

HOUSE FINANCE COMMITTEE
January 26, 2011
12:00 p.m.

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CALL TO ORDER

Vice-Chair Fairclough called the House Finance Committee meeting to order at 12:00 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Co-Chair
Representative Anna Fairclough, Vice-Chair
Representative Mia Costello
Representative Mike Doogan
Representative Bryce Edgmon
Representative Mark Neuman
Representative Tammie Wilson

MEMBERS ABSENT

Representative Les Gara
Representative David Guttenberg
Representative Reggie Joule

ALSO PRESENT

Representative Bob Herron; Representative Bob Millet;
Representative Scott Kawasaki; Representative Kyle
Johansen; Deb Hickok, Chairperson, Board of Directors,
Alaska Travel Industry Association; Patti Mackey,
Government Relations Chairperson, Alaska Travel Industry
Association; Ron Peck, President ATIA; John Binkley, Alaska
Cruise Association; Linda Anderson, ATIA.

SUMMARY

^Overview: Alaska Travel Industry Association

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Co-Chair Stoltze stated that he and Co-Chair Thomas would be absent from the meeting as they had a leadership meeting.

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Vice-chair Fairclough stated that many members of the senate and house staff were present.

DEB HICKOK, CHAIRPERSON, BOARD OF DIRECTORS, ALASKA TRAVEL INDUSTRY ASSOCIATION, expressed appreciation for the additional funding appropriated by the legislature last year. She distinguished the "thank you" as separate from those in the past. She continued with a budget overview.

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Ms. Hickok introduced the presentation "Alaska Beyond Your Dreams. Within Your Reach." (copy on file). She noted that in past years the Alaska Travel Industry Association (ATIA) had an \$11.7 million budget which increased to \$18.7 million this year. The past few years were made possible with private sector investments of \$2.7 million. Funding from the operating and capital grants totaled an additional \$7 million in contributions to the program. The funding approved by the legislature last session, dictated a report presented by ATIA to the legislators by January 30, 2011.

Ms. Hickok introduced Slide 2: "Budget Expenditures." The pie charts exhibit the expenditure and investment of the funds. She focused on the segments of consumer marketing. She explained that 61 percent of the budget from the core marketing budget is spent directly in the consumer market place, while 80 percent of the additional funding is spent directly in the market place.

Representative Doogan asked a question about the Slide 1: "FY 11 Budget Overview." He asked about the source of the operating and capital grants. Ms. Hickok replied general fund. Representative Doogan asked if the remainder of the funding was state money. Ms. Hickok responded that the core budget was traditionally an allotted portion of the vehicle rental tax. The addition \$7 million came from the general fund.

Representative Wilson asked if the capital and operating grants were one or multiyear grants. Ms. Hickok replied one year.

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Ms. Hickok discussed Slide 3: "Consumer Marketing Expenditures." She noted that \$1 million was spent in television advertising from the core budget. With the additional funding, ATIA was able to spend \$5 million in television advertising leading to a powerful impact in the market place.

Ms. Hickok discussed Slide 4: "Consumer Planning," and the process of vetting the marketing program. She mentioned a 30 member marketing committee. She credited her program as research based. She pointed out that 750 businesses invest cash into the program including the Alaska Seafood Marketing Institute (ASMI) and the National Park Service.

Representative Costello asked about coordination of ATIA marketing with ASMI.

PATTI MACKEY, GOVERNMENT RELATIONS CHAIRPERSON, ALASKA TRAVEL INDUSTRY ASSOCIATION, responded yes. She recalled a number of co-promotional events between ATIA and ASMI. She noted one example of a public relations event called the Alaska Media Road Show.

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Ms. Hickok pointed out a document that describes all of the marketing programs coordinated with ASMI. Representative Costello asked for the document.

Ms. Mackey discussed Slide 5: "Science of ATIA Tourism Marketing."

- Results from Conversion Study, conducted by national research firm
 - Assess influence of marketing efforts on consumers that provide contact information and receive additional trip planning information
 - 12% of respondents visit the year they respond
 - 27% of respondents visit by the 4th year

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Ms. Mackey detailed Slide 6: "Science of ATIA Tourism Marketing."

- Results from Advertising Effectiveness Study, conducted by national research firm

- Assess influence of marketing efforts on consumers that don't request additional travel information from the state

Ms. Mackey described Slide 7: "Advertising Effectiveness Study."

- Consumers were asked unprompted what travel ads they remembered seeing in the past 6 months
 - New TV spots moved Alaska from #10 in October to #6 in January
 - Alaska ranked ahead of brands such as California, Orlando, Jamaica and the Bahamas

Vice-chair Fairclough asked about the second quarter report and the responses generated. She asked how the results were tallied. Ms. Mackey responded that both magazine and television advertising allow mechanisms for tracking of the results.

Vice-chair Fairclough clarified that the count listed on "Boosting Alaska's Economy" was tallied via the ATIA web site. Ms. Mackey offered to provide the information at a later date.

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Representative Herron asked about the viewer's memory following the advertisements. Ms. Mackey responded that the destination of Alaska was the reported memory.

Ms. Mackey addressed Slide 8: "Advertising Effectiveness Study" She stressed the effectiveness of the advertising as cited by the study. The advertising campaign in 2011 has a significant and positive impact on awareness among travelers nationwide. The television slots generated a 34 percent increase in intent to visit. Overall awareness of travel advertising has increased from 27 to 41 percent.

Representative Wilson noted that many new television shows exist including those starring Sarah Palin. She wondered how ATIA distinguishes between the interest generated by the increased advertising and the popular reality television shows. Ms. Mackey responded that the questions asked in the study were specific to ATIA's television advertising.

Representative Wilson asked how the viewers who visit Alaska are measured. Ms. Mackey stated that the requested information is provided later in the presentation.

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Ms. Mackey discussed Slide 9: "Advertising Effectiveness Study."

- Awareness is important, but so is perception
 - 79% of respondents had a positive opinion of Alaska's advertising
- Ads did a good job of communicating:
 - Breathtaking scenery, wildlife in its natural habitat, illustrated state's variety of activities, positioned Alaska as an appealing destination

Ms. Mackey detailed Slide 10: "Consumer Marketing."

- Television Ads
- Direct Mail campaign
- Pay-per-click online campaigns
- Magazine ads
- Vacation Planners
- TravelAlaska.com

Ms. Mackey detailed Slide 11: "Promoting Tourism in Alaska."

- Top 3 producing markets:
 - United Kingdom
 - Australia
 - German Speaking Europe
- Partner with tour operators to increase awareness of Alaska and drive sales

Ms. Mackey discussed Slide 12: "Alaska Trade Show."

- Educated travel agents on the lure of Alaska, highlighting communities and activities
- Focused on key gateway cities with direct flights to Alaska
 - o Seattle, Denver, Chicago
 - o New York, Philadelphia

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Ms. Mackey discussed Slide 13: "Promoting Tourism in Alaska." She informed that ATIA's television advertising was recreated this year with the help of new high definition technology. She pointed out that in addition to film and video, new methods of photography are used in the website, magazine ads and brochures. She reported that 100 percent of the work was performed by Alaskan businesses.

Ms. Mackey discussed Slide 14: "Promoting Tourism in Alaska" She mentioned the additional funding used to feature Alaska in the magazine "Cooking With Paula Deen" She noted that Alaska scored 16 full pages in the popular magazine's January/February 2011 edition. Ms. Deen's magazine had upward of seven million readers. The magazine's interest in food provided a promotion opportunity for the Alaska Seafood Industry.

Ms. Mackey discussed Slide 15: "Promoting Tourism in Alaska." She mentioned another media event that resulted in great coverage and was made possible by the appropriation. She informed that Dave Price from the CBS Early Show conducted an on-air contest to select a city to visit this winter, and Anchorage was the winner. She stated that the show featured Dave's efforts to return to New York City within one week while relying on temporary offers of employment and the good will of people. The Early Show reaches 2.56 million audience and generated great exposure for Alaska through both television and the web site and social media outlets. The exposure was valued at \$17 million.

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Ms. Mackey detailed Slide 16: "Promoting Tourism in Alaska" She advocated for presenting the state on television. She displayed a short video clip from the advertising effectiveness study mentioned earlier.

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Ms. Mackey explained that many of the popular programs portraying Alaska are not always accurate.

Ms. Mackey stated that ATIA was able to run television spots on only one cable network with a core budget of \$11.7 million. With the increased budget of \$18.7 million, ATIA

is able to run television spots on 7 national cable networks. "Impressions" is a television term for the impact that a commercial has on a viewer. Many additional impressions have been documented as a result of the newly appropriated funding.

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Ms. Mackey displayed the new ATIA advertisements to the committee.

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Ms. Hickok continued with Slide 17: "Measurement."

- Alaska Visitor Statistics Program (AVSP), administered by DCCED
 - Number of visitors to Alaska
 - How much visitors spend instate
 - What communities visitors travel to instate

Ms. Hickok detailed Slide 17: "Measurement."

- In November, results from Travel Intentions Research, conducted by a national research firm, projected for Summer 2011:
- 4.3% increase = 777,000 visitors = \$72 million in state spending

Ms. Hickok stated results from Travel Intentions Research, conducted by a national research firm, which were projected for summer 2011. Travel intentions are incurred by phone survey and provide a good barometer for the future. She added that the United State's Travel Association projects a 2.6 percent increase nationally for travel. She claimed that ATIA can continue to document the effectiveness of the funding approved during the last legislative session.

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Ms. Hickok thanked the ATIA team, the marketing committee and the board. She appreciated the investment in Alaska tourism.

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Representative Costello expressed appreciation for the advertising efforts of ATIA. She asked about the sunset of the funding match. She understood that the match percentages will change. She asked how ATIA's plans would change if the fifty/fifty match was reinstated.

Ms. Hickok responded that the match translates into approximately \$4.5 million dollars. The \$2.7 match was generated for years as a result of help from ATIA members. She stated that it would prove quite difficult for ATIA to return to the fifty/fifty match.

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Representative Costello asked for figures regarding the industry's contribution to the state's economy. Ms. Hickok responded \$180 million in collected tax revenue.

RON PECK, PRESIDENT ATIA, estimated the state industry fees as \$120 million, which does include marine highway fees, nonresident fishing licenses, corporate income tax from the visitor industry, casino gaming tax from the cruise industry, and the head tax. The \$180 million is the increase or additional municipal spending. He mentioned an additional \$30 million in local hotel lodging taxes that are contributed to the various local municipalities. He added that direct expenditures on an annualized basis equal \$2 billion and indirect expenditures are estimated at \$2.3 billion.

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Representative Doogan asked about ATIA's current budget request. Ms. Hickok responded that the governor had \$16 million in his proposed budget, which remains consistent with last year's budget. She reminded that ATIA was counting on the additional \$2.7 from the industry.

Representative Doogan asked about the budget request. Ms. Hickok responded \$16 million.

Vice-chair Fairclough clarified the question. Ms. Hickok responded that the \$2.7 million includes the match raised by the industry.

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Representative Herron expressed appreciation for the update.

Ms. Hickok clarified the ultimate budget goal of \$20 million. She expressed great appreciation for the \$18.7 million budget.

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Representative Herron clarified that tourism is important for every legislator's constituents. He invited two old friends from the audience to testify to the importance of tourism in Alaska.

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JOHN BINKLEY, PRESIDENT, ALASKA CRUISE ASSOCIATION, discussed the history of his family run business. He stated that his own children now run the business. He stated that many Alaskans benefit from the tourism industry. He noted that he loves the industry and enjoys being a part of it. He expressed excitement regarding the generosity of the legislature. He noted that the increase in advertising allows for an increase in tourism and in jobs.

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Representative Herron acknowledged Mr. Binkley's new grandchild.

Representative Herron asked how the trends in tourism have changed since the economic downfall.

Mr. Binkley answered that his family business was down 30 percent in 2009. He stated that the business endured some tough times. He expressed optimism regarding the policy decisions of both the governor and the legislature. The governor and the legislature made the economic climate better for cruise ships in Alaska. The reduction in the cruise ship head tax along with altering the regulatory regime and improved marketing have proven effective means of turning the tide for Alaskan tourism.

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LINDA ANDERSON, ATIA, expressed appreciation for the additional funding. She noted that every segment of the industry has united to create a more effective marketing

system for tourism in Alaska. She opined that the money coming to the treasury has created a better partnership in Alaska.

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Representative Costello asked Mr. Binkley about the value of a sustainable marketing program for tourism in Alaska. Mr. Binkley responded that a marketing program must be sustained to allow the best value for the money spent. He opined that a steady level of funding over time allows for increased awareness. He compared marketing to a campaign.

#

ADJOURNMENT

The meeting was adjourned at 12:55 PM