

# SENATE BILL REPORT

## SB 5325

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As of February 10, 2011

**Title:** An act relating to trade promotion.

**Brief Description:** Concerning trade promotion.

**Sponsors:** Senators Shin, Hobbs, Nelson and Sheldon.

**Brief History:**

**Committee Activity:** Economic Development, Trade & Innovation: 1/26/11.

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### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

**Staff:** Edward Redmond (786-7471)

**Background:** In January 2010, President Obama proposed the National Export Initiative (NEI) to double United States exports within the next five years. In June 2010, as a response to the NEI, Governor Gregoire proposed to increase Washington State exports by 30 percent within the same time frame. As the nation's fourth largest trading state, Washington is uniquely positioned to meet this initiative. The state has a history of trade promotion in which the state's ports have played an integral role.

A trade fair is an exhibition organized so that companies can showcase and demonstrate their products and services. Washington began providing financial support for trade fairs to showcase Washington products in 1955 with the creation of the State Trade Fair Fund. The fund received 3 percent of the state's proceeds from parimutuel betting at racetracks until April of 1998. This source of funds has not been replaced.

**Summary of Bill:** All port districts are to engage in trade promotion programs including, but not limited to, support for international trade fairs (Trade Fair). The name of the State Trade Fair Fund is changed to the International Trade Fair Fund (Fund). Port districts are required to deposit into the Fund an amount equal to the amount which would be raised by a levy of one quarter of one cent per \$1,000 of assessed value against the taxable property within the port districts. The Department of Commerce is responsible for administering deposits to, and withdrawals from, the Fund.

Expenditures from the Fund are to be issued as grants for the promotion of Trade Fairs. The maximum award for any one Trade Fair may not exceed \$150,000 in any one year. A

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recipient of such grant is required to match it by at least one-half of the grant amount. Entities eligible for the grant include port districts, chambers of commerce, industry or cluster associations, international trade fair organizations, and other not-for-profit organizations. The Director of the Department of Commerce in conjunction with the Executive Director of the Washington Public Ports Association must establish criteria for Trade Fair grant qualification.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: This trade fair bill is an idea that is long overdue. Trade fairs go to different countries around the world to market the goods and services available from businesses in Washington State. A trade fair trip to Japan in 1987 by a moderate-income hay and alfalfa grower from Klickitat County, for example, resulted in a lucrative business deal for the farmer who now exports hay and alfalfa to Japan. A Deloitte & Touche study found that trade fairs are more effective than commercial advertising and direct mail. An appropriate funding mechanism should be created to revive trade fairs for the promotion of Washington businesses. The current funding mechanism in the bill is an issue that needs additional work.

CON: Ports have deep reservation about this bill because a lot of the ports are small and do not really engage in the type of international trade that the bill addresses. The ports do not want to be compelled to put local money into a state program that does not directly benefit them especially if this money could be subsequently diverted to the state's General Fund. Hence, the precedent of compelling the ports to pay for a state program is really what is at issue with this bill. The ports currently have the authority to engage in trade fairs and other types of international marketing efforts. Ports like to tailor their international marketing to their business plan or asset base. The Port of Tacoma already contributes significantly to the promotion of trade and will continue to do so through existing programs. The port currently collaborates with many trade promotion entities including the state's Departments of Agriculture and Commerce, and the Washington Affairs Council. The bill would cost the Port of Seattle about \$800,000. If you double this amount, that would be the cost to state ports as whole with the Port of Seattle paying half.

**Persons Testifying:** PRO: Senator Shin, prime sponsor.

CON: Eric Johnson, Washington Public Ports Association; Tong Zhu, Port of Tacoma; Clare Gallagher, Port of Seattle.