

State of Alaska FY2004 Governor's Operating Budget

Department of Community & Economic Development Trade and Development Component Budget Summary

Component: Trade and Development

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Component Mission

The mission of the Division of Trade and Development (DTD) is to increase economic growth and development throughout Alaska.

Component Services Provided

Companies Sell Their Goods and Services Overseas. Exports bring new money into the state's economy and create stable, high-paying jobs for Alaskans. The division works with private sector in the following ways:

- Connecting Buyers and Sellers -- experienced trade specialists in Alaska and state trade representatives abroad locate overseas buyers and help overseas buyers connect with Alaskan suppliers.
- Overseas Representation -- the division maintains active trade representation in Tokyo, Japan; Seoul, Korea; Taipei, Taiwan; Beijing, China; Yuzhno-Sakhalinsk, Russia and seven other satellite representative centers in the Russian Far East (RFE).
- Trade Missions, Outbound and Inbound -- ITMD leads business missions to and from targeted markets and arranges seminars, presentations and one-on-one meetings with potential customers.
- Trade Shows -- the division promotes Alaska products and services at major trade and catalog shows, and assists Alaska companies to follow up on leads generated by trade show participation.

Provide Information. The division obtains and disseminates timely, useful economic information and market intelligence on overseas markets important to Alaska businesses via:

- Website -- information on Alaska's top export markets is continually updated and posted on the division's website. Numerous division publications are accessible by visitors to the site. In addition, the site provides linkages to public and private sector trade organizations.
- Newsletters -- the division produces and distributes a regular series of reports that provide information and analysis on trade opportunities, market conditions, currency and commodity price movements and other developments with potential impact on Alaska exports.
- Trade Seminars -- ITMD presents seminars designed to help Alaska firms gain the information and technical expertise necessary to conduct international business and more effectively compete in the global marketplace.
- Customized Reports -- in response to requests from the private sector, the division prepares customized reports on specific market opportunities.

Advance Government-to-Government Relations. The division works with U.S. and foreign governments to open doors and eliminate trade barriers by:

- Opening Doors -- in Alaska's major export markets, an introduction by government can play an important role in fostering successful business relationships.
- Advocating for Alaskans -- ITMD acts as a liaison and advocate in foreign markets, finds information on policies and procedures, and works to resolve difficulties that can arise when doing business in an unfamiliar environment.
- Investment Promotion -- the division promotes investment in Alaska development projects through government-to-government contacts as well as contacts with private sector companies.
- Multiplying Opportunities -- in order to better serve the state's trade community, the division is co-located with the U.S. Department of Commerce's Alaska Export Assistance Center, bringing Alaskans the resources of both state and federal governments. ITMD also works closely with private trade organizations such as World Trade Center Alaska and the Export Council of Alaska; industry organizations such as the Alaska Seafood Marketing Institute, the Resource Development Council, the Alaska Support Industry Alliance and the Made in Alaska Program; the University of Alaska American Russian Centers; and non-government organizations such as the Alaska World Affairs Council.

Recruit Business and Investment to Alaska. Growth and diversification of the economy creates expanded job opportunities for Alaskans. The division promotes Alaska as a location for companies seeking to relocate or expand by:

- Spreading the Word -- the division produces and distributes brochures and pamphlets highlighting Alaska's unique advantages and attributes as a business location.
- Outreach -- through participation at trade shows and advertisements in industry journals, the division works to generate interest in Alaska by companies from targeted sectors.
- Providing Answers -- in response to information requests by companies, the division tailors customized reports designed to assist companies evaluate Alaska's strategic location.
- Finding Partners -- ITMD helps Alaska entrepreneurs and firms identify potential investors for development projects.

Promote Alaska as a Location for Film Projects. The filming of major motion pictures, television programs, advertisements, documentaries and catalog shoots are projects that bring significant dollars into the Alaska economy. The division promotes Alaska in the following ways:

- Web Presence -- individuals or companies seeking information on carrying out film projects in Alaska receive information and direct links to Alaska film-related companies via the division's website.
- Outreach -- the division participates in major film industry trade shows and places advertisements in leading trade journals to generate interest in Alaska as a location for film projects.
- Answering the Call -- in response to direct inquiries, the division provides information and assistance to companies seeking to film in Alaska.

Tourism. Foster tourism development; manage the state's tourism marketing contract; provide information to travelers at the Tok Alaska Public Lands Information Center.

Minerals & Mining. Promote mineral exploration and development; provide data and technical assistance.

Component Goals and Strategies

Increase the Number of Alaska Firms that Export Services and Products

- Provide market intelligence and export information to export-ready Alaska companies.
- Assist smaller and new-to-export firms to "test the waters" overseas through relatively inexpensive means such as Alaska Products Catalogs distributed to trade groups, and shared Alaska booths at targeted trade shows.
- With private sector interest and support, organize and conduct trade missions matching industries with potential markets to expand sales in current markets and develop new markets.

Increase the Dollar Value of Exports from the State

- Provide information and assistance to help Alaska companies initiate or expand export business activities.
- Research potential niche-market opportunities for value-added Alaska products. Identify potential buyers in promising markets, and introduce them to Alaska suppliers.
- Keep Alaskans informed about key markets through periodic newsletters and special reports.

Maximize the number of Trade Leads in International Trade and Development while minimizing the cost

- Strive to increase number of leads and qualify leads for appropriateness and potential, while working to contain cost.
- Distribute leads to appropriate Alaska and overseas businesses.
- Identify and help Alaska companies to pursue new export opportunities.
- Participate in special promotions and presentations, trade shows and seminars to raise the visibility of Alaska as a potential source for products and services, and a good place to do business.
- Educate potential customers overseas about what Alaska has to offer, through efforts of overseas trade representatives in Japan, Korea, China, Taiwan, and the Russian Far East.
- Organize and conduct trade missions, inbound and outbound, to introduce buyers in key markets to Alaska sellers.

Promote Exports to Alaska's Key Markets - Japan, Korea, Canada, China, Taiwan, and the Russian Far East

- Focus on Alaska's key markets by contracting for trade representation in Tokyo, Seoul, Beijing, Taipei, Sakhalin, and the Russian Far East. Overseas trade representatives maintain contacts with key officials in private sector and government, promote Alaska products and services, and provide timely, useful market information to Alaskans.
- Utilize overseas trade representatives to extend the effectiveness of Alaska companies overseas - provide market research on specific goods and services, and assist Alaskans to make contact with buyers.

- In Alaska's No. 1 export market, Japan,

- Promote Alaska goods and services through high visibility presence: Alaska Products Fair at My City department store, Alaska Food Fair at Ginza Mitsukoshi department store, trade shows, and Japanese-language web presence.
- Provide market information to Alaska's public and private sector: energy market reports, seafood wholesale price reports, and market information on fresh and live seafood export opportunities in connection with air cargo promotion.
- Organize and conduct Alaska energy seminar.
- Assist Alaska business and industry by organizing trade missions, inbound and outbound, and assist individual companies with appointments in Japan as requested.
- Increase Alaska's presence in Osaka and regional markets.
- Research and promote opportunities for coal exports.
- **In Korea,**
 - Promote Alaska goods and services through trade show presence: U.S. Food Showcase and other trade shows, and Korean-language web presence.
 - Provide market information to Alaska's public and private sector: energy market reports, seafood wholesale price reports and market intelligence.
 - Assist Alaska business and industry by organizing trade missions, both inbound and outbound, and assist individual companies with appointments in Korea as requested.
 - Promote Alaska seafood and other food product exports in niche markets of international-class hotels and leading department stores.
 - Encourage participation by targeted Korean firms at Korea-U.S.Pacific States annual conference in Anchorage, May 2003.
 - Continue cooperative efforts with public and private sector entities to seek restoration of coal exports.
- **In Canada,**
 - Promote Alaska exports by encouraging backhaul trade, trade missions, and providing market information.
 - Enhance existing areas of cooperation in trade, tourism, transportation, resource development, arctic issues, and other common concerns by establishing bilateral cooperation agreements and priorities with Western Canadian provinces.
 - Promote Alaska's mining sector by encouraging Canadian mining companies to utilize Alaska's mineral resources as well as Alaska's strategic position as a gateway to the Russian Far East.
- **In China,**
 - Establish trade representation for the State of Alaska.
 - Assist Alaska business and industry by organizing trade missions, both inbound and outbound, and assist individual companies with contacts and appointments as requested.
 - Continue government-to-government effort to enable Alaska agricultural products access to China market.
 - Provide information to Alaska professional and technical service companies on business opportunities in connection with infrastructure projects associated with 2008 Summer Olympic Games in Beijing.
- **In Taiwan,**
 - Promote Alaska goods and services through trade show presence: American Food Festival, other trade shows, catalog shows, and Chinese-language web presence.
 - Provide market information to Alaska's public and private sector: energy market, technical services, agriculture and general market information.
 - Assist Alaska business and industry by organizing trade missions, both inbound and outbound, and assist individual companies with contacts and appointments in Taiwan as requested.
 - Promote Alaska agricultural produce in niche markets.
 - Research and promote opportunities for coal exports.
- **In Russia,**
 - Promote Alaska goods and services in oil and gas project developments on Sakhalin Island, focusing on oil field services, environmental services and related resource development service and supply sector.
 - Assist Alaska industry by working with public and private sector in Sakhalin to improve business conditions there. Manage USAID-funded Alaska-Russian Far East projects providing technical assistance that uses Alaska models, expertise and experience for Russian Far East development.
 - Assist Alaska businesses and organizations by organizing trade missions, promoting business and cross-border cooperation with Magadan, Chukotka, Khabarovsk and Kamchatka governments and businesses in oil and gas, mining, tourism and other promising sectors.
 - Bolster Alaska's role as exclusive U.S. gateway to the Russian Far East by working to maintain and expand Alaska's air routes to the Russian Far East.

Foster economic growth and diversification by promoting Alaska for relocation, expansion, and investment

- Based on results of national survey of corporate executives to ascertain their knowledge of Alaska's attributes for business and investment, develop and distribute new marketing materials specifically designed to stimulate interest by companies in relocating or expanding their business operations to Alaska. These will include a brochure highlighting Alaska's attributes and advantages for information technology and other technology-based businesses.
- Provide tailored responses to companies seeking site selection information about Alaska.
- Market Alaska to companies through representation at one or more major trade shows.
- Coordinate with local economic development organizations to leverage resources and effectively respond to inquiries.

Increase the number of film, video, television and locations shoots produced in Alaska

- Provide assistance and respond to direct inquiries regarding locations, local film industry, and permitting for filming in Alaska.
- Generate and distribute leads to Alaska film industry participants.
- Advertise in trade journals to promote Alaska as a film destination.
- Update promotional video to provide a visual references about Alaska's locations.
- Maintain Internet website with current information regarding Alaska's film industry and film resources.
- Distribute updated film manual to provide current, detailed information on Alaska's film industry.

Provide meaningful and high-quality assistance to private and public sectors to benefit Alaska's economy

- Ensure that information on Alaska's export economy is accessible through a variety of media including the Internet, special reports, newsletters and trade seminars.
- On a regular basis, survey users of the division's services and programs to measure satisfaction and results.
- Maintain contact with companies and associations to continually assess needs of Alaska's industry.

Provide Minerals development information to international mining companies about opportunities for exploration/investment in Alaska.

Enhance the State's tourism industry.

- Serve as the primary agency for the State's tourism policy, planning, and development efforts.
- Contract for marketing services to increase awareness of Alaska as a visitor destination.
- Provide research, planning and development assistance to individuals, businesses, organizations and communities interested in tourism.
- Conduct regular research projects to measure the economic impact of tourism activity in Alaska and provide information for tourism planning and marketing in the public and private sector.
- Participate in other agency planning processes to ensure tourism-related issues are addressed.
- Manage the Alaska Public Lands Information Center in Tok and provide visitors with information.
- Manage and distribute the AlaskaHost hospitality training program in Alaska.

Key Component Issues for FY2003 – 2004

Expansion of Pacific Rim Markets: It is important for Alaska to maintain an active, effective trade presence in the state's traditional Pacific Rim export markets during the current worldwide business slowdown. Exports to the region held fairly steady in 2001, but economies of the countries in the region have not performed uniformly and there remains uncertainty as to how long the slowdown will continue. This is a critical time for Alaska exporters. Targeted efforts made now will enable companies to maintain, gain or, in some cases, regain market share. Information and assistance provided by the division's in-state trade specialists and overseas representatives will play an important role in helping Alaska firms to compete more effectively in the global marketplace.

The state's export industries continue to benefit from Alaska's trade presence in key overseas markets. Having established trade representation early on in markets like Japan, Korea, Taiwan and Sakhalin, Alaska exports to those markets have grown substantially. Alaska's worldwide exports were \$2.4 billion in 2001. In addition to maintaining a strong trade presence in these traditional markets, the state is now moving to establish trade representation in China, an emerging market with significant potential for Alaska's goods and services.

In order to expand and diversify the economy, Alaska must attract new industry and investment to the state. Doing so will help expand employment opportunities for Alaskans and diversify the tax base. Business and investment recruitment is a highly competitive endeavor. Cities, counties and states across America compete to attract business to their communities. In reality, the competition is global. American communities often find themselves competing with overseas

locales for new business and investment. If Alaska is to succeed in attracting its fair share, sufficient resources that will enable an effective, pro-active recruitment program will need to be deployed.

Tourism Development: Tourism is an important segment of the Alaska economy. Traditional economic views do not clearly identify tourism as an economic sector. Consequently, the “picture” of the tourism economy is currently buried within the data for a number of different recognized sectors such as retail services, travel and lodging. Additionally, the current Alaska Visitor Statistics Program provides information for visitors to Alaska, but does not include resident tourism and other travel. To help policymakers, communities and businesses make informed decisions concerning future tourism industry development, an understanding is needed of the overall activity, connections and impacts of this industry in the state that factors in resident travel and public sector expenditures for tourism marketing and infrastructure development.

Rural communities often lack the staff and resources necessary to prepare for and attract tourism development in their communities. They are requesting information and technical and planning assistance to help them make informed choices about tourism development.

Mining and Mineral Development: Mining exploration and development has been a ‘bright spot’ as one of the state’s economic base sectors that has shown growth during the 1990’s. The Alaska Minerals Commission, which represents the mining industry, has identified several issues which, if resolved, could positively affect the industry. These include conveyance of expedited land selections from the Bureau of Land Management and a definition of navigable waters for the purposes of determining management regimes.

Major Component Accomplishments in 2002

Seafood successes in Korea. The division continued introduction of fresh Alaska seafood to hotel restaurants and other high-end customers - to the benefit of seafood and air cargo industries. Missions and promotions resulted in more than \$1,000,000 in direct sales by Alaska seafood companies to major hotels in Korea. Business meetings with Korean Air resulted in the airline’s decision to promote travel to Alaska by “Destination Alaska” in-flight video and a cover article for the carrier’s in-flight magazine.

Korea – U.S. Pacific States Agreement. Alaska and four other U.S. Pacific states signed a mutual cooperation agreement with the Korea-U.S. Economic Council (KUSEC) to further trade and investment relations between Korea and the five states. A major activity arising from the agreement is an annual conference that will alternate between Korea and one of the states. Commissioner Sedwick led a mission of private and public sector officials to participate in the inaugural conference in Seoul. The first conference on U.S. soil will be held in Anchorage in May 2003.

Canada – Alaska-Alberta Agreement. Alaska Gov. Knowles and Alberta Premier Klein signed a memorandum of cooperation along with energy support industry representatives, formed a bilateral council and launched new initiatives to work together on energy, transportation, trade and other issues. Government and industry leaders began exploring transportation links and options. Top-level talks with Western Canadian provincial leaders and Canadian federal officials focused on energy and the proposed Alaska Highway Natural Gas Pipeline project with ITMD playing a major role in these activities.

Taiwan – Matched environmental needs with AK expertise . The Division promoted Alaska oil spill preparedness and response companies/agencies to Taiwan Coast Guard, Taiwan EPA, Chinese Petroleum Corp., Taiwan Legislative Yuan. Result: an Alaska environmental services company was awarded a contract with Taiwan EPA for an oil spill response training contract.

Europe – Organized Governor's mission to Europe. Thirty private and public sector representatives participated with stops in London, Berlin and Frankfurt. New contacts and business relationships resulted from the mission, which also afforded an opportunity to thank existing customers and for Alaska participants to gain a better understanding of market conditions and opportunities.

Russia – Promoting Alaska-Sakhalin Business, Enhancing Alaska-RFE Cooperation. Alaska hosted West Coast-Russian Far East Working Group in Anchorage, September 2002, with ITMD as lead organizer, attracting 350 Russian and American government and business leaders to promote trade and regional priorities. This conference attracted more dignitaries – including U.S. Ambassador to Russian, RFE governors, Consuls General and top-level policy-makers – than

any previous meeting in the group's eight-year history. Gov. Knowles signed bilateral cooperation agreements with five RFE regions. The week of events included an Alaska Sakhalin Working Group meeting and ITMD-organized trip to the Alyeska oil terminal in Valdez for the Sakhalin delegation. Many business leaders were introduced to Sakhalin Gov. Farkhutdinov and met with RFE delegations. Gov. Knowles announced greater Alaska-RFE coverage with ITMD collaborating with University of Alaska American Russian Centers in eight RFE cities.

Other RFE accomplishments: First official ITMD-private sector mission to Kamchatka; ITMD initiated Rule of Law program with Alaska-Khabarovsk legal communities; ITMD instrumental in staging Alaska-Chukotka Summit; maintaining Nome as gateway to Chukotka; and facilitating educational exchange programs and other cooperation.

Exports Steady in 2001. Alaska exported \$2.4 billion worth of goods in 2001, down slightly from 2000. Alaska's exports during the first 7 months of 2002 rose 2.9% from the same period in 2001, attributable to increases in seafood and mineral exports. Increases in fresh seafood exports through the first seven months of 2002 from Alaska doubled showing Alaska's flexibility in marketing during tough times. As traditional markets pay less, Alaska's seafood industry continues to actively pursue new markets.

Tourism. Research. Completed the *Alaska Visitor Statistics Program IV*, a major visitor industry multi-year research project conducted periodically by the State of Alaska that provides the state and the visitor industry with critical data on the visitors that travel to Alaska. These data include information on the number of visitors, general demographic and other characteristics of the visitor population, as well as information on visitor expenditures, activities, and opinions.

Prepared the Alaska Monthly Arrival Report to provide monthly total arrival figures for selected sites around Alaska to assist Alaska tourism operators with in-season business planning. Visitor statistics, usually only available quarterly or semi-annually, were reported each month during the active summer season in the division's publication, "*Tourism News of the North*".

Resumed management of the AlaskaHost program. Signed a license agreement with Tourism B.C., renewing the agreement first signed between the two agencies in 1993. Updated AlaskaHost training materials, assembled and distributed AlaskaHost packets to trainers, and promoted the program through speaking engagements, brochures, and an AlaskaHost website.

Tok Visitor Center Project. Completed an initial site selection and planning process for a new Alaska Public Lands Information Center in Tok. Planning and design is underway for a joint facility with the Tetlin National Wildlife Refuge.

Minerals & Mining. Mining Industry and Commission Reports. Mineral development specialists completed the legislatively required annual report of the Alaska Minerals Commission and the annual report compiling facts and figures about Alaska's mineral industry.

Promotion of Alaska's Mineral Potential. Promotion continued at trade shows in the financial centers of North America and through business and trade magazine articles and interviews. The mining specialists are participating in the permitting of three potential mines (Donlin Creek, Kensington, and Pogo), and are providing a mining business perspective in interagency planning teams.

Funding for Critical Geologic Mapping of Alaska's Mineral Resources. The division's minerals development specialists worked with other agencies to secure federal funds for geologic mapping, airborne geophysical surveys, and baseline water quality surveys. This information is essential to attracting exploration activity.

New Mineral Company to Invest Exploration and Development Dollars in Alaska Despite low metal prices the division helped attract new mineral exploration to Alaska. Alaska is seen to have a favorable mineral investment climate because of incentives, stable government and geologic pedigree when compared with other countries.

Rock, Sand and Gravel Directory. Developed through industry surveys to promote Alaska's rock, sand and gravel products. This directory located on the web will be accessible world wide to interested parties looking for these products. View the website at http://www.dced.state.ak.us/cbd/RSGD/RSGD_Home.htm.

Statutory and Regulatory Authority

AS 44.33	Economic Development
AS 44.33.800	International Trade
AS 44.99.100	Economic Development Policy
AS 44.33	Economic Development
AS 44.33.119	Division of Tourism
AS 44.33.431	Alaska Minerals Commission
AS 44.33.900	Alaska Forest Products Research and Marketing Program

Trade and Development
Component Financial Summary

All dollars in thousands

	FY2002 Actuals	FY2003 Authorized	FY2004 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	923.7
72000 Travel	0.0	0.0	61.8
73000 Contractual	0.0	0.0	945.8
74000 Supplies	0.0	0.0	19.1
75000 Equipment	0.0	0.0	2.9
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	295.4
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	0.0	0.0	2,248.7
Funding Sources:			
1004 General Fund Receipts	0.0	0.0	666.6
1007 Inter-Agency Receipts	0.0	0.0	50.0
1108 Statutory Designated Program Receipts	0.0	0.0	115.0
1115 International Trade and Business Endowment Income	0.0	0.0	0.0
1175 Business License Receipts	0.0	0.0	1,417.1
Funding Totals	0.0	0.0	2,248.7

Trade and Development

Proposed Changes in Levels of Service for FY2004

A \$521,000 general fund savings will be realized and eight positions will be eliminated as a result of reorganization of two divisions. The new organization brings the international trade, tourism, and economic development functions under the leadership of a single director. Specifically, the Division of International Trade and Market Development and the tourism and economic development functions of the Division of Community and Business Development are combined to create the new Division of Trade and Development. The Division of Community & Business Development is renamed the Division of Community Advocacy. Specifically:

- Support to and participation in the international organizations such as the Northern Forum and Arctic Council will be reduced.
- Mineral development staff support to the Alaska Minerals Commission and participation in international mining tradeshows will be reduced.
- Tourism planning efforts will be reduced and other responsibilities will be assumed by existing staff.

Summary of Component Budget Changes

From FY2003 Authorized to FY2004 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2003 Authorized	0.0	0.0	0.0	0.0
Adjustments which will continue current level of service:				
-Reorganization	468.6	0.0	1,599.8	2,068.4
-\$75 per Month Health Insurance Increase for Non-covered Staff	1.6	0.0	3.0	4.6
-Annualize FY2003 COLA Increase for General Government Bargaining Units	0.0	0.0	0.7	0.7
-Change from International Trade fund to GF	196.4	0.0	-196.4	0.0
Proposed budget increases:				
-Business Recruitment Program	0.0	0.0	60.0	60.0
-Korea - US Pacific States Conference	0.0	0.0	115.0	115.0
FY2004 Governor	666.6	0.0	1,582.1	2,248.7

Trade and Development
Personal Services Information

	Authorized Positions		Personal Services Costs	
	<u>FY2003</u> <u>Authorized</u>	<u>FY2004</u> <u>Governor</u>		
Full-time	0	12	Annual Salaries	714,617
Part-time	0	3	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	244,685
			<i>Less 3.71% Vacancy Factor</i>	(35,602)
			Lump Sum Premium Pay	0
Totals	0	15	Total Personal Services	923,700

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Clerk II	0	0	0	3	3
Administrative Clerk III	1	0	0	0	1
Administrative Supervisor	0	0	0	1	1
Dev Spec I, Option A	0	0	1	0	1
Dev Spec II, Option A	0	0	1	0	1
Dev Spec II, Option B	0	1	0	0	1
Development Manager	0	0	1	0	1
Division Director	1	0	0	0	1
Project Asst	0	0	1	0	1
Secretary	1	0	0	0	1
Trade Specialist I	1	0	0	0	1
Trade Specialist II	2	0	0	0	2
Totals	6	1	4	4	15