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**STATE OF ALASKA
HOUSE OF REPRESENTATIVES**

**SPECIAL COMMITTEE
ON
INTERNATIONAL TRADE AND TOURISM**

Committee Chair

Summary Report on Tourism

by

Representative Beverly Masek

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COMMITTEE PRIMARY OBJECTIVES

1. Complete a review of the tourism (and trade) support networks.
2. Take testimony from the private and public sector to determine how well the publically funded portion of the networks are functioning.
3. Determine what weak points or defects there might be in the network.
4. Recommend legislative changes that would improve the tourism industry in Alaska.

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TOURISM SECTOR

BASIC NETWORK STRUCTURE

Alaska's network of support for tourism is unlike that of most other States.

Instead of simply having a Division of Tourism which is funded, controlled and directed by government, our state has established a combination public / private body which both establishes and carries out tourism policy for Alaska.

In addition, we have given this public / private body quasi governmental powers in terms of both policy and contractual authority.

ALASKA TOURISM MARKETING COUNCIL

The Alaska Tourism Marketing Council (ATMC) is comprised of both public and private membership and is authorized in statute to establish and carry out state tourism marketing policy. This includes the ability to contract with the Alaska Visitors Association (AVA) as part of meeting tourism objectives the Council identifies.

THE ALASKA VISITORS ASSOCIATION

The AVA is a private, non-profit organization comprised of member businesses throughout the state. As noted above, the AVA is under contract with the ATMC to help carry out the policies established by the Council on behalf of the State.

DIVISION OF TOURISM

Formerly the primary facilitator in the state's tourism policy, Alaska's Division of Tourism has been reduced in size and funding as the Tourism Marketing Council has been legislatively authorized to perform many of its functions.

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DIVISION OF TOURISM (continued)

The Division now primarily serves the overseas marketing program and coordinates with the Council in logistical support categories such as vacation planner mailings and answering visitor inquiries.

PUBLIC ASSESSMENT OF THE PRESENT TOURISM NETWORK

The chair has heard, both privately and publicly, one singular continuing criticism of the present tourism marketing system from individuals, businesses and groups.

The main thrust of the criticism is the inability of the mid-range and smaller tourism businesses to either effect policy or be substantially benefited by existing state tourism marketing programs.

FINDINGS

STRUCTURE

The Chair, after examination of the testimony submitted by the private sector and a review of the existing marketing structure in Alaska, finds the present system, as it is now established, favors the major players in the tourism business and that smaller businesses who are not members of AVA or ATMC have little real influence in the process. Without major holdings or capital to contribute to the system as a major player, one cannot expect the other major contributors to give any significant weight to one's ideas or suggestions if they represent a major departure from the status quo.

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CONTROL OF PUBLIC APPROPRIATIONS

The Chair also finds that all major expenditures, methods of advertising, and marketing strategies are implemented by the ATMC and AVA under contract with the ATMC.

LEGISLATURE AND DIVISION OF TOURISM INFLUENCE

The Division and the Legislature are more distantly involved in tourism policy except as advocates for persons, businesses or groups which are seeking to change the direction of ATMC / AVA policy.

The Division, in recent years, has been further taken out of the policy decision process, with the ATMC now dealing directly with the Commissioner of Commerce and Economic Development instead of going through the Division Director.

The Legislature is not as easily able to affect the policy of the ATMC through the normal budget and oversight process as used in monitoring and interacting with the Division of Tourism

INSULATION

The Legislature, or its audit arm, does not have the ability to examine and affect the inner workings of the AVA, because it is not considered a political subdivision of the state, even though ATMC contracts solely with it to carry out policy on behalf of the state. Additionally, the Legislature does not have the same budget oversight process when dealing with the ATMC that it has with an agency of the state such as the Division of Tourism. This is especially true as it applies to the difference in lobbying efforts.

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INFLUENCE

Both the AVA and the ATMC lobby the Legislature and Administration through well paid, highly effective representatives. In addition, individual companies within ATMC and AVA also hire lobbyists. Finally, major individual players in both the ATMC and the AVA lobby Legislators on behalf of their own interests and ideas.

FUNDING

The Legislature has, in the past, provided very liberal, General Fund appropriations to be used by the ATMC / AVA to promote tourism according to their policies and objectives.

The Legislature, against the advice of their auditor allowed an accounting of private sector expenditures to be credited toward the 25% private sector matching dollars required under law.

LEGISLATIVE AUDIT SUMMARY (see attached for details)

The Legislative Auditor, in a recent report, has determined that the accounting and funding processes being used under the current system violates both statute and constitutional law (see auditor's report).

The auditor also finds a need for the private sector to provide a greater share of revenue to support policies and marketing plans it is establishing (see report).

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RECOMMENDATIONS

The Chair recommends that the present system be changed based on **three major considerations.**

1. The Legislature cannot continue to appropriate large General Fund amounts to fund policies and plans which are conceived and carried out according to the dictates of ATMC and AVA.

The reasons are twofold.

a) The present system does not allow sufficient public influence of state tourism policy, which constitutionally must serve the best interests of all the people of Alaska.

b) The ideas and energies of major companies doing business in Alaska are self serving and have left a huge gap in the dispersion of tourism dollars in our state. Smaller businesses and individuals are left to survive on the trickle down economics of large scale promotion and funding. As a result, heavy negative impacts are occurring in areas which serve the major tour companies while in between, smaller markets are left starving for want of tourists and the dollars they spend.

2. The ATMC / AVA must be held to the same degree of accountability and public influence as the Division of Tourism if they are to expect to receive General Fund appropriations.

This recommendation is supported by the Legislative Auditor in greater detail (see accompanying report). Generally, the ATMC needs to be subject to the same rules as any other political subdivision of the state if it expects to have the authority to act as one.

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RECOMMENDATIONS (continued)

3. The costs of advertising and the type of advertising being funded by the Legislature must be state-of-the-art and must reflect more site specific markets. Generic advertising has been designed to dovetail nicely with the advertising of major tour companies, but does little or nothing to fill the huge gap in the smaller communities and markets throughout the state.

The Governor, in his Market Alaska outline, has recognized this gap and the Legislature should work with the Administration to establish a full range of promotion for the state.

GENERAL SUMMARY CONCLUSIONS

1. The Legislature needs to have a greater ability to act on behalf of all the people in establishing and guiding major tourism policy.
2. The Legislature must keep in check the power and influence of major tour companies from outside the state for the best interest of all people who reside in the state. While the Legislature recognizes the significance and investment which foreign and domestic corporations make in Alaska, it must also remember their primary motives will never be the same as the Legislature's.

Profit should not solely dictate policy even when it provides a sense of great accomplishment in the promotion of our state. The Legislature's primary responsibility is the welfare of the people. This may, or may not, include profit incentives as a primary basis for action as it formulates tourism policy.

FUTURE COSTS AND REVENUE TO MEET THEM

All evidence points to great financial rewards being gained by major tour companies in Alaska. The crown jewels are being discovered and people are paying vast sums of money to have a guided peek at those jewels. But the fact remains that the people of the state own those jewels and deserve to be compensated for the exploitation of them. As more and more people come to our state, our infrastructure is impacted.

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FUTURE COSTS (continued)

Roads, airports, and docks are heavily used and need constant maintenance and upgrading. Public health and communication services are also impacted as they expand to accomodate large numbers of visitors during the summer months. These year round impact costs must be shared fairly by the industries and persons who most directly benifit from these services and infrastructure.

We must begin employing some of the same revenue generating methods which other states use to recover costs associated with the visitor industry. We cannot ask our residents to bear these costs disproportionately.

DRAFT LEGISLATION

I am including, as an addendum to this summary, a draft bill which suggests a process by which we may establish a revenue source for our state. These methods are generally accepted as having the least impact on residents, while capturing a reasonable amount of revenue from our visitors. If established, the tax rates should not be excessive, and should not negatively impact the flow of tourists to the State. If implemented properly, these visitor revenues will provide a more stable and productive tourism industry in the state.

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APPENDIX

CONCLUDING REMARKS

I wish to thank all those parties within both the public and private sectors who contributed information and insight to the Committee.

Overall, I feel we have a very positive future ahead in the tourism industry, but we must be careful how we proceed. Tourism impacts to communities can be negative as well as positive and Alaskans resent any industry which threatens their lifestyle.

I feel we should look carefully at how Hawaii has been impacted by tourism. We need to decide early on what role mega tourism should play in our state. We have the benefit of observing both the errors and successes in that state, which has seen a tremendous change in culture and lifestyle, as a result of tourism growth. We must never lose the mystique which makes Alaska the very real adventure it is, and we must never forget that the people of Alaska are what make our state unique and exude that mystique.

Finally, I would like to thank the members of the Committee for their energy and support in our efforts. I feel they were an exemplary group with open minds and sincere motivation to serve the public.

I would also like to thank the Speaker of the House, Representative Gail Phillips, for my appointment as Chair of the International Trade and Tourism Committee.

As I take leave of the chair and this committee, I should like to emphasize my continuing commitment to see the objectives in this report carried out to fruition. In that light, I offer whatever knowledge I have gained to those who should follow in my position as we keep a healthy, well balanced tourism industry available for all Alaskans.

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Dated