

SCOMM

113:1

Economic Development and Tourism Committee
Representative Gail Phillips
Chair

Committee Members

Representative	Aide	Phone/fax	Room
Rep. Gail Phillips - Chair	Scott Petsel	4078/2698	411/116
Rep. Romona Barnes	Mark Riehle	3438/4565	403
Rep. Sharon Cissna	Rob Earl	3875/4588	420
Rep. Fred Dyson	Gayle Keller	2199/4587	104
Rep. Andrew Halcro	Kevin Hand	4939/2418	418
Rep. Beth Kerttula	Karen Greeney	4766/4748	430
Rep. Norman Rokeburg	Janet Sietz	4968/2040	24

As of 1/26/00

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Official Business

Alaska State Legislature

ECONOMIC DEVELOPMENT & TOURISM COMMITTEE

Representative Gail Phillips, Chair
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March 3, 1999 - 4:30 p.m.

Economic Development & Tourism Committee

Agenda: Overview – Economic Development & Tourism in Alaska

“Outlook for ’99”

Department of Commerce and Economic Development
Alaska Tourism Marketing Council

- Deborah Sedwick, Commissioner
- Greg Wolf, Director, Trade & Development
- Tom Garrett, Director, Division of Tourism
- Dave Karp, AK Tourism Marketing Council

House Resources, #124. (*Note: meeting starts at 4:30 PM*).

GP:ps

Tuesday, March 2, 1999

HOMER TRIBUNE

Alaska's tourism industry proposes overhaul

by Sarah Sanders
Tribune staff reporter

Under a new draft plan, Alaska's tourism industry is switching hands. The "New Millennium Plan" seeks to reorganize the state's tourism industry by consolidating the three main branches into one new private sector organization.

The new plan will consolidate the Alaska Visitor Association, Alaska Tourism Marketing Council, and the marketing arm of the state's Division of Tourism. The public nonprofit trade association, private/public corporation, and the state organization would be combined into one new statewide organization. "What we are really trying to do is consolidate marketing and streamline the organizations that we do have, deal with some of the decreases in state funding, and look for quite a bit more in funding from the private sector," said AVA's Executive Director Tina Lindgren.

One of the main reasons for the merger is the state's 60 percent drop in funding in the last decade. In 1990, the state spent \$15 million promoting visitors to come to Alaska. This amount plummeted to \$6.6 million by 1998, and while the tourism industry ranked seventh in state spending in the nation in 1991, this year it fell to 27th place.

While overall visitor numbers have continued to rise, the rate of growth has slowed, said Lindgren.

Homer Chamber of Commerce Director Dorothea Ferraro reports that tourism in Homer hit a peak in the early 1990s, and for the rest of the decade, she said, tourism generally declined, with periodic

sprints of growth.

One reason for the decline is increasing competition both in the United

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Post-It® Fax Note	7671	Date	10
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Tuesday, March 2, 1999

HOMER-TRIBUNE

TOURISM, cont. from front page

States and worldwide. While state spending on tourism has declined, other states' budgets have increased tremendously. Lindgren reports that over the last five years, other states have increased their tourism spending by 24 percent. "There is increased competition and we are being less competitive out there when it comes to going after those visitors," she said.

Lindgren said that the new plan isn't really an option, it's a requirement. "Part of the reason for this comes from the Legislature who have said we expect and want the industry to come to the table with additional funds than they have in the past," she said. The organizations felt that the best way to increase tourism funding from within the industry was a voluntary program.

Homer's chamber is already looking at how they will contribute to the new statewide plan. Ferraro said that a committee has been established within the chamber to become familiar with the plan. "One priority of the committee will be to educate the membership and the community about the plan, and the other priority of the commit-

tee will be to explore ideas for the Homer financial contribution to the plan," she said.

Under the new plan, the state tourism industry will supplement state funding with money coming from the private sector. Individual businesses would participate at one level, while communities at a different level. The funding mechanism that is being proposed is made up of several components. Lindgren said the state will continue to be a large financial partner, although its contribution isn't expected to increase given the current status of its budget. The rest of the money will be the burden of Alaska's tourism industry, and large tourism companies.

Lindgren said contributions from individual businesses would be based on their size. However, it is the larger tourism companies that will be asked to support the organization in a much greater way. Lindgren said that the \$10 million plan calls for a \$1 million contribution from individual communities after a three-year phase-in of the program.

Lindgren said that the contribution would be based on visitor spending, so that larger communities would pay substantially more than smaller communities. "It's true that the smaller communities and the smaller businesses stand to leverage off of what those larger organizations are contributing," she said.

Under the new plan, a business's number of employees will determine their contribution. The membership for the smallest businesses would be \$200. Lindgren said that today most businesses would need to spend about \$500 to equal the same thing that they would get for the \$200 contribution to the program.

What are the benefits of laying down \$200? Lindgren said that businesses will be included on a membership listing in the State Vacation Planner, as well many other advertising and promotional opportunities.

By basing membership on the number of employees, as businesses grow, so would the cost to join. "It really

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raises the contribution from the largest companies and lowers it for the smaller businesses," she said.

The plan is slated to be introduced before the Legislature this year for approval.

While the details of the consolidated organization hasn't been ironed out yet, Lindgren said that a transition team has drafted bylaws and have started to put the pieces in place. An updated version of the plan went out to more than 6,000 businesses affiliated with the visitor industry. Feedback is encouraged.

Lindgren said that overall, the plan is receiving very strong support. "People don't necessarily like the idea of having to contribute more than they are today - that's a tough thing to ask of people and change is always

difficult," Lindgren noted.

Lindgren believes that a strong Alaska marketing presence is needed to bring visitors to the state. "When people make the decision to come to Homer, as an example, generally, they first make a decision first about visiting Alaska," she said. "Individual businesses, like bed and breakfasts, really aren't in the position very often of doing national advertising, which will bring people to their doorstep.

The idea is that by pulling resources that everyone will win. That at the end of the day, everyone will stand to gain by having strong visitor industry," Lindgren said.

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FAX NO. 11

MAR-02-99 TUE 11:40 AM HOMER L10

House Special Committee on Economic Development and Tourism

Alaska Department of Commerce and Economic Development

Overview on Development and Tourism Activities

Commissioner Debby Sedwick

March 3, 1999

Members: Gail Phillips, chair; Ramona Barnes; Fred Dyson; Andrew Halcro; Norman Rokeberg; Sharon Cissna; and Beth Kertulla

Madame Chair, members of the committee: Thank you for this opportunity to meet with you. I look forward to constructively working with you to improve and expand Alaska's economic development and tourism opportunities. A special thanks to Madame Chair, Representative Barnes and Representative Rokeberg for their unwavering support of economic development, trade and tourism in the face of tough budget times. I look forward to the support of the other members of this committee, as we bring you up to date on our successes and our visions for the future.

As you know, the Alaska Department of Commerce and Economic Development has a diverse array of programs. I would like to give you a brief introduction to the Department and its economic development functions before I turn the presentation over to Tom Garrett, our director

of Tourism, ATMC Executive Director Dave Karp, to be followed by Greg Wolf, our director of the Division of Trade and Development.

The primary goal of the Department of Commerce and Economic Development is to promote an active, healthy and expanding business community. This goal is accomplished through two main tasks: consumer protection through regulation of business; and economic development through advocacy programs that develop, strengthen, and diversify Alaska's economic base, increase employment opportunities, and stimulate private enterprise. We are excited to present to you this afternoon some of the highlights of Alaska's economic development and tourism programs.

With the decline in Alaska's resource extraction industries, more Alaskans are turning to tourism as the industry offering them the greatest potential for growth. Tourism is now the second largest industry in Alaska, and the largest employer of Alaskans. Tourism offers tremendous potential for economic development in rural Alaska if it can be done in a planned, orderly and unobtrusive manner. Many of these smaller, locally owned businesses do not have the resources to conduct marketing or influence planning decisions. The Division of Tourism is an advocate for these small businesses that helps ensure their growth, expansion, and success. In addition, tourism is a key source of entry level employees and is a key player in reducing the state's welfare rolls.

I believe the State has an important responsibility for oversight of tourism marketing and development. Left entirely to the private sector, dominated by large out of state multinational companies, marketing will not be directed to benefit Alaska residents and tourism businesses. Lack of planning will result in continued congestion in already crowded areas in the summer and

insufficient dispersion of visitors to rural and less visited areas and during the non-summer season.

The Division of Trade and Development serves as a commercial liaison for the state and for private sector businesses that trade in international markets. The efforts of the Division of Trade and Development are part of the State of Alaska's overall economic development strategy to increase employment and diversify our economic base. The Division also works to strengthen Alaska's economy through the development of a diverse and self-sufficient private sector. The goal is to establish a positive business climate that is conducive to commercial and industrial investment and development.

During the last three years we reorganized what was once three separate Divisions of state government (Economic Development, Trade and Tourism) into one group. These units are now integrated into one with a common economic development mission and one administrative support staff. This integration allows for a streamlined approach in which development, trade and tourism staff and contractors work together to promote business and product development opportunities within Alaska, based on trade and tourism opportunities throughout the world. To further reduce costs and increase efficiencies, our overseas trade and tourism contracts share a common contractor in Japan, Korea, and Taiwan. Our tourism and trade development functions are closely tied, because as most of you know, trade tends to follow tourism.

Despite the obvious importance of these markets to Alaska and the volume of our trade and tourism sales, we have an extremely lean staff and budget. The small number of people involved

in trade, development and tourism for the state of Alaska including all support administration is very small. Since FY 95, the Divisions of Tourism and Trade and Development have experienced a 41% and 45% decreases, respectively, in general funds. We have three trade specialists for Japan, Korea, China, Taiwan, and Russia; six development specialists for seafood, timber, business development, mining, small business support and economic development; and two tourism specialists for North America, Asia and Europe. These staff work incredibly hard to cover a phenomenal amount of territory and opportunities.