

Economic Development

Our team was asked to identify five issues that would benefit Alaska and Alaskans when addressing “Economic Development”. We view Economic Development with the understanding that a considerable amount of time, effort and money have been expended in the name of Economic Development, but without an overall pre-determined VISION, most of that effort has not led to accomplishing what we believe Economic Development should accomplish in Alaska, which is: *creating sustainable Alaskan jobs and creating individual wealth for Alaskans*. With these two goals in mind, we respectively offer the following five issues to the Walker/Mallott Team with a pledge to offer our collective and individual service to help accomplish those goals.

Priority Issues

1. Through a robust public process, a vision for Alaska’s economic future is established, with goals as metrics to achieve the vision and a detailed plan developed to accomplish the goals
2. Infrastructure – Communication, Energy and Transportation
3. Lack of recognition of the economic potential of rural Alaska – Innovation and Entrepreneurship in rural Alaska needs more support
4. Investment climate supporting Research and Development
5. Use Cluster-Based Economic Development: Economic policy supports private sector cluster initiatives that recognize regional strengths and local economies

Expanded Priority Issues

- 1. Through a robust public process, a vision for Alaska's economic future is established, with goals developed as metrics to achieve the vision and a detailed plan developed to accomplish the goals.**

Success Elements Considered to be Agreeable to Most Alaskans

- All regions of the state are engaged in the discussion
 - Must take into account local and regional stakeholder interests and needs within the bounds of the Vision
- The vision has defined and measurable goals
 - Goals must be date specific,
 - Goals must support accomplishing the Vision
- Both the public and government embracing support division as official policy of the state of Alaska
- A comprehensive plan is developed to accomplish the goals
 - Plan must support and accomplish the goals and vision
 - Must be date specific for achievement
 - Must be reviewed and updated frequently to account for changing conditions and outcomes
 - Must take into account local and regional and stakeholder interests and needs within the bounds of the vision

Possible Actions to Success on Agreed Success Elements

- Ask Governor to establish a collaborative public process
 - Recommend the administration start the process with Vision, Goals and Plan statement,
 - Create a public process to allow balanced input from across Alaska,
 - Use outcome as guide to start all development projects,
 - Measure project outcomes against established Vision, Goals and Plan metrics,
 - Timeline is 12 months to have Vision, Goals and Plan in place.

Defining Success

- Implementation of VISION, GOALS and PLAN on established timeline,
- State-Wide buy-in to VISION GOALS and PLAN,
- Measured performance: (examples)
 - # of Alaskan jobs
 - Regional per-capita income for Alaskans
 - Establish Alaska specific formula (example) ROI=grow AK economy by X
 - Graduation Rates

Barriers to Further Success

- Lack of commitment and buy-in from stakeholders (private and government),
- Lack of funding for process due to current state financial condition,
- Not focusing on Vision but on “scoring points” or “putting out fires,”
- Lack of State-Wide communication to reach out to all regions,
- Losing focus on why we need a Vision,
- Potential of “shelving” the Plan (no follow-through),
- Failure to realize we are not powerless even though we may be poor,
- Perception of process

Actions to Address Barriers

- Governor’s leadership needed to involve all stakeholders,
- Develop a budget to fund process, utilizing a public/private process for developing budget and funding process,
- Robust and transparent State-wide outreach involving: strong leadership; diverse community, regional and state-wide advocate groups; an outreach PLAN with defined measures and success matrices,
- Use all tools to achieve State-wide involvement
- Leadership with commitment to VISION and perseverance in its pursuit,
- Build off of efforts conducted in the past; including the recent Alaska Forward Initiative that involved federal, state and private sector resources.

2. Infrastructure: Communication, Energy and Transportation.

Success Elements Considered to be Agreeable to Most Alaskans

- Provide high-speed and affordable communication in every Alaska Community
- Reduce energy costs by 50% within 3 years through a combination of improving building stock and producing local affordable energy
- Rural housing
 - Energy efficient affordable, available housing across rural Alaska
 - Weathering energy efficient upgrades - fix existing stock
 - Alleviate shortage
- Build and/or upgrade commercial grade infrastructure including roads, ports and bridges with goal of improving land, air and sea transportation and access throughout Alaska.

Possible Actions to Success on Agreed Success Elements

- Communication
 - Tap into Federal grant streams,
 - Incentivize communication sector by providing tax incentives,
 - Encourage local business with tax incentives to invest in their region,
 - Continue to fund bailout of communication systems,
 - Provide State loan guarantee for private sector investment,
 - Streamline permitting process – eliminate permitting backlog
- Reduce energy costs by 50% within 3 years through a combination of improving building stock and producing local affordable energy and Rural Housing
 - Assess/expand existing weatherization programs to include nonresident structures
 - Determine/develop plans for increasing housing stock statewide
 - Review the mission of Regulatory Commission of Alaska to assure policies are in place to lead to community affordable energy
 - Maintain and fund existing Power Cost Equalization (PCE) program
 - Education campaign on \$ available for weatherization and energy program (some \$ need to be reauthorized)
 - Develop housing stock where impediment to growth to all communities
 - Develop Alaska energy PLAN focused on affordable energy to all Alaska's regions
- Build and/or upgrade commercial grade infrastructure including roads, ports and bridges with goal of improving land, air and sea transportation and access throughout Alaska
 - Create a sustainable maintenance PLAN for Alaska's existing transportation infrastructure,
 - Design and PLAN to build an Alaska transportation infrastructure that leads to the development of all Alaska resources and accommodates regional concerns and needs

Barriers to Further Success

- Lack of Rec. of Rural AK
- Nowhere to go for feasibility study
- Lack of vision
- Doing same thing for the last 40 years and it is not working

Actions to Address Barriers

- Money funding action
- Investment climate action
- Each village/community performs its own energy assessment and creates an energy action plan

3. Lack of recognition of the economic potential of rural Alaska – Innovation and Entrepreneurship in rural Alaska needs more support.

Stakeholders

- Rural residents
- Governments
 - Tribes
 - State and federal
- Boroughs/cities/municipalities
- School districts and other educational providers
- Local businesses (ANC's, private entrepreneurs)
- Individuals/entities interested in business development

Success Elements Considered to be Agreeable to Most Alaskans

- Initiatives to develop a common vision of potential solutions (could/should be several initiatives)
- Seek viable business enterprises focused on local and export,
 - Manufacturing
 - Retail
 - Tourism
 - Value added
 - Food Products
 - Art/Crafts
 - Clothing
 - Service
- Provide training including general business, marketing and production techniques

Success Elements Considered to be Not Agreeable to Most Alaskans

- Process to prioritize possible viable initiatives

Possible Actions to Success on Agreed Success Elements

- Identify communities that have expressed the desire and/or one or more concepts for economic development (e.g., AFN “Marketplace Program” - see format for “Marketplace”) Path to prosperity program in SE AK
- State needs a plan/process to respond to concepts that have been expressed/developed
- Bring back DCRA or refocus
- Create support for regional clusters to generate initiatives that are relevant to industry
- Develop a vision to focus on local development

- Engage community members; identify community priorities
- Training (general business, marketing, production, etc.)
 - Training identified first - then appropriate organizations engaged (unions, University of Alaska subdivisions, businesses/companies, other relevant expert services, distance education, etc.)
 - Apprenticeship programs and technical training through local educational institutes as well as to local expertise

4. Investment climate supporting Research and Development.

Stakeholders

- Gov. as leader
- Administration
- Legislature
- Industry
 - Energy
 - Mineral resources
 - Renewables (fishery, forestry, agriculture, etc.)
 - Tourism (local) AK Native art
 - ANC's and Tribes (marketplace) access to capital

Success Elements Considered to be Agreeable to Most Alaskans

- Communications
- High-tech
- Education
- Healthcare
- Transportation
- Professional services
- Creation of innovative products services industries and jobs
- Create Alaska Center of Innovation – Alaska Science and Technology Fund
 - Capital resources to make this happen
 - Reverse brain drain?

Success Elements Considered to be Not Agreeable to Most Alaskans

- Center of innovation projects - services industries jobs
- ASTF - Alaska Science and Technology Fund resurrect
 - Loans/grants
- Support small business incubator program
- Provide sources of funding, including grants, venture capital and low interest and/or micro loans for development, which are in line with the VISION, GOALS and PLAN

- Clusters plan development
 - Rural energy
 - Rural cargo, manufacturing arctic, military, shipping

Barriers to Further Success

- Lack of commitment (represent economic and communities) of buy-in from stakeholders
 - Private - Gov., Leg., Public, ANC's
- Funding for process
 - Current state of finances
- Time
 - Dealing with putting out fires
- Resistance to change
- Communication to get all representative, diverse involvement stakeholders, diversity involvement
- Risk of losing focus of why do we need a vision
- Not looking at models global and local of success
- Potential to shelving plan - no follow-through
- Perception of process - desire to include all Alaskans
- Realizing we are poor but not powerless - recognition of financial situation

Actions to Address Barriers

- Under governor's leadership - develop a process to involve stakeholders
- Developing a budget to fund process through public/private process
 - Ensure how and why this is different than the past - study
 - Be mindful of perception of process
- Target completion of vision implant by November 2015
- Strong leadership, advocate groups, transparency, outreach, more outreach
- Invite, ask, include; online, surveys, multi full involvement, use all tools
- Leadership with commitment to the vision-prosperity
- Investigate models
- Leadership in engagement of public and government
- Invitation to innovate, build on previous work i.e., Alaskans forward

5. Use Cluster-Based Economic Development: Economic policy supports private sector cluster initiatives that recognize regional strengths and local economies.

A cluster is a geographic concentration of interconnected businesses, suppliers, and associated institutions in a particular field. Clusters are considered to increase the productivity with which companies can compete, nationally and globally (Michael Porter, Harvard Business School). Clusters in Alaska include Tourism, Logistics, Fishing and Seafood Processing, Oil and Gas Extraction, Mining, and Military (amongst others: see Alaska Forward Situational Analysis, 2010, <http://alaskapartnership.org/alaska-forward/phase-i/>).

The State of Alaska is diverse as are the economic activities of its people. There are numerous drivers of our economy in Alaska, including the very important oil and gas sector. There are also many other economic sectors that exist in our state economy that support livelihoods for significant numbers of Alaskans. Some of these sectors, such as fishing and seafood processing, mining, tourism, logistics, forest products and the military have different levels of concentration in different regions of our state. Even the oil and gas sector, which generates revenue that is shared by all Alaskans, has a varied direct impact on local economies depending on which region of the state one chooses to examine.

The Economic Development Transition Team encourages the Governor to recognize the significant economic sectors (clusters) that exist within our state, especially those that bring in resources from outside of Alaska (traded clusters), as well as differences in the economies of distinct regions of Alaska. At both statewide and regional levels, the State should encourage and promote cluster development.

A cluster-based approach is cost-effective economic development that aligns well with collaborate governance. Cluster development, which focuses on those sectors that already exist within our economy builds on our strengths, know-how and previous private and public investments and leads to jobs and increased business opportunities. A Brookings report (*Brookings-Rockefeller Project on State and Metropolitan Innovation January 2011*) found: “No more than 2 percent of annual state job gains can be attributed to business relocations nationally, while more than 95 percent come from the expansion of existing businesses (42 percent) and the birth of new establishments (56 percent).”

Michael Porter of Harvard Business School points out that clusters increase productivity, innovation and the number of firms in a region. The National Governor’s Association asserts that clusters boost innovation, lead to higher wages and productivity, improve employment opportunities, stimulate regional entrepreneurship and aids diversification and improves regional sustainability.

A cluster-based approach to economic development recognizes the benefits of economic clusters and engages businesses and other stakeholders involved in key clusters to identify challenges and opportunities that, when addressed, will strengthen the cluster and accelerate the positive impacts that accrue to our regions.

The benefits of cluster-based economic development to the private sector:

- New businesses created
- Jobs created
- A structure/mechanism in place to identify opportunities and challenges to develop local/rural/regional projects and businesses. Examples might include: targeted tax incentives, infrastructure investments, workforce training, and adjusting regulations.
- Innovations brought more quickly and more frequently to markets,
- Improved competitiveness of firms and industries on national and world markets

The benefits of cluster-based economic development to communities:

- Engagement of local knowledge and experience to create successful economic development
- Active collaboration between diverse stakeholders. For example: amongst government, business, environmental groups, civil society organizations, and tribes.
- Thriving communities who work well together

In order for this approach to be successful:

- Leadership is needed from the Governor's Office to recognize and support regional strengths and understand the differences that exist in local economies in different parts of the state.
- Local/Regional economic development organizations need to be empowered and supported so that they can assist firms to collaborate on a local/regional level and assist in interactions with regional clusters in other parts of the state.
- Reinvigorate the Department of Commerce, Community and Economic Development so that it can respond better to regional strengths, opportunities and initiatives.
- Resources need to support priorities that are common to clusters throughout the state, including increasing bandwidth and revisiting the Alaska Science and Technology Fund or other efforts that support bringing innovation to Alaska firms.
- Support Technology Transfer in Alaska, including the work at the University of Alaska as well as utilizing technologies available from Federal Laboratories—bringing new technologies to Alaska companies.

- Support Incubators and similar programs/processes that reduce risk for small business start-up and business expansion.
- Increase Research and Development that is done in close collaboration with industry groups and is focused on application of research that results in commercialization opportunities.
- Develop our talent by increasing the capacity of Alaskans to innovate through a focus on building more skills in Science, Technology, Engineering and Mathematics (STEM), especially in the K-12 system.

A cluster-based approach focuses attention on the strengths that exist in our economy and reflect the different characteristics of individual regions. It does not preclude us from pursuing new opportunities, but encourages us to maximize the return on current capacity and investment. Active collaboration amongst industry partners and key stakeholders will provide new strategies for firms to pursue and will also assist local governments and state and federal agencies to better align their investments in ways for greater return on their investments. And, the data shows, building on current clusters are the most likely route to increased jobs, new firm creation and innovation.