken by the Alaska Seafood Marketing Institute (ASMI), the bill develops a long-range marketing plan that will lift up the industry, promote Alaska globally, and allow the state to compete in the global market.

[10:27:13 AM](#)

CHAIR HERRON pointed out that it is important for all to think about Alaska as a whole.

[10:27:53 AM](#)

REPRESENTATIVE MUNOZ asked Mr. Harvey to explain the timing issue of the industry's contributions.

[10:28:12 AM](#)

MR. HARVEY explained that the industry is currently operating with a percentage match of 70 percent state funds and 30 percent industry funds for visitor industry marketing purposes. This arrangement will sunset at the end of this year and the match will return to 50 percent state funds and 50 percent industry funds. He said an important aspect of the legislation is to move away from either a 50/50 or 70/30 split, and establish a rate for the contribution from the visitor industry - \$2.7 million - that would not change for years to come.

10:29:38 AM

MR. HARVEY, in further response to Representative Munoz, explained that the state receives a number of tax revenue streams from the visitor industry such as bed taxes, car rental taxes, corporate income taxes, and local sales taxes, although he could not provide information on the specific amounts of increases since the initial legislation was established.

10:30:16 AM

CHAIR HERRON requested a written response from Representative Munoz and Commissioner Bell's staffs to all of the committee members answering Representative Munoz's question.

10:31:00 AM

SUSAN BELL, Commissioner, Department of Commerce, Community & Economic Development (DCCED), advised that HB 160 provides an important and much needed solution for funding Alaska's tourism marketing program. She provided her background in tourism business management and marketing in the Interior and Southeast during the '70s and '80s, and disclosed she served on the Alaska Tourism Marketing Council. Commissioner Bell relayed her business experience helps her understand how small businesses and communities leverage state programs because they are unable to reach national and international markets. Recent market research reveals that there has been a significant drop in visits to the state; for example, 125,000 fewer independent visitors came to Alaska in 2009, and 140,000 fewer cruise passengers came in 2010. Analysis by DCCED blamed this decline for a loss of 5,000 jobs in the state. She stated the priority of her department and the administration is to work toward the restoration of these jobs and economic activity, by maintaining a strong presence in the tourism marketplace. Commissioner Bell credited marketing and changes by the legislature with the fact

that independent visitors are beginning to come back and there are increases in cruise deployments. She also pointed out that the contract with the qualified trade organizations is a marketing arrangement that is 11 years old; in fact, the state's collection of taxes and fees has changed considerably, and after changes made to the recreational vehicle rental tax in 2003 and to the ballot initiative in 2006 and 2010, the state now collects approximately \$100 million in visitor-related taxes and fees. Furthermore, she stressed that the tourism climate has changed since the terrorist attacks of September 2001, the economic decline beginning in 2008, and the increased marketing of other destinations. The commissioner summarized, restating the administration's support for finding a long-term funding source that stabilizes tourism marketing, ensures a high-quality stable program, protects the legislature's authority to appropriate funds, and recognizes the changes in the collection of taxes and fees from the industry.

[10:36:12 AM](#)

REPRESENTATIVE THOMPSON recalled one of the funding mechanisms for the visitor marketing plan is the vehicle rental tax, and he observed there is a potential conflict with proposed legislation to establish a transportation highway fund, using vehicle rental tax revenue.

[10:36:44 AM](#)

COMMISSIONER BELL said she was not aware of this conflict as the vast majority of the rental tax now goes to the qualified trade organization. She said she would research this issue.

[10:37:24 AM](#)

PATTI MACKAY, President/CEO, Ketchikan Visitors Bureau; Board Member, Alaska Travel Industry Association (ATIA), provided her experience of 15 years in the tourism industry in Southeast. On behalf of ATIA, Ms. Mackay spoke of the recent impacts to tourism businesses across the state such as homeland security issues, federal land ownership, the recession, regulatory issues, and a competitive marketplace. She stressed that the tourism industry works twelve months of the year to generate sufficient business during the four- or five-month tourism season; in fact, were marketing for winter excursions and conventions available, many businesses would like to extend the season through the winter months. Ms. Mackay reminded the committee that tourism businesses have been trying for years to

work with the state to grow the investment in an economic sector of the state that creates jobs, and generates revenue at all levels of government, and that sends people who visit home with an appreciation of the state. The visitor industry's message to legislators is that the existing program for marketing tourism in Alaska falls short of funding that is sufficient to maximize returns. She said the benefits of funding the marketing program at a minimum of \$20 million are: a substantive impact; more visitors to the state; strengthen the tourism sector of the economy; improve Alaska's destination standing as demonstrated by the \$18.7 million appropriation last year; a good investment that will create additional jobs, municipal revenue, and tax revenue for the state.

[10:41:09 AM](#)

RICHARD BENEVILLE, Owner/Operator, Nome Discovery Tours, informed the committee he has owned and operated a small tour company in Nome, primarily for independent tourists, for 18 years. Cruise ships visit Nome also. His company relies heavily on the ATIA marketing program as rural parts of the state only have the Internet and ATIA and its marketing program available to them. In fact, the national television (TV) campaign has been very effective in a short period of time. Mr. Beneville also participates in the Alaska Media Road Show in California and New York. His business is very small, but these opportunities match his business with corporate entities and allow him to compete in the world market. Tourism in Nome also has a positive impact on local Native corporations, for example, Bering Straits Native Corporation (BSNC) has lodging and a car rental agency on the Seward Peninsula, and day excursions; in fact, benefits from the tourism industry range statewide in depth. Mr. Beneville urged for the committee's continued support for the bill.

[10:44:45 AM](#)

TERRY WANZER, Executive Board Member, Alaska Hotel & Lodging Association (AkH&LA); Owner, Best Western Landing, stated he has been in business in Ketchikan for 39 years, and stressed that his hotel and businesses are open year around. The Hotel & Lodging Association is extremely appreciative of the legislation to establish a sustainable funding plan for Alaska's tourism marketing campaign with a minimum annual appropriation of \$20 million. He pointed out that the state benefits from revenues generated by the tourism industry that have been as high as \$140 million, and the reinvestment of a percentage of those revenues

will sustain a healthy economy for the industry, and will result in jobs for Alaskans and further revenues. Hotel and bed tax revenues paid to local governments have declined as much as 22 percent and, without this revenue, local governments will turn to the state for increased aid. Mr. Wanzer relayed that research funded by \$7 million in additional marketing funds last year has generated an expected 4 percent increase in visitors coming to Alaska this summer. In fact, the additional funding in FY11 has given the industry an opportunity to improve awareness and generate business; however, it is important to ensure that Alaska's tourism marketing campaign does not "take a step backwards." Mr. Wanzer urged quick passage of HB 160, and noted that the Ketchikan Borough Assembly has passed a resolution in support of tourism marketing on a state level.

[10:48:34 AM](#)

JOHN MCCONNOCHIE, Co-owner, Cycle Alaska, stated he and his wife are co-owners of a small bike tour company located in Juneau. Last season, Cycle Alaska employed 26 people compared to a staff of 32 in 2009. The market value of his business decreased last year as a result of 140,000 fewer visitors to Juneau, and all of his vendors and suppliers were affected, along with the amount of tax revenue collected for the City and Borough of Juneau (CBJ). Mr. McConnochie asked for the committee's support of HB 160, and pointed out that his company depends on ATIA for its marketing program. He has learned from his business experience over 30 years that during a down economy, cutting marketing dollars is a mistake. Mr. McConnochie concluded that a long-term, sustained, marketing program is an opportunity to maintain and grow the industry.

[10:51:07 AM](#)

SHANON HAMRICK, Executive Director, Kenai Peninsula Tourism Marketing Council, Inc. (KPTMC), said she was a life-long resident of Soldotna. The Kenai Peninsula Tourism Marketing Council is a destination marketing organization working on behalf of the Kenai Peninsula Borough, which is composed of 13 communities and over 1,000 tourism businesses. Its modest budget is invested heavily in ATIA's marketing program because without ATIA's research and broad-scale image advertising, KPTCM would not be as effective; in fact, ATIA is KPTCM's tool for finding visitors. Ms. Hamrick relayed that the economy on the Kenai Peninsula has suffered during the past three years, and tourism is its biggest potential for growth; however, tourism businesses rely on marketing, but they cannot afford image and

TV advertising. She advised that HB 160 is an opportunity to make a direct, positive, impact on thousands of small businesses in Alaska that have worked towards establishing a budget of \$20 million for tourism marketing to ensure a diverse and thriving economy.

[10:53:36 AM](#)

CHAIR HERRON turned the gavel over to Representative Munoz.

[10:54:22 AM](#)

FRED REEDER, Board Member, Alaska Travel Industry Association (ATIA), stated he was a life-long Sitkan and appreciated the opportunity to finally address the need for a sustained visitor industry marketing plan for the state. As a former mayor of Sitka, he relayed the importance of tax revenues to the community and spoke of the decrease in visitors to Sitka, since 2008, that has resulted in a loss of over \$1 million in sales tax revenue from the visitor sector. Because of this loss, the City and Borough of Sitka will look to the state for an increase in municipal revenue sharing. Mr. Reeder opined that if the state has a long-term plan to fund visitor marketing, communities like Sitka will increase their sales tax revenue from outside sources, and lessen the demand for revenue sharing. In addition, private industry will expand, supporting local government and providing jobs. He advised that Sitka has lost over 100 jobs related to the decline in the visitor sector. The passage of HB 160 will bring more visitors to Alaska, increase direct sales tax revenue, car rental taxes, and hotel taxes. Mr. Reeder concluded that improving this sector of the economy is good for all Alaskans.

[10:56:42 AM](#)

PAUL LANDIS, Chief Operating Officer, CIRI Alaska Tourism Corporation (CATC); Steering Committee Member, AlaskaACT; Board Member, Alaska Travel Industry Association (ATIA), stated that all of the organizations he is representing expressed common support for HB 160. CIRI Alaska Tourism Corporation owns and operates hotel properties in Talkeetna and Seward and holds interests in marine day tours; these businesses create over 460 jobs during the tourist season. He advised that although his businesses and others rely on independent travelers from the U.S. and abroad, they cannot reach the highly-targeted and clearly defined consumer groups within ATIA's cooperative marketing plan. Surveys indicate that Alaska's main visitor

attraction is its natural beauty, along with interest in Native culture. As CATC is one of several Native corporations that have invested in tourism, it believes in the continued reinvestment in marketing Alaska at the \$20 million level, in order to open tourism frontiers beyond the Railbelt, create new jobs, and increase Native shareholder value. Mr. Landis observed, "One must spend to keep the numbers up, especially when the competition is working towards the same end." He concluded that HB 160 positions the state for success.

10:59:15 AM

CHIP THOMA, President, Responsible Cruising in Alaska, stated that his organization is based in Juneau and is the group that collected signatures for the 2006 Alaska Shipping Tax Initiative - Ballot Measure 2, and for the 1999 Juneau initiative for a local head tax. He opined HB 160 is premature and unnecessary, in addition to being a dedicated earmark set up to move funds into an allocation position. Mr. Thoma expressed his preference for a 50/50 share of state and industry, similar to the arrangement for the ASMI, although its share is 20-25 percent. He referred to a copy of his letter - included in the committee packet - urging the governor to return to Miami and request \$7 million in support for ATIA from the cruise industry. He reasoned that this support is due because the state rolled back taxes in the amount of \$25 million, and cruise ship passenger rates have increased 35 percent in the last two years; as a matter of fact, the cruise industry is booming worldwide. The state would be well advised to match \$10 million from the travel industry for a total marketing budget of \$20 million towards a sustainable, yearly program. He restated that ASMI is a model program at 20-25 percent, and ATIA's contribution should return to 50 percent. Each year, the Alaska Cruise Association (ACA) spends \$70 million - \$70 per head - to get visitors on its ships to Alaska, and he estimated that ATIA spends \$160 per person to attract 100,000 independent air travelers. He stressed that independent air travelers are a very important segment of Alaska's visitors. Mr. Thoma opined ATIA does not fill ships, but has a very important responsibility, and opportunity, to get independent air travelers to Alaska. He provided information on how many independent air travelers visit and how much they spend; in fact, ATIA should focus on them instead of cruise passengers. He urged ATIA to follow the example of the Hawaii Tourism Association and put all of its effort into air travelers.

11:05:15 AM

BRUCE BUSTAMANTE, Vice-President, Community and Public Affairs, Princess Cruises and HAP Alaska-Yukon, stated he is a 19-year resident of Anchorage, making his living by working in tourism. On behalf of his companies and the Alaska Cruise Association, he expressed his support for HB 160. Princess Cruises brings visitors to Alaska on cruise ships, owns and operates hotels and lodges and, along with its rail and motor coach division, employs over 3,300 people in the summer and 450 year around. He said HB 160 is critical to creating sustainable tourism marketing funds for Alaska. Mr. Bustamante pointed out that Alaska enjoys TV reality show exposure, and can capture this attention by marketing ways for a potential visitor to take action and make plans. He cautioned that every year there is more competition from other destinations in states and countries with mountains, wildlife, and glaciers. Alaska needs a strong marketing program, and ATIA has provided compelling advertising; however, the level of funding has limited its reach, and Alaska's ability to compete effectively. Mr. Bustamante warned that competitors are using larger budgets to create greater market awareness. The committee's passage of HB 160 would establish a funding program to generate \$20 million per year, which is critically important to support and build local economies and create jobs. He encouraged the committee to continue with the governor's foresight and commitment to a level of support for marketing.

[11:08:36 AM](#)

DALE FOX, President/CEO, Alaska Cabaret, Hotel, Restaurant & Retailer's (Alaska CHARR), expressed his support of HB 160. He said Alaska CHARR represents restaurants, bars, and package stores statewide that employ 25,000 Alaskans. The visitor industry is very important to his organization, as visitors spend \$245 million on food and beverages - a critical amount to these establishments. Although tourism is important to Alaska CHARR members, none have money for national advertising, and they count on the public private partnership between ATIA and the state to send their message to the traveling public. He opined ATIA invests marketing money wisely, and gets results for the entire state. Mr. Fox encouraged the committee's support of HB 160, because the bill is a marketing solution long overdue.

[11:10:28 AM](#)

REPRESENTATIVE MUNOZ announced HB 160 was held over for further public testimony.

11:10:51 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 11:10 a.m.