

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM, AND
ARCTIC POLICY

February 12, 2015
11:39 a.m.

MEMBERS PRESENT

Representative Bob Herron, Chair
Representative Louise Stutes
Representative Cathy Tilton
Representative Dan Ortiz

MEMBERS ABSENT

Representative Craig Johnson
Representative Charisse Millett
Representative Adam Wool

COMMITTEE CALENDAR

PRESENTATION: DIVISION OF ECONOMIC DEVELOPMENT~ DEPARTMENT OF
COMMERCE~ COMMUNITY & ECONOMIC DEVELOPMENT

- HEARD

PRESENTATION: ALASKA TRAVEL INDUSTRY ASSOCIATION

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

JOE JACOBSON, Director
Division of Economic Development (DED)
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation
entitled, "Alaska North to Opportunity," and dated 2/12/15.

SARAH LEONARD, President and CEO
Alaska Travel Industry Association (ATIA)
Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation entitled, "The Alaska Travel Industry Association (ATIA)," and dated February, 2015.

TIM MCDONNELL, Vice-President
TEMSCO Helicopters, Inc.
Juneau, Alaska

POSITION STATEMENT: Provided a brief historical perspective on the Alaska Travel Industry Association.

ACTION NARRATIVE

[11:39:36 AM](#)

CHAIR BOB HERRON called the House Special Committee on Economic Development, Tourism, and Arctic Policy meeting to order at 11:39 a.m. Representatives Stutes, Ortiz, and Herron were present at the call to order. Representative Tilton arrived as the meeting was in progress.

PRESENTATION: DIVISION OF ECONOMIC DEVELOPMENT, DEPARTMENT OF COMMERCE, COMMUNITY & ECONOMIC DEVELOPMENT

[11:40:05 AM](#)

CHAIR HERRON announced that the first order of business would be a presentation by the Division of Economic Development, Department of Commerce, Community & Economic Development.

[11:40:38 AM](#)

JOE JACOBSON, Director, Division of Economic Development (DED), Department of Commerce, Community & Economic Development (DCCED), informed the committee economic development is the process of creating wealth through investment and reinvestment in a community resulting in more jobs, higher incomes, an expanded tax base, a more diversified economy, business improvement, and a better quality of life (slide 2). He continued to explain that economic development is a topic that extends into every decision and policy in terms of building communities and educating future leaders. Within DED, there are three core functions: finance, development, and tourism marketing (slide 3). Within the finance section, DED administers and services 11 loan funds with a total principal outstanding in excess of \$200 million, the bulk of which are in commercial fishing loans; the largest number of loans are in the commercial fishing sector and the greatest dollar value is split

between commercial fishing and the fisheries enhancement program. Also, there are small business loan funds such as the avionics program and the charter fisheries program. Mr. Jacobson noted the rural development initiative fund is used to stimulate entrepreneurship and business development in rural Alaska. He further explained the rural development initiative fund is an Alaska Industrial Development and Export Authority (AIDEA), DCCED, fund that is administered by DED, and which is a very useful and popular fund.

CHAIR HERRON asked about the bulk fuel loan program.

MR. JACOBSON responded that bulk fuel loans are more closely affiliated with the Division of Community and Regional Affairs, DCCED. Mr. Jacobson continued with DED's development overview and listed some of its major initiatives: Alaska Regional Development Organizations (ARDORs) reauthorization; cultural tourism; North to Opportunity branding message; unmanned aircraft systems; Emmonak Port environmental impact study; statewide business retention and expansion program; Made in Alaska (Home); and seafood byproducts as related to the Iceland trade mission (slide 5).

CHAIR HERRON asked for more information on the trade mission.

MR. JACOBSON responded that ten private industry members, one member from the University of Alaska (UA), and one member from a local economic development agency were on the mission. In further response to Chair Herron, he said he was not on the mission; however, he opined a key point learned on the mission was that Alaska does not have to be envious of Iceland. Although there is a lot to be learned from Iceland, Iceland has the advantage of smaller size, thus allowing better collaboration between factories and plant managers, which fosters a cluster development approach. A state geographically as large as Alaska is at a disadvantage in this regard.

CHAIR HERRON provided an anecdote and expressed his hope that Alaska can strengthen its relationship with Iceland.

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REPRESENTATIVE STUTES asked whether DED has any involvement with the shellfish industry.

MR. JACOBSON replied that DED works with shellfish farmers and hatcheries such as OceansAlaska. The division completed an

operational audit of the OceansAlaska hatchery and found that the existing hatchery, with a nominal investment, could increase productivity dramatically through basic improvements. Subsequently, OceansAlaska developed a new business plan and received a loan to continue its operations. He said he believed mariculture enterprises need to be self-sustaining, and now that OceansAlaska has a viable business plan, it may exceed expectations based upon geoduck and oyster demand.

REPRESENTATIVE STUTES expressed her understanding that shellfish farmers have difficulty obtaining sufficient seed for growing geoducks or oysters in order to maintain their farms. She asked whether DED is in contact with "anybody interested in going in that direction."

MR. JACOBSON replied that OceansAlaska's mission is to provide seed to geoduck and oyster farmers in Alaska. The hatchery is non-profit, similar to Douglas Island Pink & Chum, Inc. (DIPAC), and supporting its operations would provide jobs in Ketchikan and the needed seed for shellfish farmers across the state.

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MR. JACOBSON, in response to Chair Herron, said prior to his position at DED, he was the international director with the Alaska Seafood Marketing Institute (ASMI). Mr. Jacobson continued listing his division's major initiatives, adding minerals promotion and trends, and opportunities in the maritime industrial services sector (slide 5). To report on the foregoing initiatives in more detail, he returned to the first initiative, the ARDOR program, and informed the committee the program was reauthorized by House Bill 71 [passed in the 28th Alaska State Legislature]. After reauthorization, grants were issued to participants, although two organizations were removed from the program: Interior Rivers and Lower Kuskokwim Economic Development Council. A new representative for that region, the Association of Village Council Presidents (AVCP) became the newest ARDOR. Also, DED is working with ARDORs to increase accountability and performance measures, and to ensure demonstrable results from their tasks. Turning to the Made in Alaska (Home) initiative, Mr. Jacobson said a home was built in Anchorage by a contractor working closely with DED to feature Alaska-made cabinets, countertops, and other locally-manufactured products (slide 12). Concurrently, DED began working with the Cold Climate Housing and Research Center (CCHRC) and AVCP to study integrated truss design homes for the Lower Kuskokwim area. Again, the goal is to help AVCP develop a

business plan for a truss plant and sawmill to provide lumber for local housing needs.

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MR. JACOBSON directed attention to the Northwest Cultural Tourism and Native Arts initiative, which is tasked to stimulate tourism in rural Alaska using cultural aspects as a base for tourism. Last summer DED hosted a familiarization tour for tour operators, visiting Kotzebue, Nome, White Mountain, Council, and Savoonga. The next step is for DED to work in the region to bolster its capabilities and capacities in order to offer a broader and more consistent experience for both the tour operators and the communities in the region (slide 7). Alaska North to Opportunity brochures were developed to promote Alaska as a good place for business opportunities. The brochures focus on Alaska's general business climate, opportunities in unmanned aircraft systems, and natural resources (slide 8). A separate initiative that was focused on Alaska's unmanned aircraft system industry development came from a request for support from the Fairbanks North Star Borough ARDOR. Along with UA Fairbanks (UAF), DED attended the Association for Unmanned Vehicle Systems International trade show in Orlando. Mr. Jacobson said DED's presence at the trade show led to negotiations with a company that is a leader in delivering aviation training solutions, and which has evaluated potential facility sites in Alaska (slide 9).

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CHAIR HERRON acknowledged the work done by Representative Shelley Hughes in this regard.

MR. JACOBSON referred to a document provided in the committee packet entitled, "Unmanned Aircraft Systems Economic Development Strategy for Alaska," which was an overview of past and proposed efforts on this topic. He cautioned that although Alaska has an early lead because of its air space and destination as a test site, other states are aggressive competitors for this industry, and are offering research and development tax credits. The next initiative discussed was the Iceland Trade Mission, which originated from Senate Bill 71 [passed in the 28th Alaska State Legislature]. Senate Bill 71 extended the value-added seafood salmon processing tax credit, expanded the tax credits to include herring, and affected can size manufacturing and by-products. The trade mission to Iceland was facilitated by DED with delegation members participating at their own expense. It

was learned that Alaska's companies are "pretty technically advanced," in fish processing. Mr. Jacobson directed attention to DED's statewide Business Retention and Expansion Program, noting that DED hosts workshops and provides software solutions to a variety of communities across the state. The software allows economic development organizations to reach out to the local business community. Workshops have been arranged for Soldotna, Juneau, Ketchikan, Haines, Kodiak, Fairbanks, Anchorage, Palmer, and Homer (slide 11).

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REPRESENTATIVE ORTIZ surmised the workshops were in locations throughout the state.

MR. JACOBSON said correct. Workshops would be carried out through the rest of the year. He added that most of the funding for this initiative was provided through a federal grant; DED has made in-kind contributions of staff time. In response to Chair Herron, he said he was unsure of the time and location of the next workshop.

REPRESENTATIVE STUTES asked for a schedule of the workshops.

MR. JACOBSON displayed a slide of DED's trade booth (slide 13). In the venue of minerals promotion, DED has been attending conferences in Canada. At the trade show in Vancouver, the trade booth showcased 12 different exploration and development companies, along with representatives from AIDEA and the Department of Natural Resources (DNR). Alaska is an extremely pro-mining jurisdiction, and he stressed the importance of discrediting "the perception that you can't get a project done here, when in actuality that's not the case," as evidenced by the success of mining in the state. The division also produced the Alaska Minerals Industry Report (slide 13). The Trends and Opportunities in the Alaska Maritime Industrial Support Sector initiative commissioned a report that defined the entire Alaska fleet. Every community was represented and every vessel operating in Alaska was specifically identified. Findings from the report informed Alaska's future roles in shipbuilding and in maximizing the value of its existing fleet (slide 14).

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MR. JACOBSON stated that the Arctic Shipping initiative, was being conducted by Dr. Lawson Brigham and would be distributed to the committee upon completion (slide 15). Turning to DED's

tourism marketing program, he noted that DED worked very closely with the tourism private sector before the Alaska Tourism Marketing Board (ATMB) was established; programs have now been transferred to ATMB (slide 16). Highlights of the program are: generated almost 800,000 consumer information requests; return on investment is over \$100; continued relationship with Icelandair; worked on additional air routes; worked closely with Canadian governments to promote road travel; public relations work that yielded \$44 million in advertising equivalent; and 1,700,000 site visits to TravelAlaska.com (slide 17). The marketing program is focused on generating awareness and translating awareness into visits by generating new high-potential prospects in North America, and raising awareness/interest among North America consumers. He characterized the program as one of conversion and awareness through various approaches, also supported by travel planners and other tactics (slide 18). The primary target market for Alaska visitors remains 45-65 years of age, affluent, married, college-educated, frequent travelers, and previous visitors (slide 19). Generating requests for travel information is by online advertising, magazine advertising, direct mail, and television (slide 20). Almost 500,000 state vacation planners are sent out and are very effective, with a 10 percent conversion rate in the first year and a 5 percent conversion rate for years two, three, and four (slide 21). Also distributed by mail is the "It's within your reach" brochure, which is designed to pique interest and provide encouragement to travel (slide 22).

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MR. JACOBSON explained costs for the "North to Alaska" brochure are split with Canadian partners and the brochure works well to encourage a driving vacation through western Canada and into Alaska (slide 23). Television advertising runs on national broadcast television, and TravelAlaska.com is a tremendous resource translated into multiple languages: German, Japanese, Korean, Spanish, and Chinese (slides 24-26). The web site is a cost-effective approach to key markets as no money is spent on advertising overseas.

CHAIR HERRON asked for most effective method of advertising.

MR. JACOBSON advised television advertising creates a tremendous amount of awareness, especially for travel. Also, the role of public relations and articles that are not "selling" is important to the younger target audience.

CHAIR HERRON asked about reality shows.

MR. JACOBSON offered that some are considered bad publicity; however, they keep the state before the public. He said he did not have "good statistics on measuring that." The new Alaska Highway travel web site promotes road travel; in fact, he was optimistic that road travel may increase this year because gas prices have gone down (slide 27). Returning to public relations, he said DED hosts the Alaska Media Road Show which brings together 40 Alaskans representing different companies and regions to present to travel journalists. This year the theme was cultural tourism, and the event featured organizations from across the state (slide 28). From the media road show, travel stories are generated and published in magazines such as the Alaska Airlines Magazine, promoting tourism and business development (slide 29).

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MR. JACOBSON recalled the "Today" show filmed in Juneau last year, highlighted by a tremendous display of support from the community. The department provided support, ideas, and coordination to the production, but there was no direct cost (slide 30). He continued to other events in which DED participates around the world: travel trade events and co-promotion with Icelandair (slides 31-33). Mr. Jacobson returned to collaboration with the private sector, noting ATMB held its inaugural meeting 1/5/15-1/6/15. Representative Hughes serves as the House designee on the board, and members are invited to attend (slide 34).

REPRESENTATIVE ORTIZ has heard concerns from shellfish farmers about the impact of state regulation on the shellfish industry. He asked where farmers should be directed for answers to their questions.

MR. JACOBSON suggested that they contact him. Depending on the concern, questions may be directed to DNR or the Department of Environmental Conservation (DEC). He acknowledged that permitting in Alaska can be tedious, but is less challenging than in many other jurisdictions. He cautioned that upcoming budget cuts need to be tempered by their possible effects on quick responses from government to some of the challenges of the industry, such as product testing.

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CHAIR HERRON referenced an earlier request to Representative Tilton, chair of the House Community and Regional Affairs Standing Committee, to assume the task of recommendation 1D, [promote entrepreneurship and enterprise development] of the Alaska Arctic Policy Commission Implementation Plan issued 1/30/15. He asked Mr. Jacobson to comment.

MR. JACOBSON replied that improving entrepreneurship and business development in any region of Alaska has to be a holistic approach, ranging from basic services to education to successful small businesses. His division has been working with the Cold Climate Housing Research Center on a more community-driven approach to community development to address issues in a concerted approach, and thereby have community involvement from the beginning. The ARDORS program does not have full representation across the state, particularly in the Arctic region, and increasing access to funds such as the Rural Development Initiative Fund, DED, DCCED, should be explored, as access to capital for small business is very important; in fact, the fund is often expended to its maximum limit. In addition, cultural and rural tourism present opportunities, as does the technology of unmanned aircraft in application at Fort Wainwright. Studies have shown that available career paths keep young people engaged in their communities.

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REPRESENTATIVE TILTON expressed interest in further discussion.

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The committee took an at ease from 12:26 p.m. to 12:28 p.m.

PRESENTATION: ALASKA TRAVEL INDUSTRY ASSOCIATION

[12:28:15 PM](#)

CHAIR HERRON announced that the next order of business would be a presentation by the Alaska Travel Industry Association (ATIA).

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SARAH LEONARD, President and CEO, Alaska Travel Industry Association (ATIA), provided a PowerPoint presentation entitled, "The Alaska Travel Industry Association (ATIA)," and dated February, 2015. She informed the committee the Alaska Travel

Industry Association (ATIA) is the state's leading statewide, nonprofit, membership organization for the travel industry. With over 600 members, ATIA advocates for a healthy tourism industry and helps promote Alaska as a premier travel destination. The membership is diverse and includes businesses across the state from bed and breakfast owners, tour guides, small and large cruise ship companies, and community convention and visitor bureaus (slide 3). Members provide quality experiences in national and state parks (slide 2). Most of the members are small or medium business; in fact, 73 percent have less than 20 employees (slide 3). Member services include those of a traditional membership-based trade and industry association; for example, ATIA hosts the largest gathering of tourism professionals during its annual convention and trade show. This year the event will be in Juneau 10/5/15-10/8/15, and will feature a cultural arts and heritage tourism summit (slide 4). One of ATIA's goals is to increase the quality of the tourism industry through education and training opportunities, thus ATIA has enhanced its web site by providing access and information on tourism training and professional development opportunities (slide 5).

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CHAIR HERRON acknowledged the presence of the Kenai High School basketball team and his grandson Keith Ivy.

MS. LEONARD pointed out ATIA supports tourism industry scholarships for Alaska students through its foundation. Scholarships have been distributed to over 150 students and this year \$20,000 in scholarships will be recommended. Scholarships are supported by individual and business donations, and through the Pick.Click.Give. charitable contributions program (slide 5).

REPRESENTATIVE ORTIZ said one of his constituents was pictured on slide 6.

MS. LEONARD stated the photo on slide 6 was of a student who received the Kris Geldaker Memorial scholarship. In further response to Representative Ortiz, she said the scholarships are for continuing education and for high school students to interest them in pursuing careers in the travel industry.

MS. LEONARD continued to explain that ATIA acts as a link to marketing for members through co-operative marketing opportunities available to businesses and other services at trade shows. As a long-time partner with the state, the ATIA

team is expert at marketing tourism and supporting its members and the industry with education and global networking opportunities. The organization has been operating for over 30 years, and is flexible in the way it implements services and programs for the benefit of its members (slide 7). The results are that Alaska's visitor industry is an economic engine for the state, and after reinvestment in tourism marketing by the state, Alaska attracted almost two million visitors last year. Visitors helped generate over \$100 million in state revenue and \$78 million in municipal revenue through taxes and fees. One in eleven Alaska jobs are within the visitor industry, and visitors spent \$1.8 billion in the state. Further, \$1.24 billion in labor income was created by tourism (slide 8).

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MS. LEONARD concluded that with reinvestment in tourism marketing, tourism works for Alaska (slide 9). In 2013, there was an almost 7 percent increase in summer visitation, and with winter visitation there was a total of almost two million visitors. A 2 percent drop in 2014 was attributed to a reduction in cruise capacity; however, the prediction is for an increase in 2015 (slide 10). One million summer visitors traveled by cruise ship, 38 percent came by air, and 4 percent drove the highway or traveled on the Alaska Marine Highway System (slide 11). Over 80 percent of visitors came from the Lower 48, 10 percent were international visitors - not including Canada - and 7 percent were from Canada. Primary international markets are the United Kingdom and Australia (slide 12). Ms. Leonard noted that increasing interest in the Arctic from all markets is an opportunity for businesses and communities in the Arctic region. Overall, Southeast, Southcentral, and the Interior attracted the highest number of visitors, Southwest received 4 percent, and the Far North received 2 percent of visitations. Even small increases in tourism have a major impact on the Far North; for example, in 2012-2013, total visitor spending was \$30 million, 300 jobs were created, and there was a labor impact of \$12 million (slide 13). She advised that ATIA is the voice for small and large businesses at policy discussions regarding reinvesting in tourism marketing. Last year AITA worked to pass Senate Bill 194 [passed in the 28th Alaska State Legislature] which created the Alaska Tourism Marketing Board (ATMB) in order to have government and industry execute a tourism marketing plan for Alaska. The board consists of 18 industry representatives recommended by ATIA, and representatives from the Department of Commerce, Community & Economic Development (DCCED), and the legislature.

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REPRESENTATIVE STUTES asked for the sources of ATIA's funding.

MS. LEONARD responded that ATIA's funding is through membership dues, its annual convention, and its state contract to implement a marketing plan. In further response to Representative Stutes, she advised that ATIA is a nonprofit association and is self-sustaining.

CHAIR HERRON recalled that tourism marketing is always a high-profile item.

MS. LEONARD returned attention to ATMB, noting that the board reviewed applications and recommended qualified candidates and programs (slide 15). Program recommendations from ATIA to ATMB were illustrated (slide 16). She stressed the importance of having professional industry insight in a tourism marketing plan. Additional issues addressed by ATIA include public land issues, arts and cultural resources, permitting processes, economic development, and the growing interest in the Arctic. In fact, the legislature's interest in the growth of tourism in the Arctic region is welcome and timely. The tourism industry seeks involvement when the state and federal governments are discussing policy affecting Alaska's Arctic, and through the Arctic Council. The tourism industry wants to be on the forefront of issues in the region such as the available community resources, access, infrastructure, safety issues, communications, monitoring, investment costs, and whether Arctic communities are ready for, or want, increased activity and visitation (slide 17). Ms. Leonard advised ATIA would be addressing the aforementioned issues and other topics at an Arctic Tourism Panel to be held on 10/5/15 during its convention in Juneau. Members of the legislature are invited to attend. She concluded, expressing her belief that tourism is a renewable resource, and ATIA members work to market Alaska to visitors thus are proud of the economic and quality of life benefits the tourism industry brings to Alaska.

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CHAIR HERRON asked whether Craig Fleener, the governor's Arctic policy advisor, contacted her regarding the Arctic Council host committee.

MS. LEONARD said no.

CHAIR HERRON stated that the committee would contact Mr. Fleener in writing on this matter.

REPRESENTATIVE ORTIZ directed attention to slide 13, and noted the low percentage of visitations for the Far North. He asked whether there has been any growth in tourism in this region.

MS. LEONARD said the percentage for this region has remained stable for many years, but she has heard anecdotal evidence from Arctic tourism operators that more visitors are making reservations for the upcoming summer. In further response to Representative Ortiz, she said ATIA and its partners have a focus on promoting winter tourism activities; in fact, members seek to grow winter tourism.

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TIM MCDONNELL, Vice-President, TEMSCO Helicopters, Inc., provided a brief history of his experience in the travel industry. He said tourism in Alaska has made incredible progress over the last 45 years, but "we're only at the tip of the iceberg of where this thing can go." The Alaska Travel Industry Association is a young, but very progressive, organization of which he is proud.

REPRESENTATIVE ORTIZ asked whether the ideas of the Alaska brand and Alaska's image are "holding up."

MR. MCDONNELL said that Alaska always attracts interest; however, the travel industry is very complicated and competitive, and marketing efforts are extremely important.

CHAIR HERRON asked Ms. Leonard to work with Rob Earl and craft relevant correspondence to Mr. Fleener.

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ADJOURNMENT

There being no further business before the committee, the House Special Committee on Economic Development, Tourism, and Arctic Policy meeting was adjourned at 12:50 p.m.