2-03-09 Discussion: Goals and Priorities for the 26th Legislative Session

<target><bill></bill><subject>2-03-09 Discussion Goals and Priorities for the 26th Legislative Session</subject><comm>HEDC26</comm></target>

ALASKA STATE LEGISLATURE
ECONOMIC DEVELOPMENT, TRADE & TOURISM COMMITTEE

Representative Jay Ramras
Chairman
Phone: (907) 465-3004
Toll Free: 877-465-3004
Fax: (907) 465-2070
Representative_Jay_Ramras@legis.state.ak.us
1292 Sadler Way, Suite 324
Fairbanks, AK 99701

Committee Members:
Representative Mike Chenault
Representative Nancy Dahlstrom,
Representative Mark Neuman
Representative Kyle Johansen
Representative Mike Doogan
Representative Chris Tuck

State Capitol, Room 120
Juneau, Alaska 99801

House Economic Development, Trade & Tourism Committee Agenda

Tuesday, February 3rd, 2009 at 5:15 p.m. in Room 106 (HESS)

+ Discuss EDT goals and priorities for 26th Legislative Session

Tuesday, February 10th, 2009 at 5:15 p.m. in Room 106 (HESS)

+ World Trade Center Alaska: Guest Speaker, Greg Wolf, Executive Director, World Trade Center Alaska. Presentation and overview of the World Trade Center Alaska organization and discussion of what the state can do to stimulate world trade activities in Alaska.

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State Capitol, Room 120
Juneau, Alaska 99801

January 26th, 2009

To: EDT Committee Members

From: Representative Jay Ramras, Chairman
Economic Development, Trade & Tourism Committee

Re: EDT Hearing February 3rd, 2009

In preparation for the House Economic Development, Trade & Tourism Committee meeting scheduled for February 3rd, please consider your priorities and what you would like the EDT to accomplish during this legislative session. We will use this first scheduled meeting discussing these goals. I look forward to working with you this session.

Representative Jay Ramras
Chair, House Judiciary
House Labor & Commerce
House Oil & Gas
House Military & Veteran Affairs
1292 Sadler Way, Suite 324
Fairbanks, Alaska 99701
Phone: (907) 452-1088
Fax: (907) 452-1146

Alaska State Legislature

While in Session
State Capitol, Room 118
Juneau, Alaska 99801-1182
(907) 465- 3004
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House District 10

House of Representatives

Memo

To: Representative Mike Chenault
Chair of Committee on Committees

From: Representative Jay Ramras

Date: February 5, 2009

Re: Request for addition to House Economic Development, Trade & Tourism Committee

Please consider this memorandum as a request for the addition of Representative Lindsey Holmes and Reggie Joule to the House Economic Development, Trade & Tourism Committee.

The two above Representatives have expressed interest in joining EDT&T and I would ask that the Committee on Committees would review this request further with the hopes of the addition.

Thank you for the consideration.

Sincerely,

Representative Jay Ramras

T/C Tom Wright - Chose on Chose hasn't met. won't unless Speaker Chenault decides to might take himself off cmte - put Joule on, so Holmes would be out of Luck

Representative_Jay_Ramras@legis.state.ak.us

Tom

2-10-09 Presentation World Trade Center Alaska

<target><bill></bill><subject>2-10-09 Presentation World Trade Center Alaska</subject><comm>HEDC26</comm></target>

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Representative Chris Tuck

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Juneau, Alaska 99801

House Economic Development, Trade & Tourism Committee
AND
Senate World Trade, Tech, Innovation Committee

Joint Hearing

Tuesday, February 10th, 2009 at 5:15 p.m. in Room 106 (HESS)

+ World Trade Center Alaska: Guest Speaker, Greg Wolf, Executive Director, World Trade Center Alaska. Presentation and overview of the World Trade Center Alaska organization and discussion of what the state can do to stimulate world trade activities in Alaska.

Alaska's Role in the Global Marketplace

The Importance of International Trade to Alaska's Economy

By: Greg Wolf, Executive Director, World Trade Center Alaska

February 10, 2009, Juneau, AK

Presented to:

- House Special Committee on Economic Development, Trade and Tourism
- Senate Special Committee on Trade, Technology and Innovation

WORLD TRADE CENTER ALASKA

International Trade is Big Business for Alaska

- Annual Worldwide Exports totaled some $3.7 billion in 2008

<u>This represented:</u>

- Nearly 10% of the Alaska's Gross State Product (GSP)
- New Money into Economy
- Thousands of Direct and Indirect Jobs

<u>Results in:</u>

- Stronger, More diversified Economy

WORLD TRADE CENTER ALASKA

Why Trade Matters

- Substantial component of Alaska's economy. Exports account for approximately 10% of the GSP. Export total does not include the export of services from Alaska—such as construction, engineering and oil and gas services.

- Exports bring nearly $4 billion of new money into our economy. New money, not recycled money.

- Export jobs are high paying jobs. Export-related jobs typically pay 13 to 16% more than jobs tied solely to domestic economy.

- Exports allow companies to become larger through expanded markets and customer base.

- For some Alaska companies, their best bet for growth is overseas markets.

WORLD TRADE CENTER ALASKA

How Does Alaska Rank?

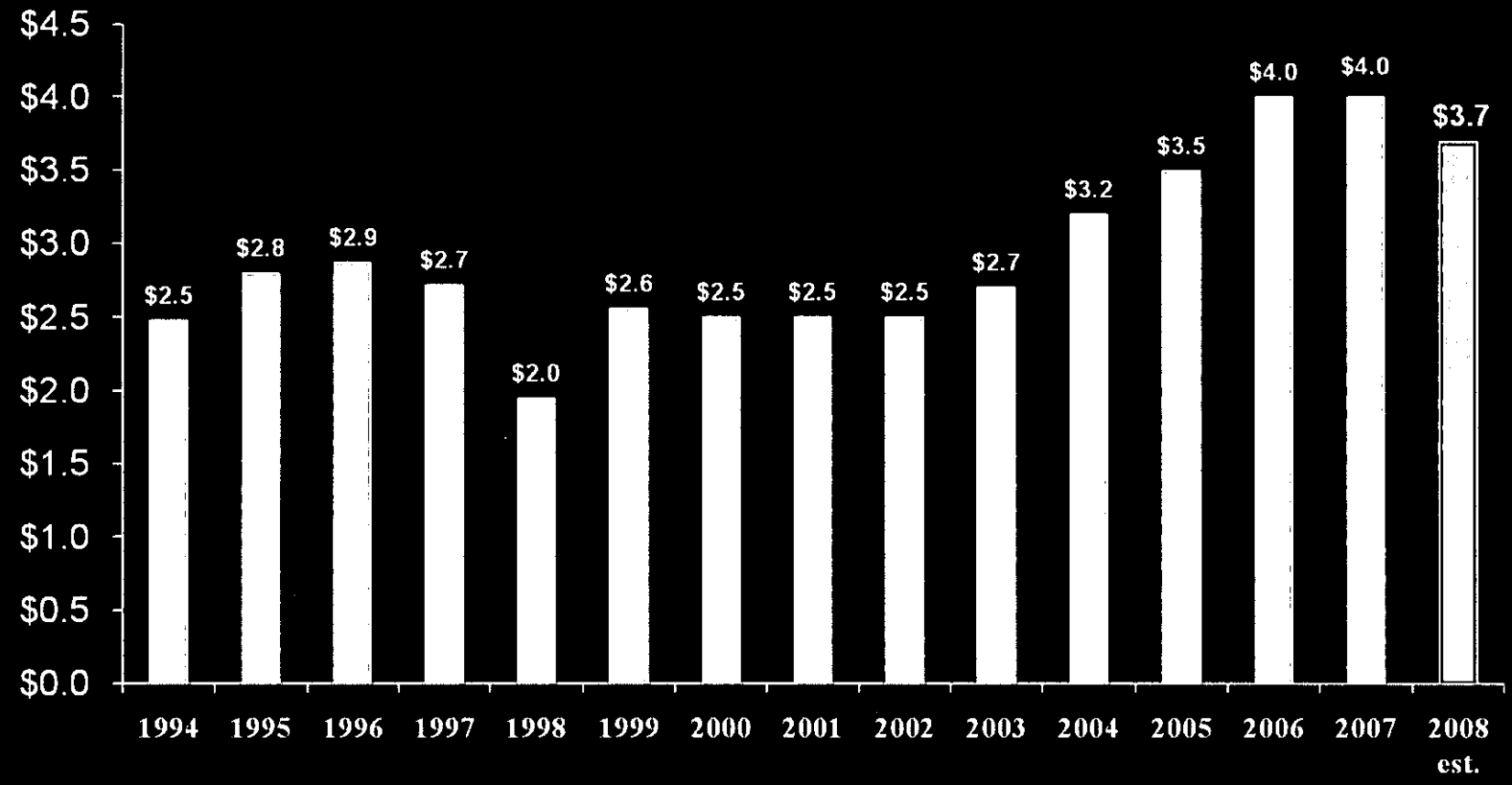
- Alaska is one of the most trade-oriented states in America:
  - In absolute terms, at $4.0 billion, Alaska ranks 42nd among all states
  - On a per-capita basis, Alaska ranks 4th
  - Exports as a percentage of Gross State Product (GSP), Alaska ranks 8th in the nation
  - Foreign direct investment: Alaska ranks 8th in attracting overseas investment ($31 billion cumulative)

(*rankings based on full year 2007 results)

WORLD TRADE CENTER ALASKA

Alaska Worldwide Exports

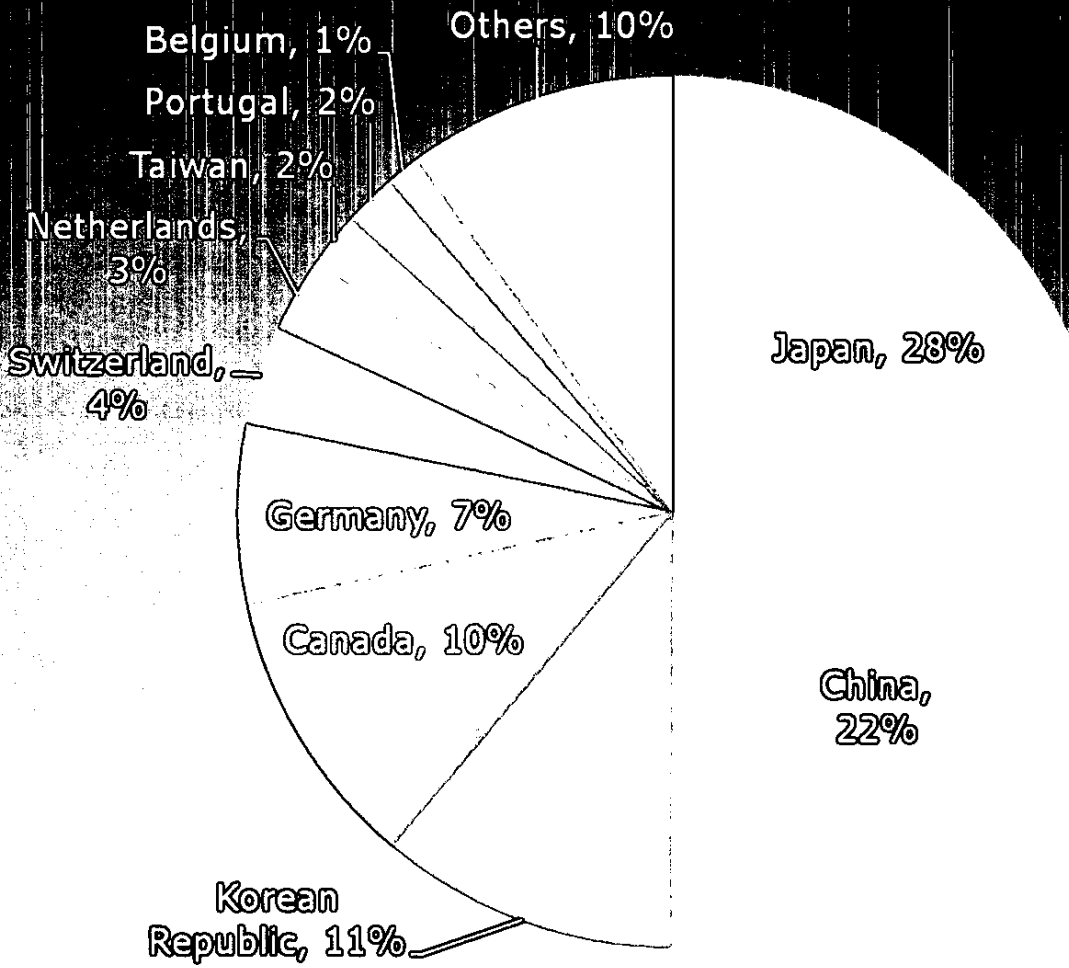
In Billions



WORLD TRADE CENTER ALASKA

Alaska's Top Ten Export Markets 2008

January - September 2008



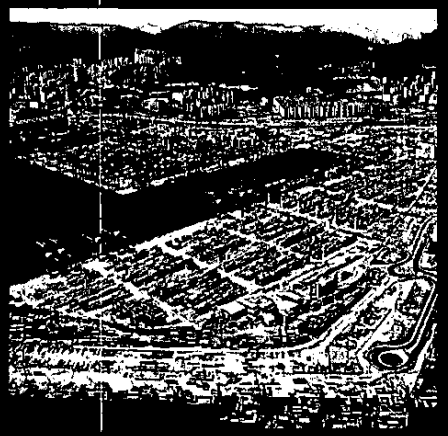
Source: U.S. Census Bureau, SOA, Governor's Office of International Trade

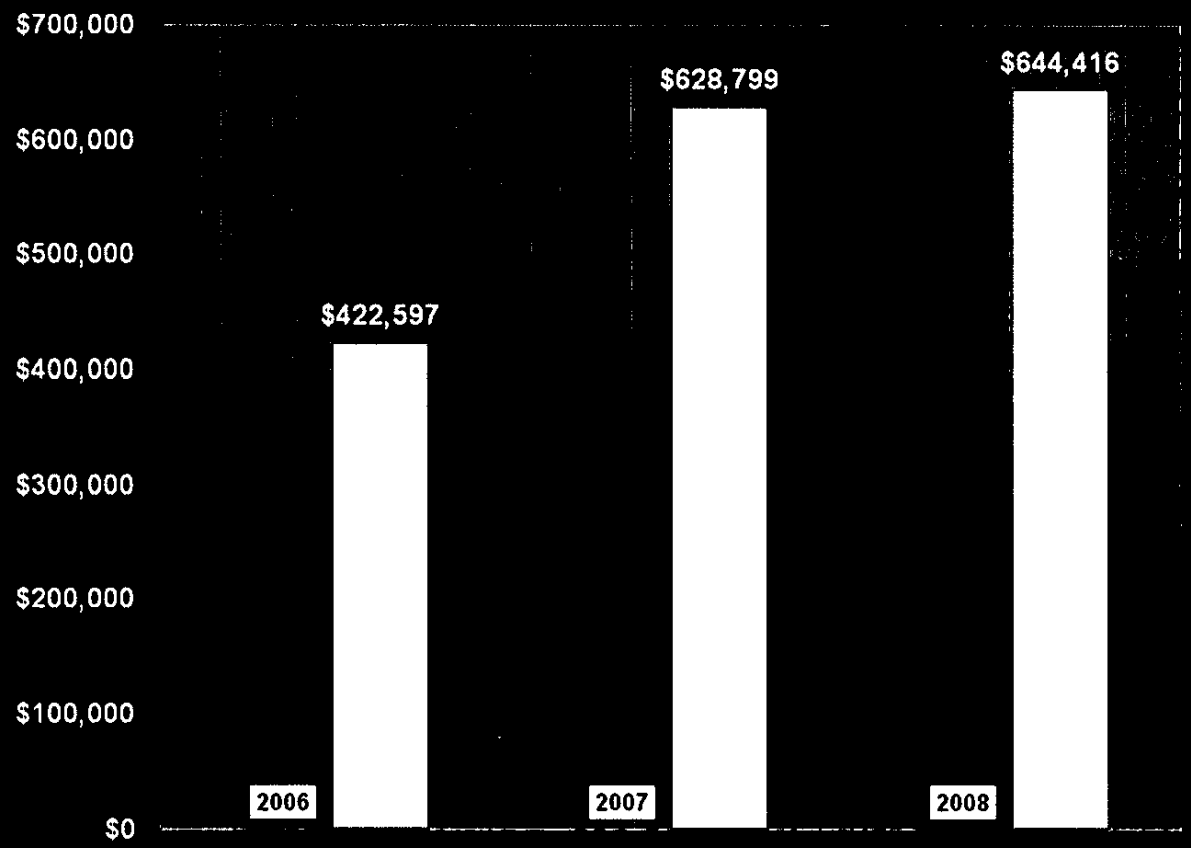
WORLD TRADE CENTER ALASKA

Alaska's Total Exports to China

2006-2008 Comparison (millions of USD)

January – September

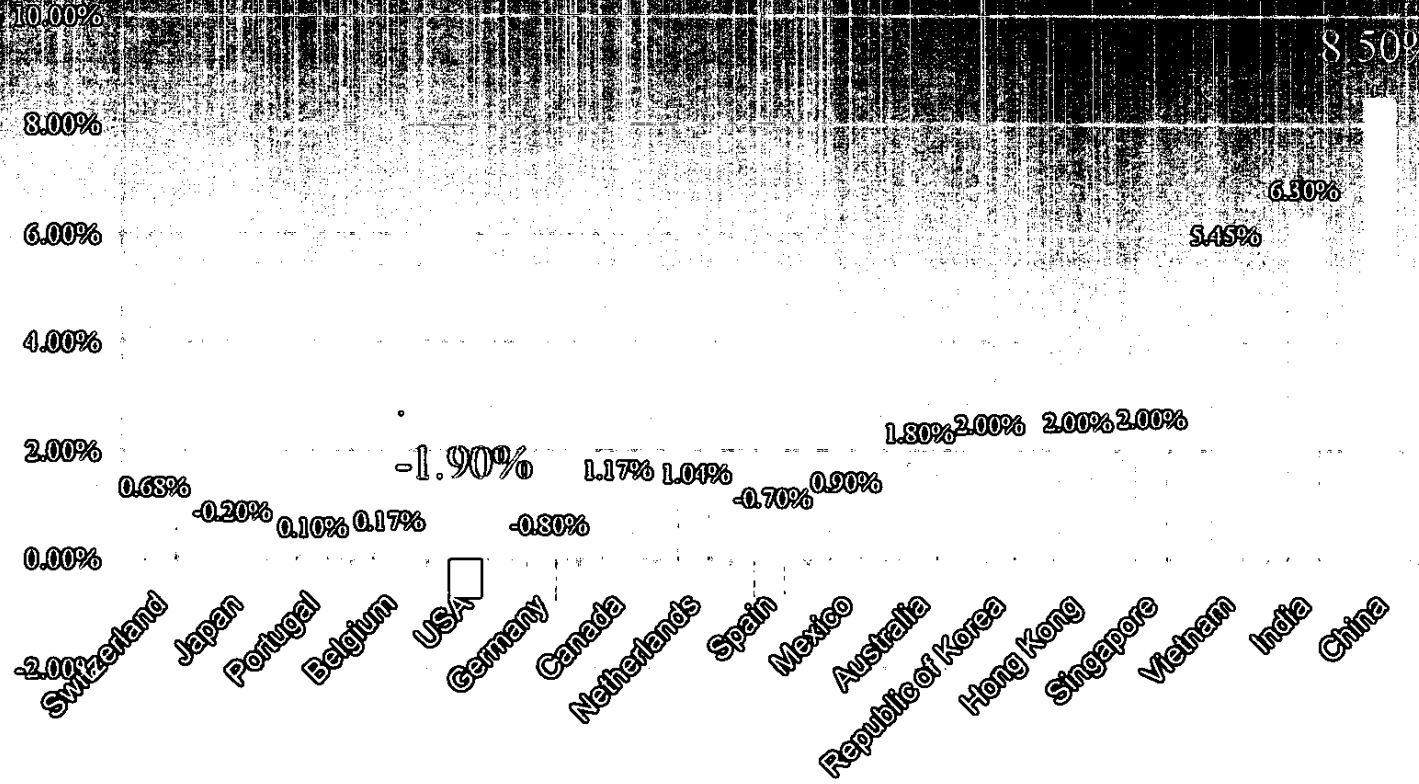




Source: U.S. Census Bureau, SOA, Governor's Office of International Trade

WORLD TRADE CENTER ALASKA

Greater Economic Growth Overseas in 2009

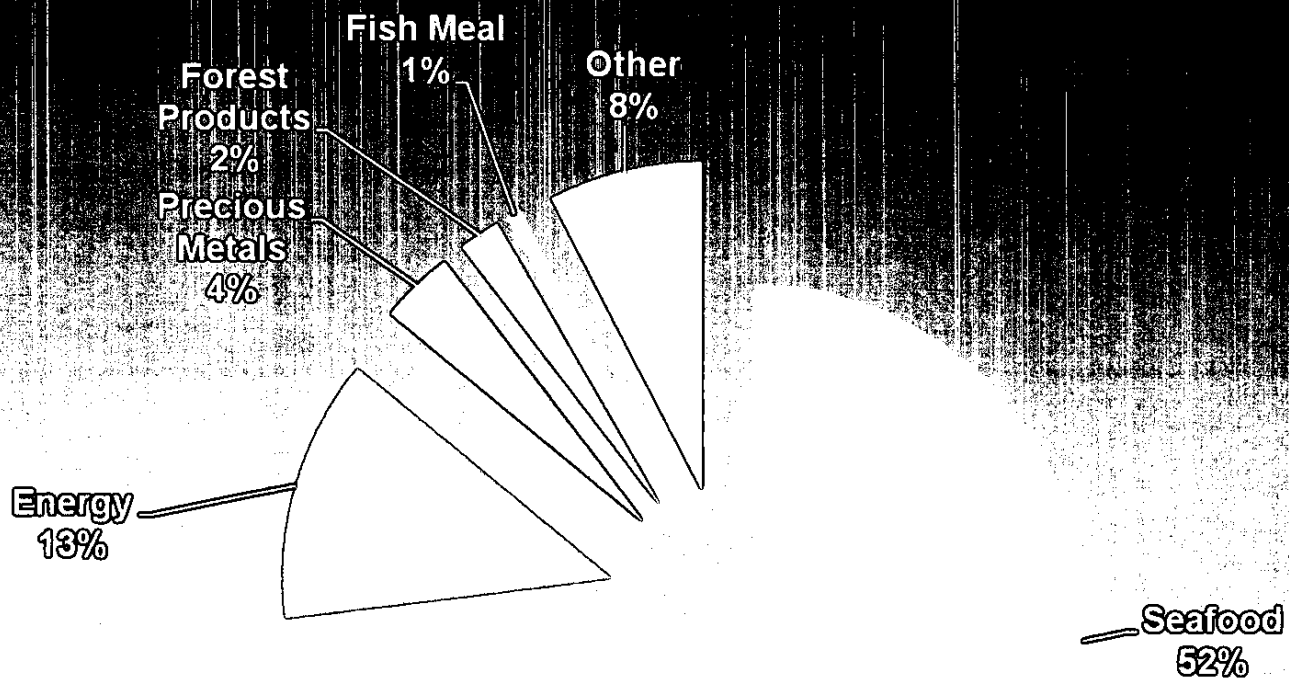


Source: International Monetary Fund Projection (*as of November 2008*)

WORLD TRADE CENTER ALASKA

Alaska's Top Export Products 2008

January –September 2008



Source : US Census Bureau, State of Origin data

WORLD TRADE CENTER
ALASKA

Alaska's Service Sector Exports

- Revenues difficult to calculate—USDOC does not record and report service exports as they do commodity exports

WTCAK estimate is $500 to $750 million annually—probably understates actual total

Service sector exports from Alaska include: oil and gas field services, construction, engineering, transportation and logistics, architecture and environmental services

Countries where Alaska companies have provided services include: Canada, Russia, Taiwan, China, Korea, Middle East, and others

WORLD TRADE CENTER ALASKA

Why Alaska Companies?

- Alaskans firms have developed world-class capabilities and are now finding customers overseas

- Alaskan firms have gained experience and expertise in carrying out projects in remote locations, with extended supply chain challenges, in often-harsh weather/climactic conditions, under stringent environmental regimes, and lack of local trained labor and suppliers

- Relationships with multi-national companies create opportunities outside of Alaska

- These skill sets, experiences, and relationships can translate to other similar regions (e.g. Canada, Russia) and to non-similar regions (Middle East, Africa, etc)

WORLD TRADE CENTER ALASKA

2009 Trade Outlook

- Results will depend heavily on commodity prices-minerals and metals, and value of seafood catch

- Effect of U.S. economic slowdown on Asian exporting countries—which are among Alaska's best customers—will strongly impact Alaska's exports in '09

- Watch the dollar--a weaker dollar makes U.S. exports relatively cheaper

- Loss of fertilizer's exports with Agrium closure

- Exports slightly down in 2009

- 2009 Forecast: $3.5 to 3.6 billion—down, but still near upper range of results during past 15 years

WORLD TRADE CENTER ALASKA

Mission

On behalf of members and community partners, the mission of World Trade Center Alaska is to assist Alaskans to successfully compete for trade and investment in the global market place.

WORLD TRADE CENTER ALASKA

Core Functions

- Trade Capacity
- Trade Development
- Trade Service
- Trade Facility
- Trade Network

WORLD TRADE CENTER ALASKA

Activities & Programs

- One-on-one trade counseling
  - Market research
  - Conferences, seminars, monthly luncheons
  - Trade missions

WORLD TRADE CENTER ALASKA

Serving Alaska's Business Community Since 1987

Phone: (907) 278-7233

Fax: (907) 278-2982

Email: info@wtcak.org

WORLD TRADE CENTER
ALASKA

WORLD TRADE CENTER ALASKA IS...

Premium Level Members:

- Alaska Airlines
- Alaska Business Monthly
- Alaska Interstate Construction, Inc.
- Alaska Railroad Corp.
- BP Exploration
- Chugach Electric Association, Inc.
- FedEx
- Lynden International
- Movers, Inc.
- Northrim Bank
- Sealaska Corp.
- South Central Timber Development, Inc.
- State of Alaska
- Tyonek Native Corp.
- United Parcel Service
- U.S. Commercial Service
- Usibelli Coal Mine, Inc.
- Wells Fargo Bank

World Trade Center Alaska is a private, non-profit membership organization providing international trade and business services to members and community partners across the state. The mission of WTCAK is to assist Alaskans to successfully compete for trade and investment in the global market place.

The Center pursues this mission through five core functions:

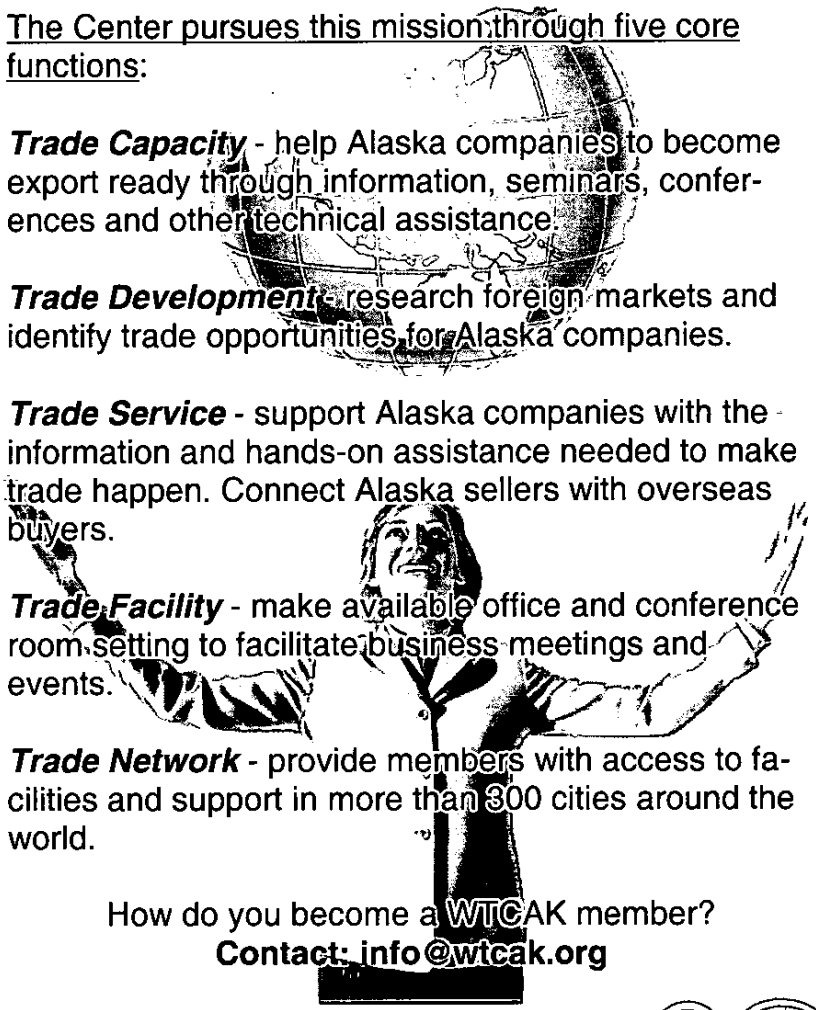
Trade Capacity - help Alaska companies to become export ready through information, seminars, conferences and other technical assistance.

Trade Development - research foreign markets and identify trade opportunities for Alaska companies.

Trade Service - support Alaska companies with the information and hands-on assistance needed to make trade happen. Connect Alaska sellers with overseas buyers.

Trade Facility - make available office and conference room setting to facilitate business meetings and events.

Trade Network - provide members with access to facilities and support in more than 300 cities around the world.

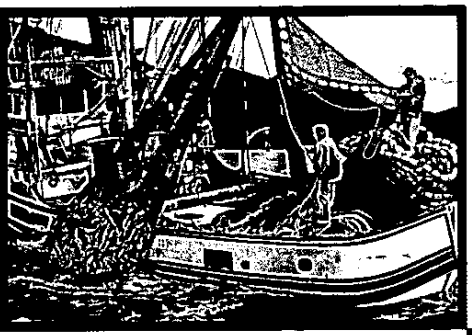


How do you become a WTCAK member?
Contact: info@wtcak.org

431 West Seventh Avenue, Suite 108, Anchorage, Alaska 99501– 3511, USA
Phone 907.278.7233 Fax 907.278.2982
eMail info@wtcak.org http://www.wtcak.org

20 WORLD TRADE CENTER ALASKA *twenty-years*

Growing Alaska's Economy Through International Trade



WORLD TRADE CENTER
ALASKA

International Trade is Big Business for Alaska:

- In 2007, Alaska's exports to overseas markets reached $3.9 billion, forty-second among the states.
- Exports represent 10% of the state's overall economy. This ranks Alaska eighth in the nation (2006).
- Measured on a per-capita basis, Alaska ranks fourth in the nation.
- Exporting supports thousands of jobs statewide. These are among the highest paying jobs in the state.
- Export markets enable Alaskan companies to expand their customer base and product mix.
- 77% of exporters in Alaska are small and medium sized companies.
- Small and medium sized companies accounted for 13% of Alaska's exports (by value).

Overseas Companies Have Made Significant Investments in Alaska:

- As of 2004, cumulative foreign direct investment in Alaska reached $31 billion, the eighth highest total in America.
- Foreign companies (majority-owned U.S. Affiliates) operating in Alaska generate 11,300 jobs. This represents approximately 5% of the state's private-sector workforce.

Export Revenue reached $3.9 Billion in 2007

Alaska's Top 5 Export Markets

(Millions of US Dollars):

1) Japan ($855)
2) China ($716)
3) South Korea ($703)
4) Canada ($460)
5) Germany ($202)

Alaska's Top 5 Export Commodities

(Millions of US Dollars):

1) Seafood ($1,979)
2) Minerals ($1,187)
3) Energy ($232)
4) Precious Metals ($132)
5) Fertilizer ($92)

Sources: Alaska Seafood Marketing Institute (photo); State of Alaska, Governor's Office of International Trade; U.S. Department of Commerce, Exporter Data Base; International Trade Administration; Bureau of Economic Analysis.

Information based on 2007 figures, except where noted.

For more information, please contact Greg Wolf, Executive Director
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Phone 907.278.7233 Fax 907.278.2982
eMail info@wtcak.org http://www.wtcak.org

20 WORLD TRADE CENTER ALASKA twenty-years

Recent World Trade Center Testimonials

twenty-years

Mitchell

Dennis Mitchell, Regional Manager Alaska
Lynden International

"Lynden International has been a member of World Trade Center Alaska for 20 years. Our membership in this organization has been extremely successful in our viewpoint, providing interesting and timely discussions related to International Trade that is relevant to our industry. Through the auspices of WTC Alaska, we have made valuable contacts that have enhanced our business prospects and have enabled us to expand our horizon of opportunity. We encourage businesses with an interest in International Trade to become a member of the World Trade Center Alaska, and discover for themselves the benefits of membership."

Brophy

Bill Brophy, Vice President, Customer Relations
Usibelli Coal Mine Inc.

"Usibelli Coal Mine (UCM) is proud to have been a member of World Trade Center Alaska (WTCAK) for the past 10 years. WTCAK has been an important part of the team assisting UCM with successful marketing of Alaska coal to a variety of international customers on the Pacific Rim. The management team at WTCAK possesses the talent and expertise to assist with development programs, strategic planning, market surveys, special international events, and trade missions abroad. WTCAK has always been available to assist with our requirements to conduct research and coordinate with private businesses and government officials, both in the United States and with allied countries. They have been instrumental in fostering great relationships enjoyed by UCM with the Alaska Railroad Corp. and the Seward Coal Loading Facility.

UCM has enjoyed export of subbituminous coal to South Korea since 1984 on long-term contracts. During 2004 UCM established a new business relationship with Glencore Ltd., delivering more than a half million tons of Usibelli coal to three electric utilities in Chile. Over the years, UCM has also provided test shipments to Taiwan, Japan and Russia.

It is a pleasure to applaud the great work at WTCAK during November as we celebrate their 20th Anniversary!"

Strutz

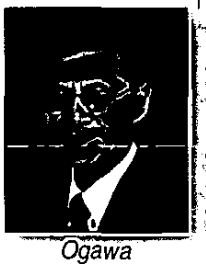
Richard Strutz, Regional President
Wells Fargo Bank Alaska

"Our membership with the World Trade Center Alaska has helped us make connections with the leading international commerce organizations in Alaska. As an international financial services company with an Alaska presence, it's critical for us to develop relationships with World Trade Center Alaska members. It's very exciting for us to help local businesses expand into the global marketplace, and World Trade Center Alaska is a tremendous advocate for broadening Alaska's global commerce horizons."

Jenkins

Beverly Jenkins, President
Upscale Inc.

"The staff at World Trade Center Alaska have been very helpful to our business. We were just blown away and still are when we continue to work with their office. We feel that they go above and beyond their duties. For example, we were very excited when they took our product to China and made all the necessary contacts for us. Whenever we call them with a question, they are never too busy to help even though their office is very busy. They never seize to amaze us. Thanks so much for all World Trade Center Alaska continues to do!"


Ogawa

Yoshi Ogawa, Owner
International Travel Consultants Inc.

"World Trade Center Alaska has been a great partner in enhancing my business over the years. I first became involved with WTCAK as a corporate member of Northwest Airlines about 15 years ago. Since then, I have continued to renew my membership for the past 10 years for my own business. World Trade Center is always responsive to the needs of the members by bringing speakers with appropriate topics, and continues to educate members about current issues that are important to the international community in Alaska. WTCAK is always helpful in assisting us, from providing opportunities to networking with other members to assisting me in ways that benefit my products and services. They are also instrumental in getting the word out to the international community of our latest offerings and services in a cost-effective manner. WTCAK certainly helps my company think locally and act globally."

WORLD TRADE CENTER
ALASKA

TRADE DEVELOPMENT PROGRAMS

WTCAK has five focused trade development programs.

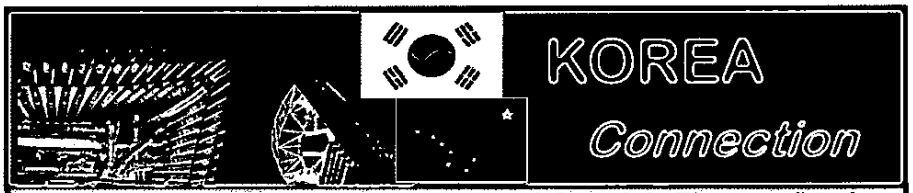
These programs are designed to give members and community partners the ideas, information and hands-on assistance to identify and pursue business opportunities in Alaska's major markets.

Four of the programs are country-specific.

These countries represent the state's four largest trading partners.

Another program is focused on new, high potential markets that are experiencing rapid economic growth.

Japan Focus *is a trade development program of World Trade Center Alaska. The program provides information and services to Alaskans seeking to do business in Japan.*



Korea Connection *is a trade development program of World Trade Center Alaska. The program offers information and assistance to Alaskans seeking to do business in Korea.*

China Calling *is a trade development program of World Trade Center Alaska. The program is designed to assist Alaskans to identify and pursue business opportunities in China.*

Canada: Opportunities Next Door *is a trade development program of World Trade Center Alaska. The program helps Alaskans to pursue business opportunities in Canada.*

New Markets-New Customers *is a trade development program of World Trade Center Alaska. The program aims to identify new export markets for Alaskans and assist them to pursue opportunities in these markets.*

Photo Credit: Resource Development Council for Alaska, Inc.

For more information on these programs and other activities, please contact Greg Wolf, Executive Director
431 West Seventh Avenue, Suite 108, Anchorage, Alaska 99501– 3511, USA
Phone 907.278.7233 Fax 907.278.2982
eMail info@wtcak.org http://www.wtcak.org

20 WORLD TRADE CENTER ALASKA twenty-years

2-17-09 Presentation: Alaska Housing Finance Corporation, Alaska's Housing Market

<target><bill></bill><subject>2-17-09 Presentation Alaska Housing Finance Corporation, Alaska's Housing Market</subject><comm>HEDC26</comm></target>

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State Capitol, Room 120
Juneau, Alaska 99801

House Economic Development, Trade & Tourism Committee Agenda

Tuesday, February 17th, 2009 at 5:15 p.m. in Room 106 (HESS)

+ **Alaska Housing Finance Corporation: Guest Speakers: Bryan Butcher, Director, Government Relations & Public Affairs and Dan Fauske, CEO/Executive Director, Alaska Housing Finance Corporation. Overview of Alaska's real estate market, federal funding for distressed mortgages and the future strength of the Alaska real estate market.**

Alaska Housing
FINANCE CORPORATION
Built to Last.

Alaska's Housing Market 2009

Alaska Housing Finance Corporation

Alaska Housing
FINANCE CORPORATION
Built to Last.

Alaska's Housing Market

- Interest rates are historically low
- Prices are stable
- New construction
  - Extremely low
  - Contractors busy with remodeling

Alaska Housing
FINANCE CORPORATION
Built to Last.

What Happened Outside?

- Collapse of housing market
  - Economy – Loss of jobs
  - Excessive speculation
    - Buying
    - Construction
  - Subprime mortgages defaulted
  - Depreciating home values

Alaska Housing
FINANCE CORPORATION
Built to Last.

The good news is…

- Alaska is different from the Lower 48
  - Adjustable rate mortgages (ARMs) were a very small proportion of total market
  - Small lending community that didn't participate in riskier loan products
  - AHFC did not participate in them
  - Minimal speculative development or buying
  - Continued moderate growth in economy expected

Alaska Housing
FINANCE CORPORATION
Built to Last.

Delinquencies—Are we in trouble? 3rd Quarter 2008

- Mortgage Bankers Association survey – 6.99 percent nationally
  - In Alaska our rate was 2.66 percent — the lowest in the nation
  - AHFC's delinquencies—2.29 percent

- Alaska's delinquency rate reached 5.9 percent in 2000 and 2001

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Foreclosures
3rd Quarter 2008

- Alaska ranks 47th in foreclosures at 1.64 percent
- Nearly one-third the national average of 5.17 percent

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Market is cooling

- 2008 end-of-year numbers of homes for sale in Anchorage much lower than '90s
- From 1999 to 2005, market hot for sellers
- Now a more moderate pace

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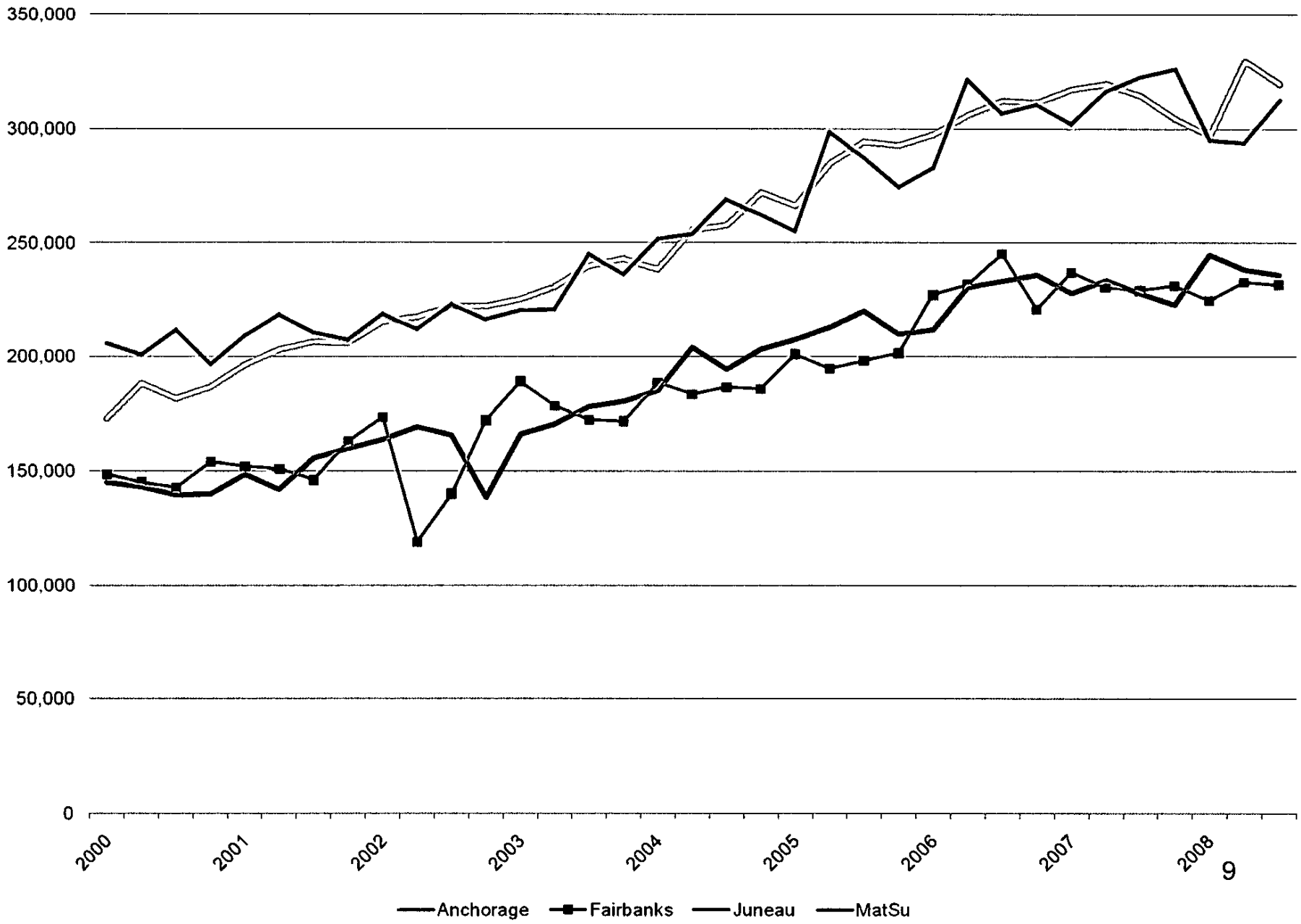
Average Sales Price as of Dec. 2008

- Anchorage – $326,000 (stable)
- Mat-Su – $221,000 (stable)
- Fairbanks* – $213,000 (up 1 percent)
- Kenai – $197,000 (up 2 percent)
- Kodiak – $260,000 (up 10 percent)

*as of Sept. 2008

Average Sales Price Reported By Lenders



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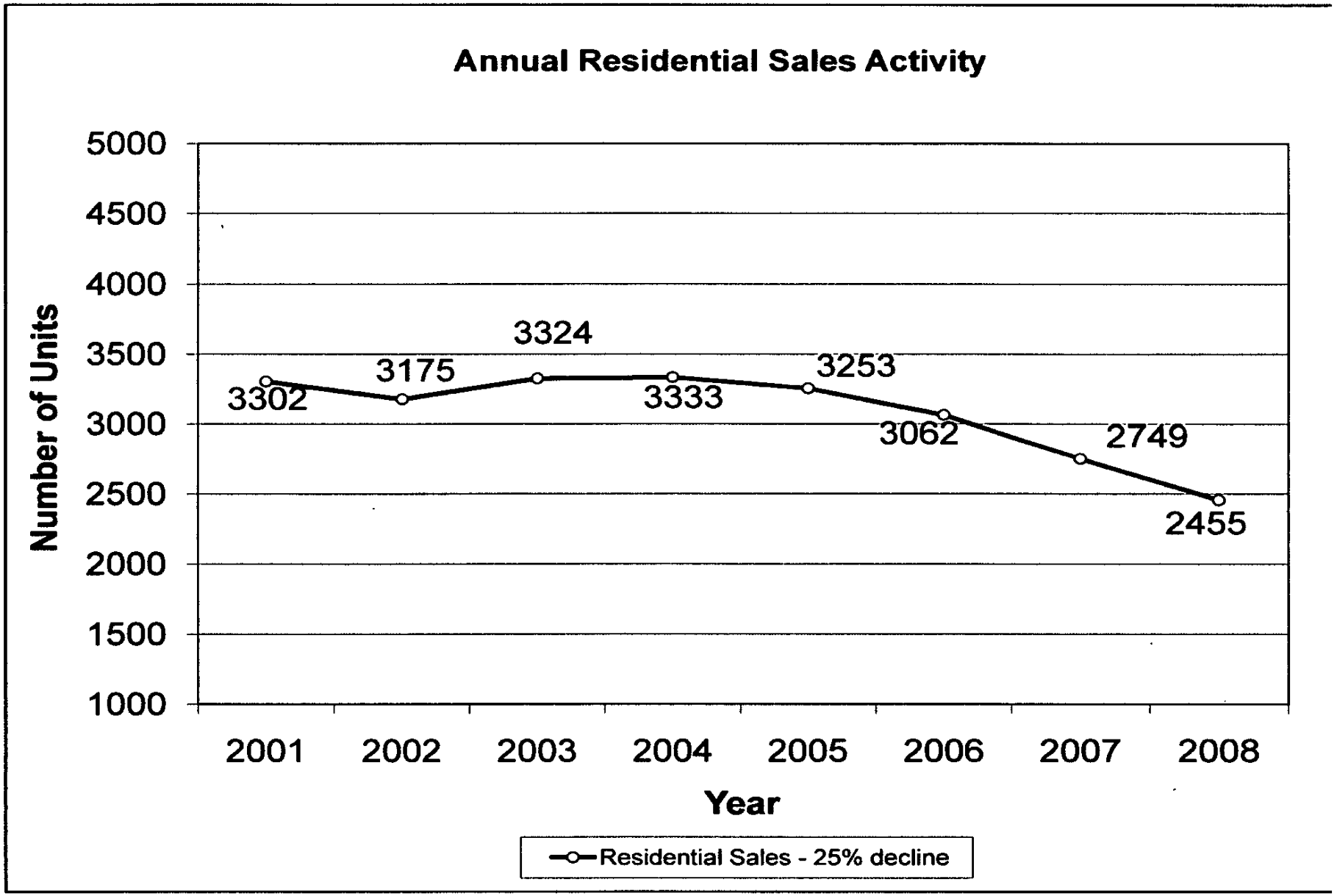
Built to Last.

Statewide Housing Market – 2008

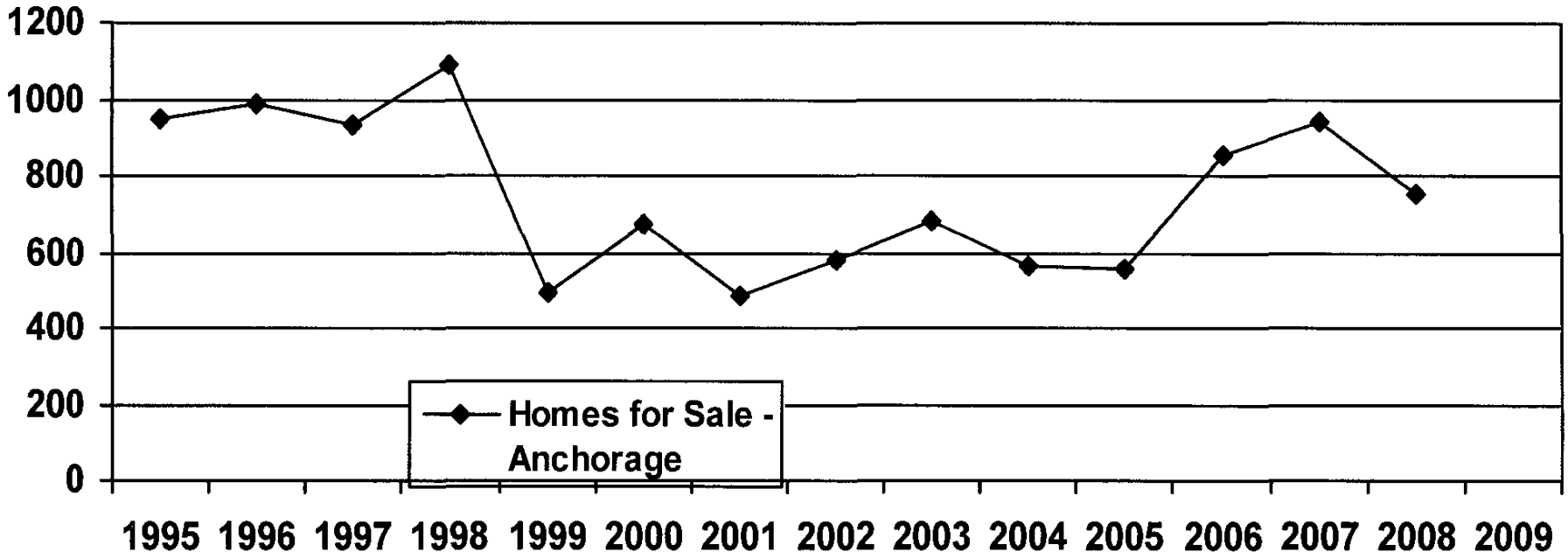
Sales Activity

- Anchorage – down 10 percent
- Mat-Su – down 20 percent
- Fairbanks (as of 09/08) – down13 percent
- Kenai – down 17 percent
- Kodiak – down .05 percent


Annual Residential Sales Activity
Number of Units
5000
4500
4000
3500
3000
2500
2000
1500
1000
3302
3175
3324
3333
3253
3062
2749
2455
2001
2002
2003
2004
2005
2006
2007
2008
Year
Residential Sales - 25% decline

Alaska Housing
FINANCE CORPORATION
Built to Last.

Number of Homes for Sale - Anchorage



Alaska Housing
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Built to Last.

Average Market Days – Statewide Through Dec. 2008

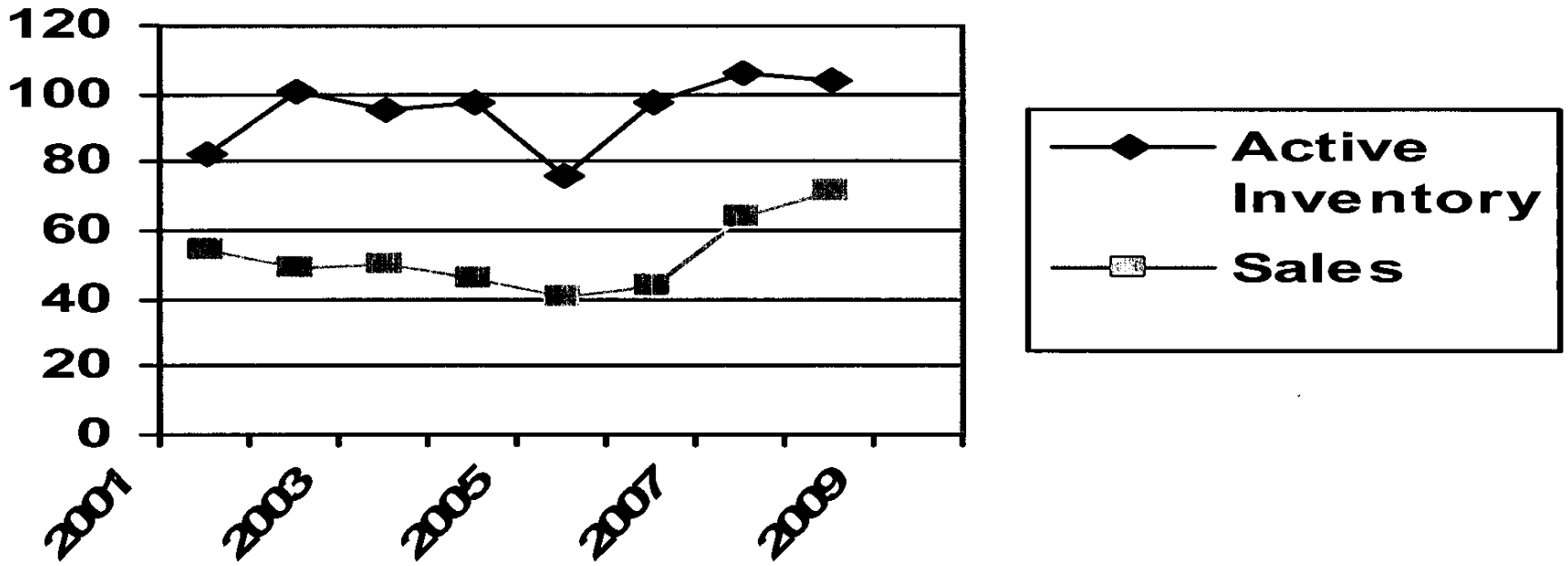
- Anchorage: 64 – 72, up 13 percent
- Mat-Su: 79 – 92, up 16 percent
- Fairbanks*: 50 – 74, up 48 percent
- Kenai: 103 – 116, up 13 percent
- Kodiak: 68 – 85, up 25 percent

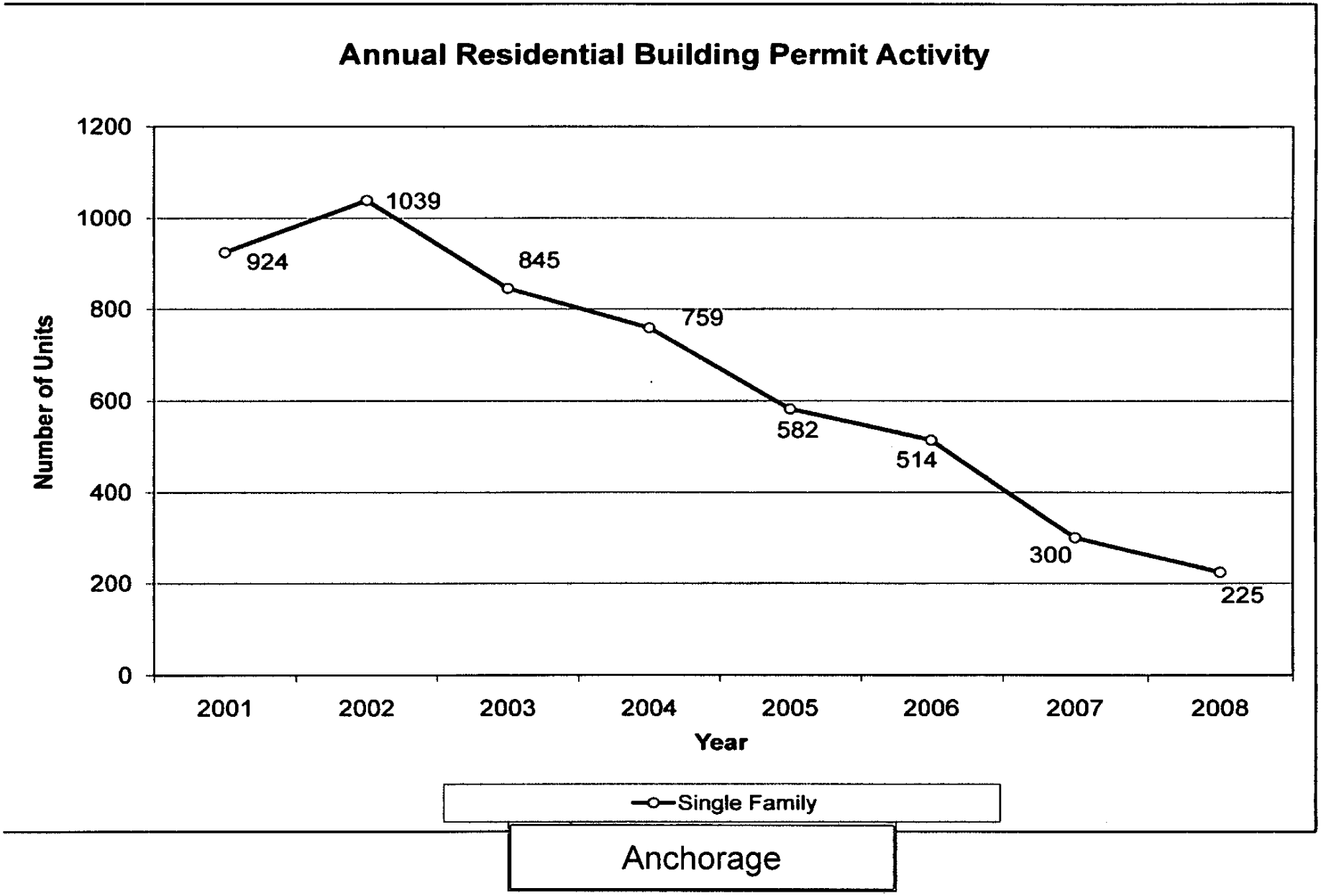
*as of Sept. 2008

Alaska Housing
FINANCE CORPORATION
Built to Last.

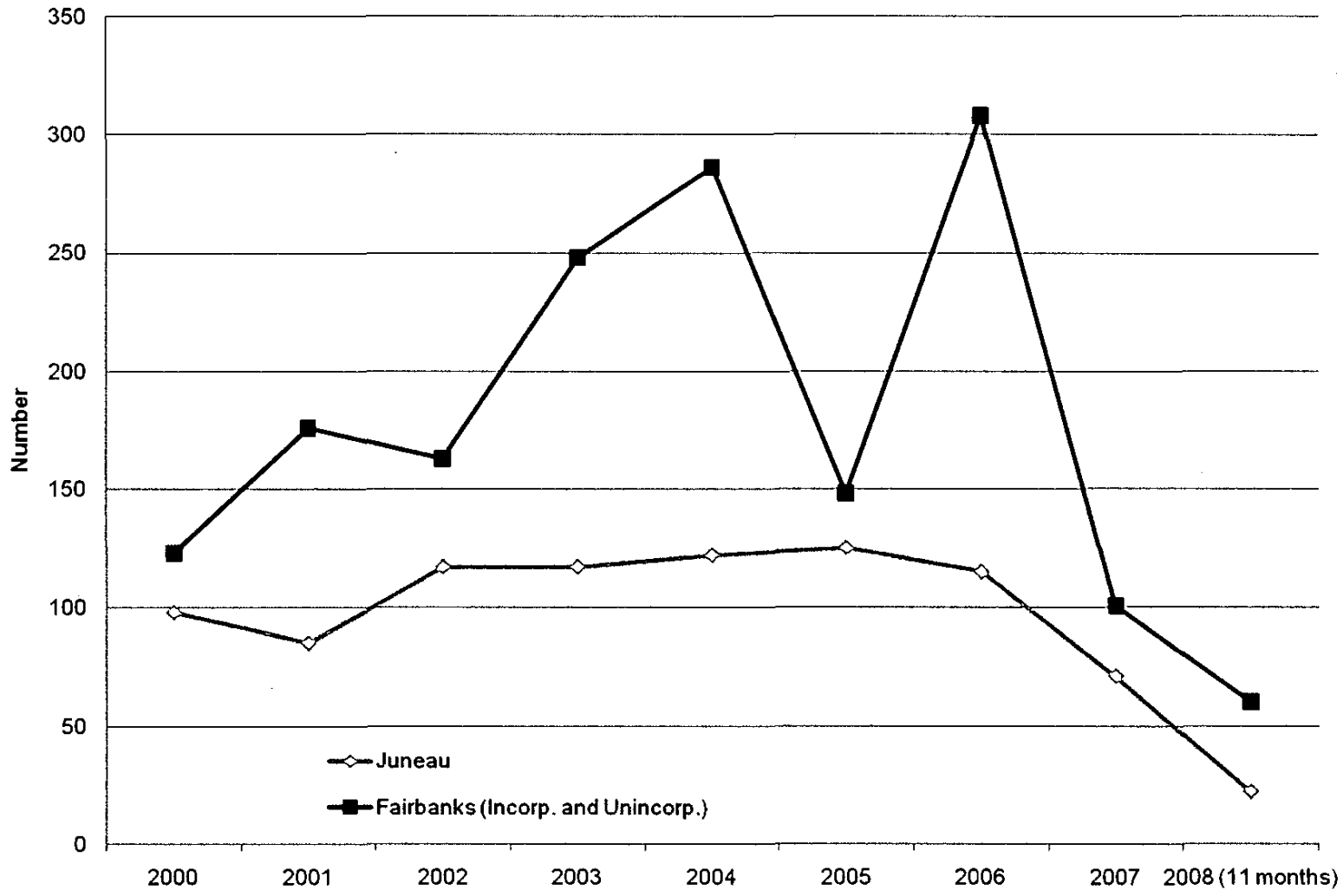
How long does it take to sell?

Average time on the market – Anchorage




Annual Residential Building Permit Activity
Number of Units
1200
1000
800
600
400
200
0
924
1039
845
759
582
514
300
225
2001
2002
2003
2004
2005
2006
2007
2008
Year
Single Family
Anchorage

Number of Permits By Area



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Apartment Vacancies
Feb. 2009

- Anchorage - 5.0 percent
- Juneau - 4.7 percent
- Fairbanks - 21.2 percent
- Wasilla/Palmer - 2.1 percent
- Kenai/Wasilla - 8.6 percent

See detailed chart next slide.

ANCHORAGE					
Unit Type	**Eff.**	**1BR**	**2BR**	**3BR**	**Total**
# Units	304	1,831	1,642	115	3,892
# Vacant	22	101	68	3	194
Vacancy Rate	**7.2%**	**5.5%**	**4.1%**	**2.6%**	**5.0%**

JUNEAU					
Unit Type	**Eff.**	**1BR**	**2BR**	**3BR**	**Total**
# Units	65	167	107	23	362
# Vacant	11	2	4	0	17
Vacancy Rate	**16.9%**	**1.2%**	**3.7%**	**0%**	**4.7%**

FAIRBANKS					
Unit Type	**Eff.**	**1BR**	**2BR**	**3BR**	**Total**
# Units	70	501	580	54	1,205
# Vacant	19	140	88	8	255
Vacancy Rate	**27.1%**	**27.9%**	**15.2%**	**14.8%**	**21.2%**

PALMER/WASILLA					
Unit Type	**Eff.**	**1BR**	**2BR**	**3BR**	**Total**
# Units	13	128	72	20	233
# Vacant	0	5	0	0	5
Vacancy Rate	**0%**	**3.9%**	**0%**	**0%**	**2.1%**

KENAI/SOLDOTNA					
Unit Type	**Eff.**	**1BR**	**2BR**	**3BR**	**Total**
# Units	5	102	95	30	232
# Vacant	0	11	7	2	20
Vacancy Rate	**0%**	**10.8%**	**7.4%**	**6.7%**	**8.6%**

Via phone surveys Feb. 2 – 6, 2009

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How about interest rates?

- Let's look at the average interest rates over time…
- The following four slides are reprinted with permission from Mortgage X Mortgage Information Service.

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Source: www.mortgage-x.com
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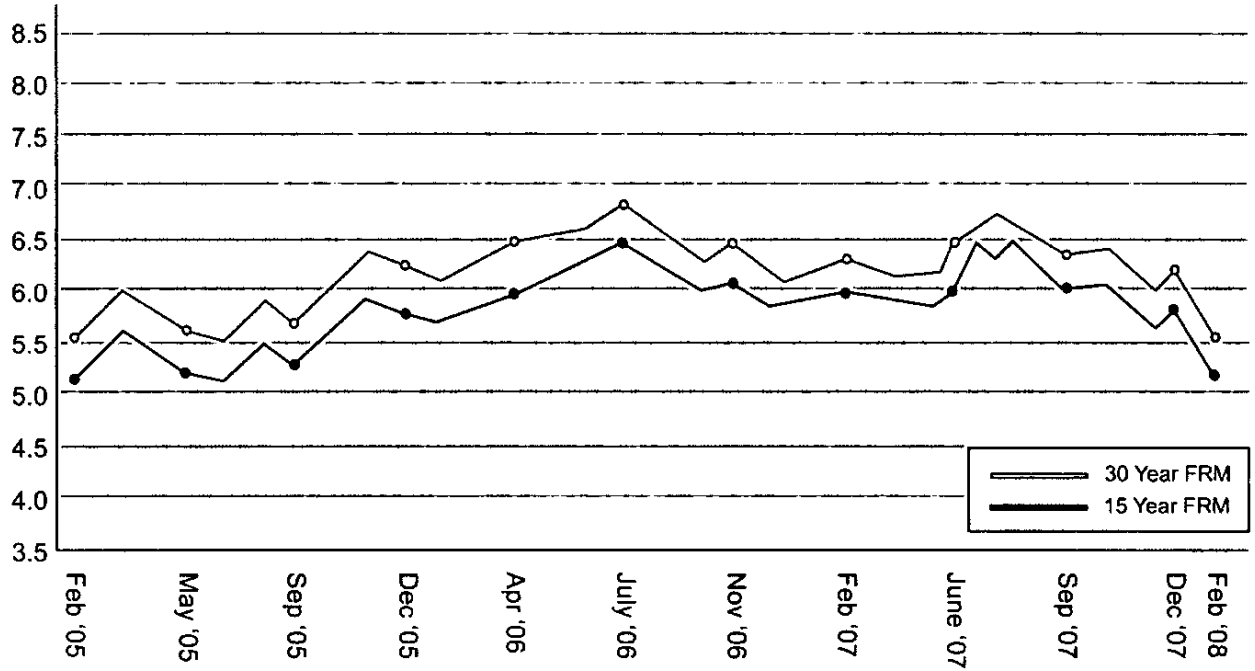
Short term:
Good to still good…

Three Year Trends:



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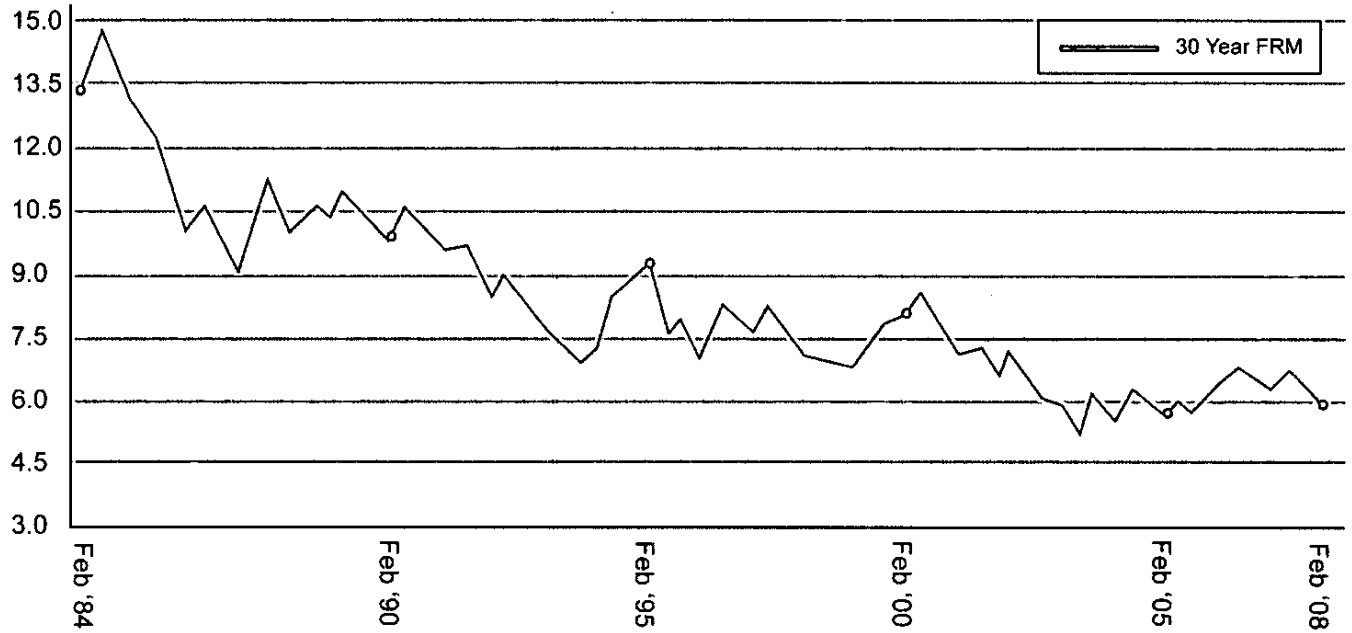
Longer view:
Rates well below average…

30-Year Fixed Rate Mortgages, 1984 – 2008



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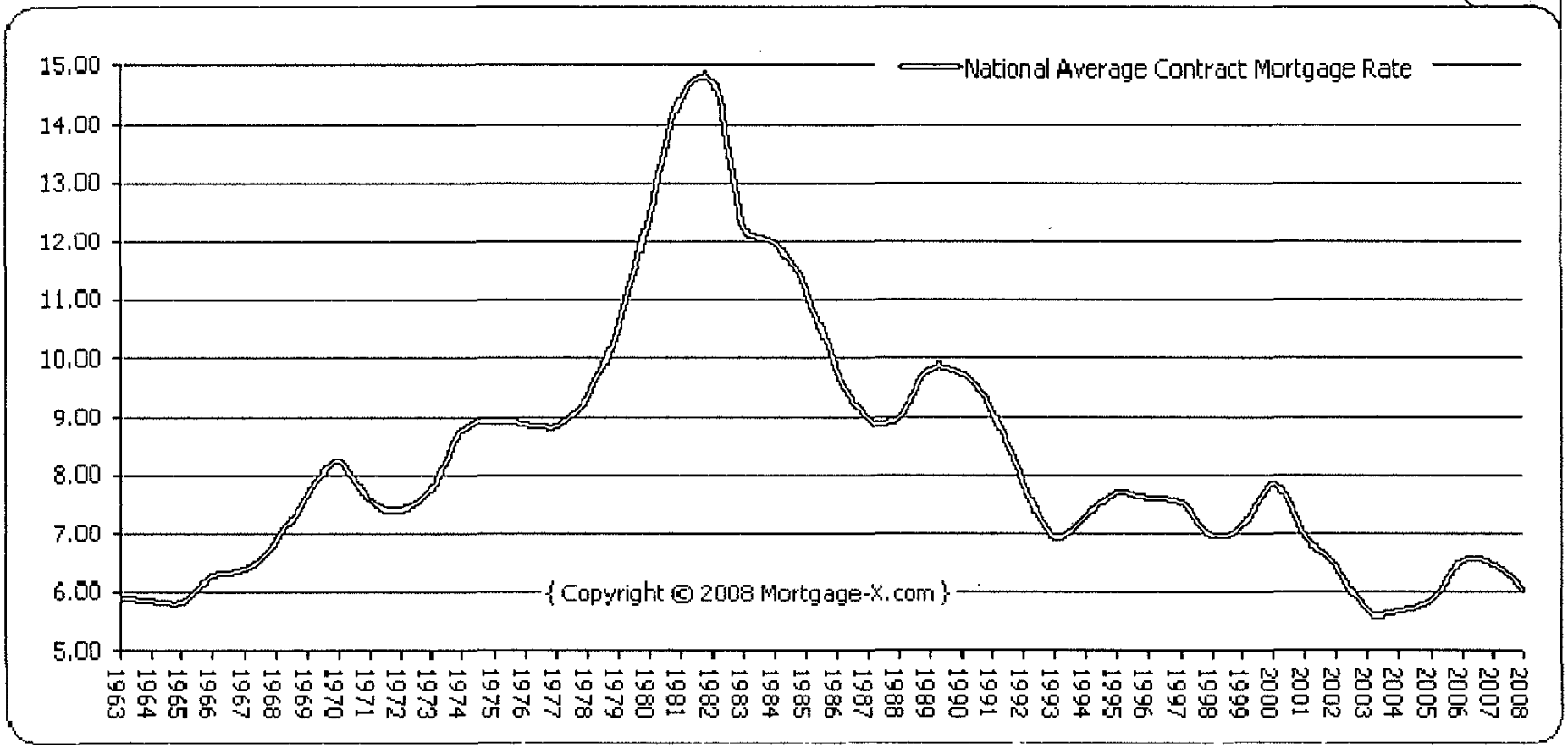
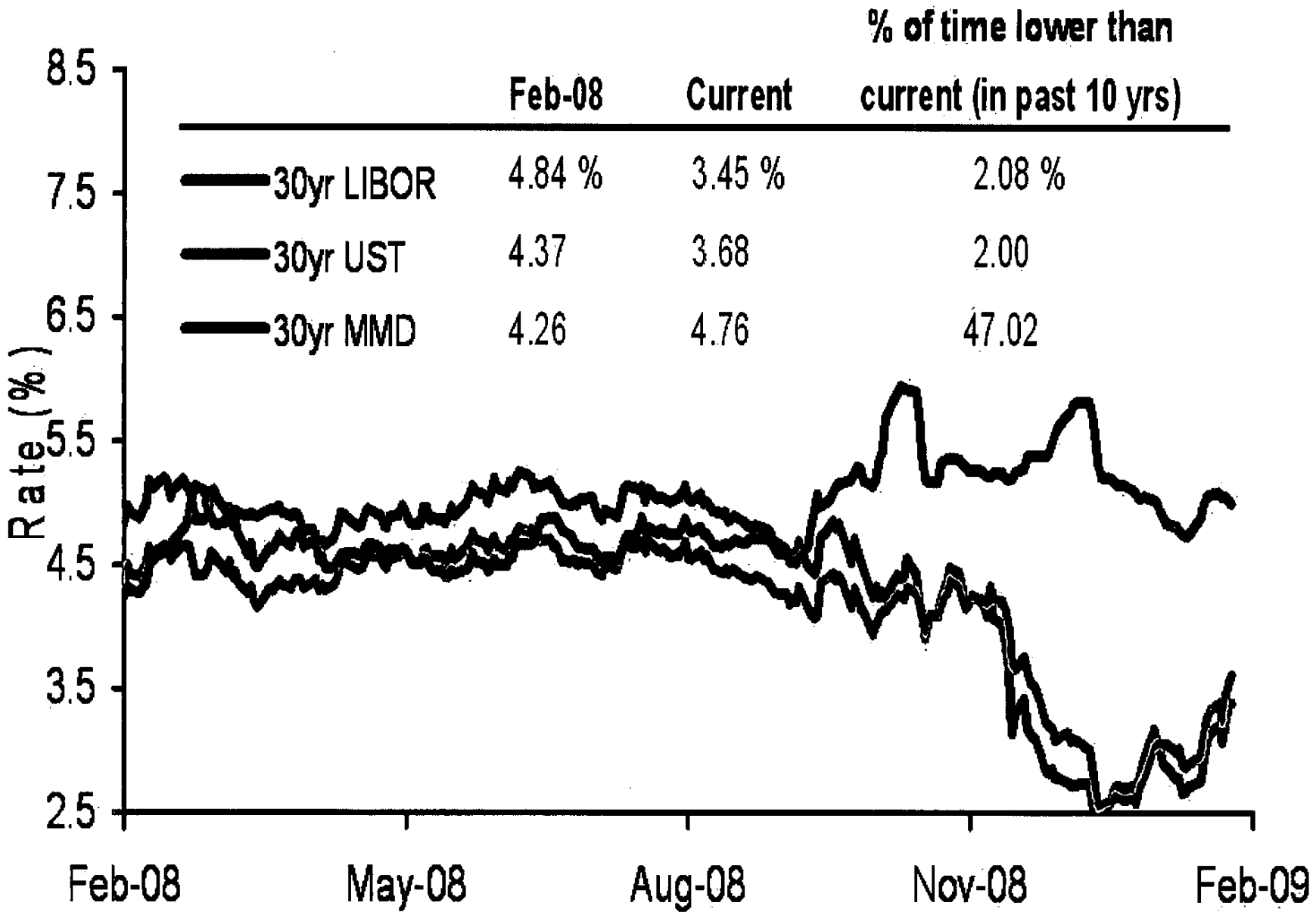
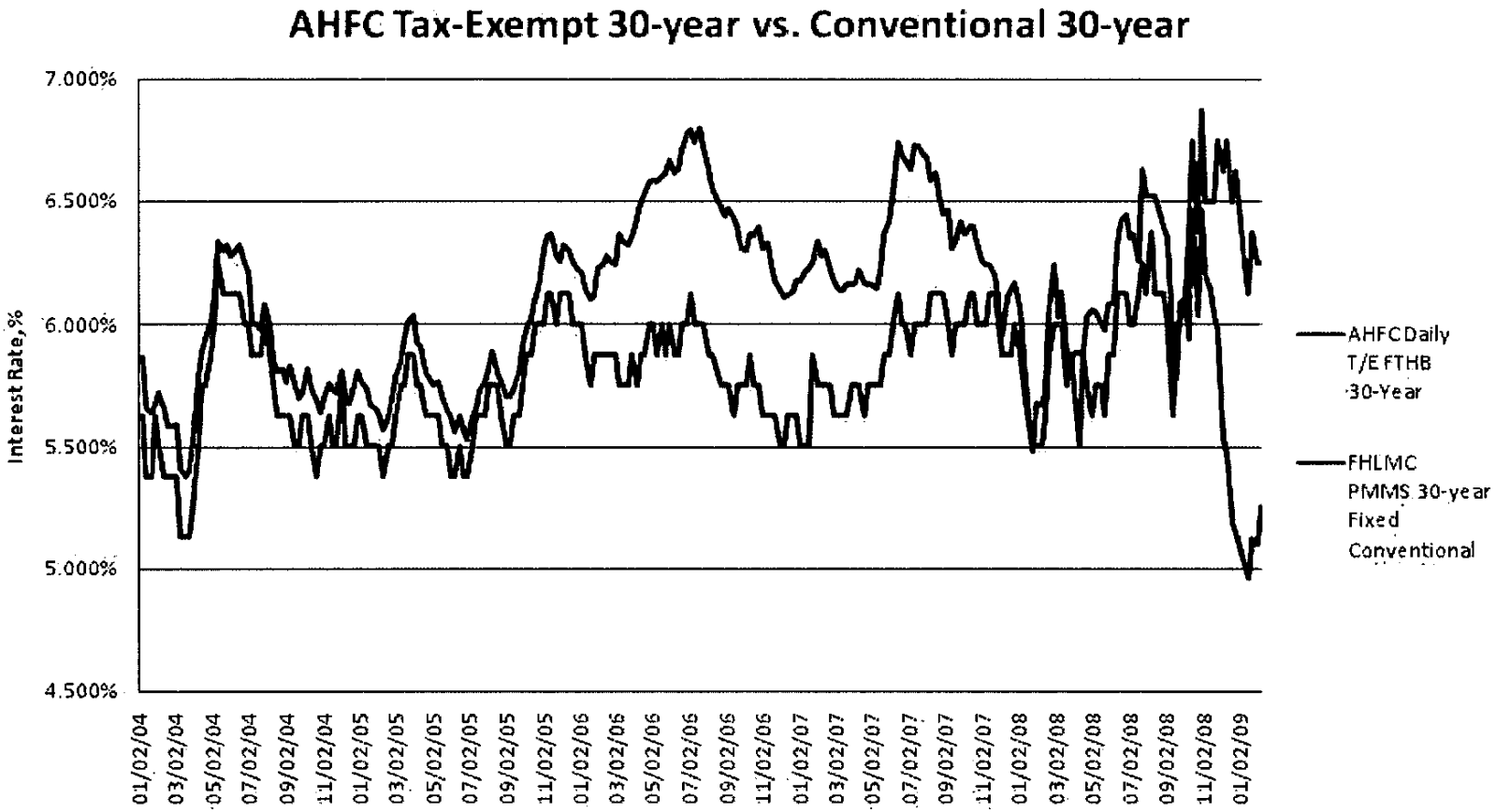
Interest rates as low as the '60s
National Average Mortgage Rate 1963 - 2008




% of time lower than
Feb-08
Current
current (in past 10 yrs)
30yr LIBOR
4.84 %
3.45 %
2.08 %
30yr UST
4.37
3.68
2.00
30yr MMD
4.26
4.76
47.02
Rate (%)
8.5
7.5
6.5
5.5
4.5
3.5
2.5
Feb-08
May-08
Aug-08
Nov-08
Feb-09


AHFC Tax-Exempt 30-year vs. Conventional 30-year
Interest Rate, %
7.000%
6.500%
6.000%
5.500%
5.000%
4.500%
01/02/04
03/02/04
05/02/04
07/02/04
09/02/04
11/02/04
01/02/05
03/02/05
05/02/05
07/02/05
09/02/05
11/02/05
01/02/06
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03/02/07
05/02/07
07/02/07
09/02/07
11/02/07
01/02/08
03/02/08
05/02/08
07/02/08
09/02/08
11/02/08
01/02/09
AHFC Daily T/E FTHB 30-Year
FHLMC PMMS 30-year Fixed Conventional

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Mortgage Rate Trend Survey Predictions as of 02/09/09

Over the next 30 days:

- rates will rise significantly: 0.0%
- rates will rise slightly: 17.9%
- rates will remain unchanged: 14.3%
- rates will decline slightly: 64.3%
- rates will decline significantly: 3.6%

Over the next 90 days:

- rates will rise significantly: 0.0%
- rates will rise slightly: 17.9%
- rates will remain unchanged: 25.0%
- rates will decline slightly: 42.9%
- rates will decline significantly: 14.3%

Low Interest Rates – What has changed?

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- Eligible borrowers have diminished 30 – 40 percent
  - Loan investors & mortgage insurance companies tightened credit standards
    - Higher down payment required
    - Higher FICO score required
    - Jumbo loan financing limited
    - No more exotic loans
      - No income; no jobs; no assets; interest-rate teaser; payment option (interest-only, half-interest, etc., payments)
  - FHA
    - increased fees
    - no seller-financed down payment assistance
  - People don't qualify to refinance
    - Decrease in property values
    - Shouldn't have gotten the loan in the first place & don't qualify

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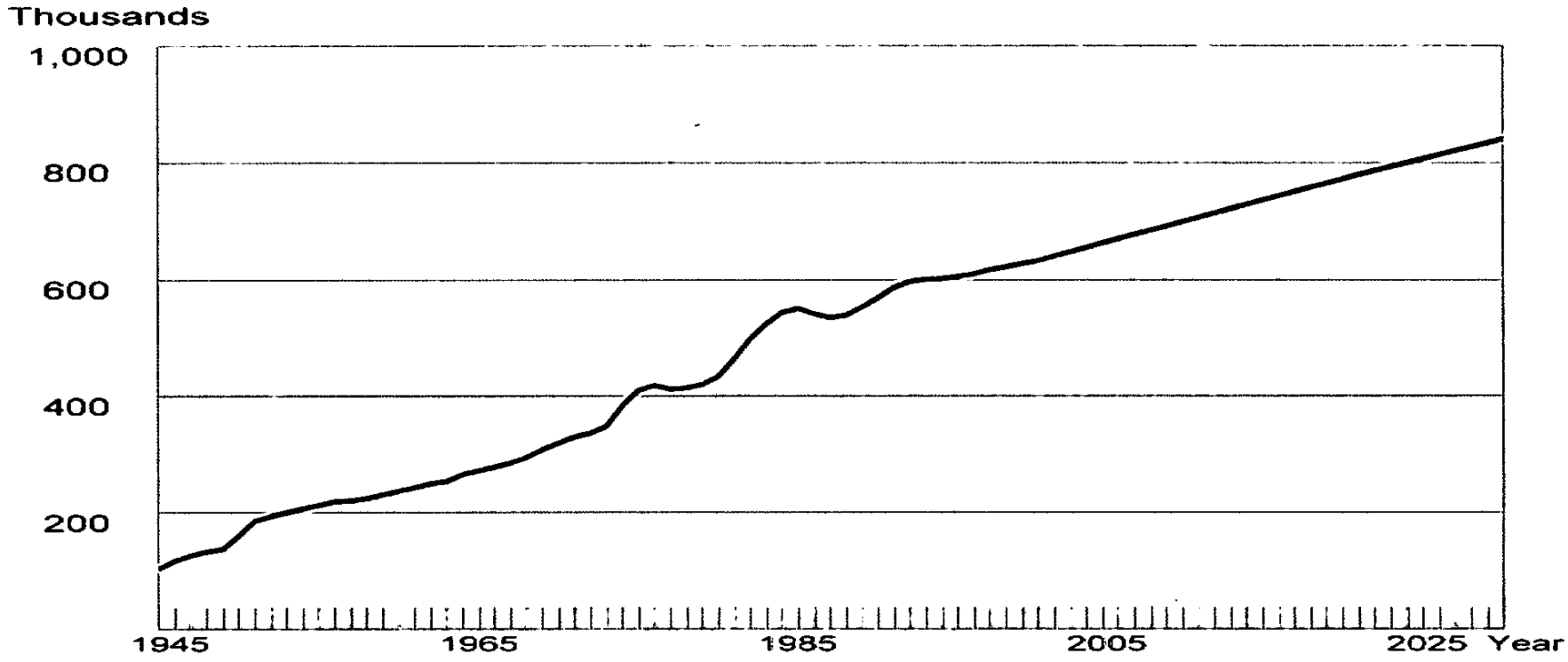
Interest Rates Equate to Buying Power

- 1 percent decrease in interest rates roughly translates into a 10 percent increase in homebuyer purchasing power

Demand for housing isn't likely to subside…

- State demographers forecast population growth in Alaska = increased likelihood of demand for housing. (Source: Alaska Dept. of Labor & Workforce Development, Research & Analysis Sec.)

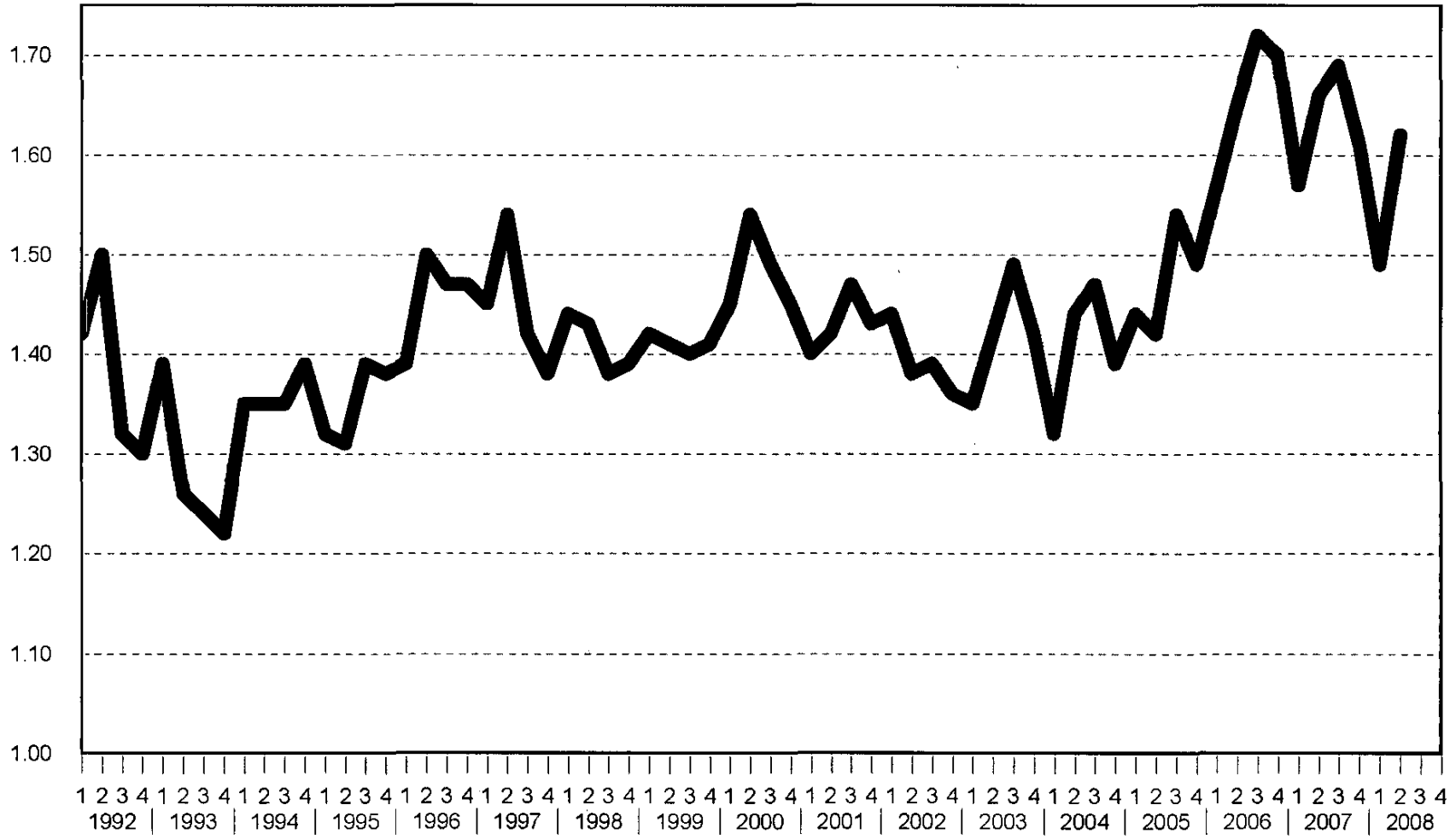
Figure 1.4
Alaska Population 1945 - 2030*



Alaska Affordability Index

Single-Family Homes, Private and Public Agency Lenders

1st Quarter 1992 - 2nd Quarter 2008



Note: The index value for the most recent quarter is preliminary.
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section.

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AHFC's Loan Volume

- AHFC's loan volume:
  - FY2007 – 2,808 loans; $565.7 million
  - FY2008 – 2,012 loans; $493.5 million
  - Projected through FY2009 – 1,500 loans; $368 million (down 25 percent)

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Construction Spending 2009 Forecast – Alaska

- Total spending
  - $7.1 billion, down 3 percent
- Private-sector spending
  - $4.3 billion, down 12 percent
- Public-sector spending
  - $2.7 billion, up 16 percent

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How did Alaska compare? 2008

- Nationwide: Median home **values** fell for ninth straight quarter – 15.3 percent for the year
- Anchorage: Median home **values** up 3 percent
- Nationwide: Existing home **sales** down 3.5 percent
- Western states: Existing home **sales** down 31.6 percent
- Alaska: Existing home **sales** down 9 percent

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Energy Programs

- $200 million for weatherization
- $100 million for rebates
- $60 million additional for rebates (Sept. 2008)
- Big training component for both programs

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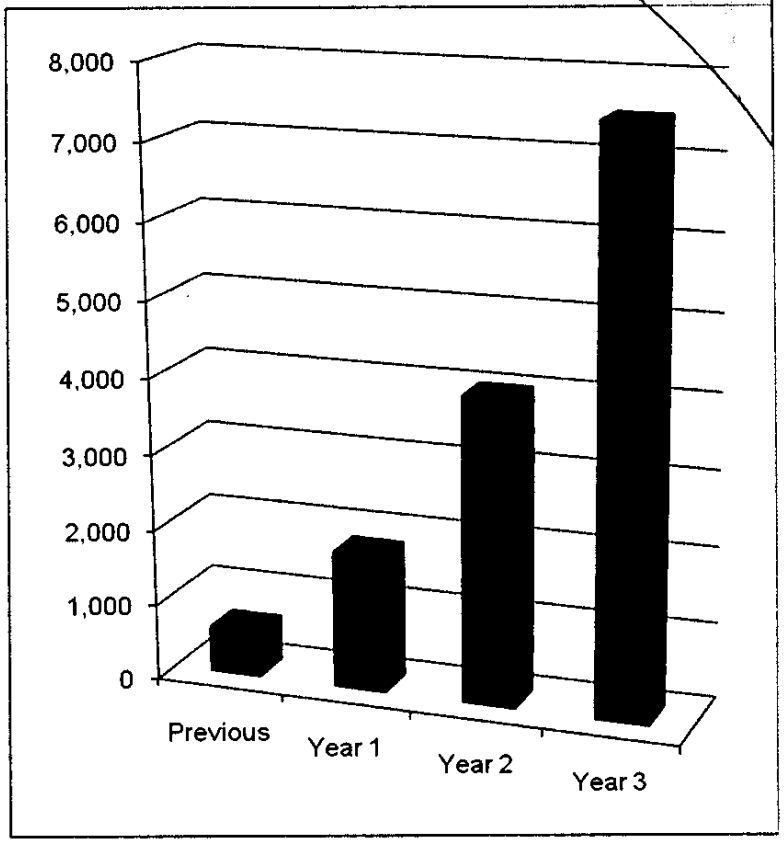
Weatherization Program Progress Report

- Previous program weatherized 600 homes.
- This year that number will triple to 1,800
- Year 2: 4,000
- Year 3: 7,500
- Statewide weatherization providers and housing authorities continue ramp-up



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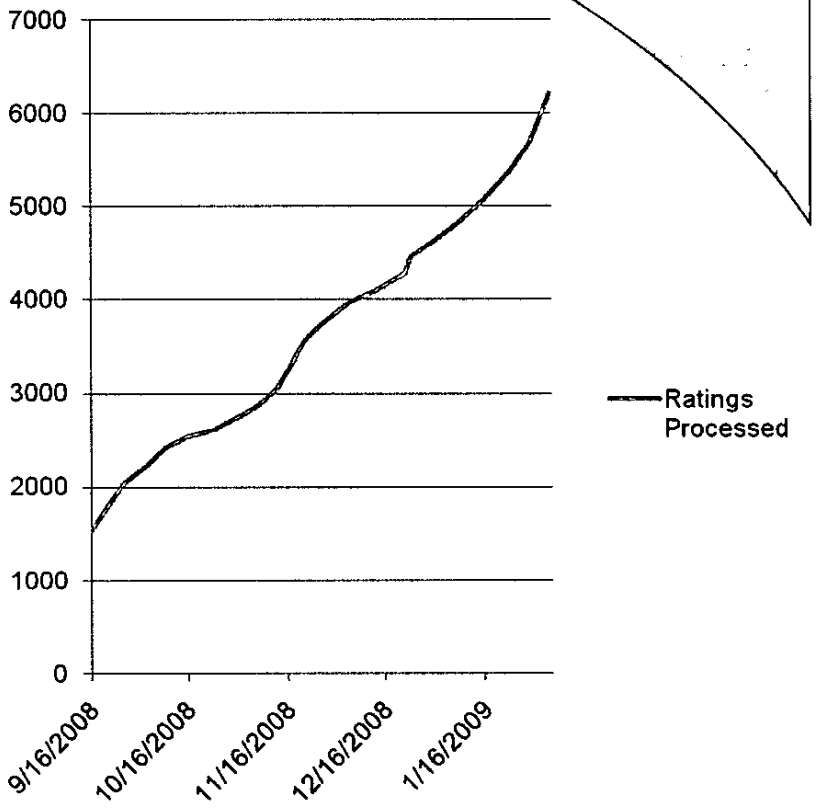
Home Energy Rebate Program
Ratings Processed

- *Estimate: More than* 8,000 ratings performed by raters
- **6,212** ratings processed
- Approximately **$58.9 million** committed
- 150 – 200 applications received per day
- More than 200 inquiries per day
- **349** Post-Improvement rebates paid average: **$5,941**
- **162** New 5 Star Plus rebates paid totaling **$1.2 million**



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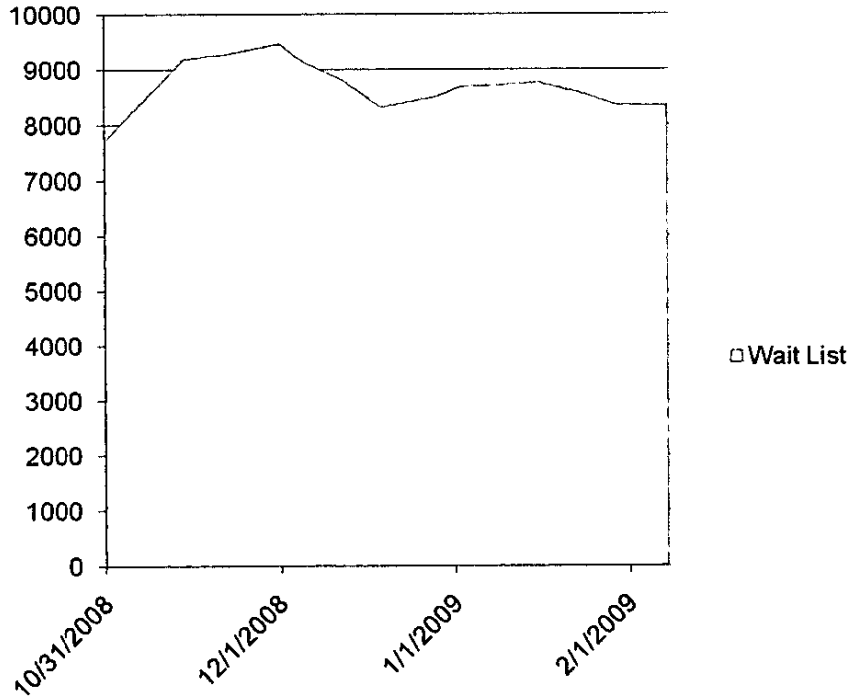
Home Energy Rebate Program
Wait List as of 2/5/09

Statewide: 8,365



Sample Communities

Anchorage - 5,935

Kodiak - 183

Juneau - 122

Fairbanks - 16

Bethel - 4

Dillingham - 5

Total Dispatched: 6,821

www.ahfc.us

Alaska Housing
FINANCE CORPORATION
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What's the Big Picture?

- Average home prices stable
- Home sale activity down
- Time on market up
- Delinquencies low
- Foreclosures low
- Interest rates low
- Overall construction outlook good
  - New home construction down
- Additional $1 billion estimated in Stimulus Package
- Population growth forecasted

Alaska Housing
FINANCE CORPORATION
Built to Last.

Thank You –

Alaska Housing Finance Corporation
330-6100
1-800-478-2432
www.ahfc.us

2-24-09 Presentation Alaska Ship and Drydock

<target><bill></bill><subject>2-24-09 Presentation Alaska Ship and Drydock</subject><comm>HEDC26</comm></target>

ALASKA STATE LEGISLATURE
ECONOMIC DEVELOPMENT, TRADE & TOURISM COMMITTEE

Representative Jay Ramras
Chairman
Phone: (907) 465-3004
Toll Free: 877-465-3004
Fax: (907) 465-2070
Representative_Jay_Ramras@legis.state.ak.us
1292 Sadler Way, Suite 324
Fairbanks, AK 99701

Committee Members:
Representative Mike Chenault
Representative Nancy Dahlstrom,
Representative Mark Neuman
Representative Kyle Johansen
Representative Mike Doogan
Representative Chris Tuck

State Capitol, Room 120
Juneau, Alaska 99801

House Economic Development, Trade & Tourism Committee Agenda

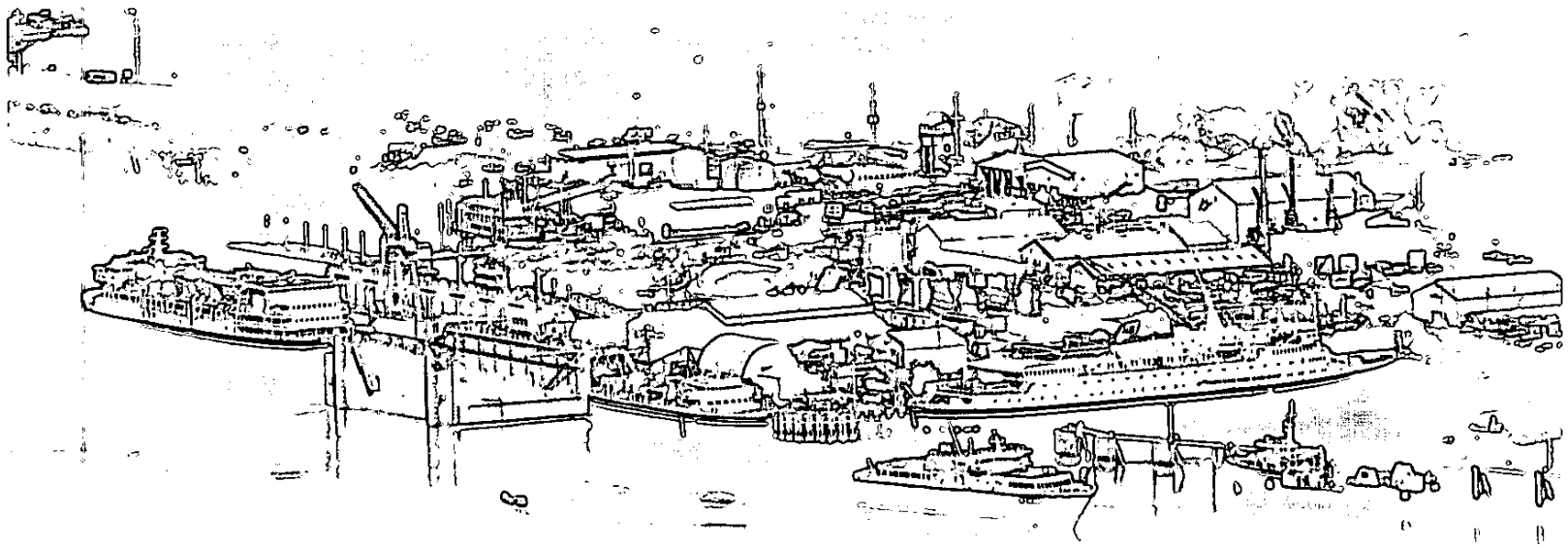
Tuesday, February 24th, 2009 at 5:15 p.m. in Room 106 (HESS)

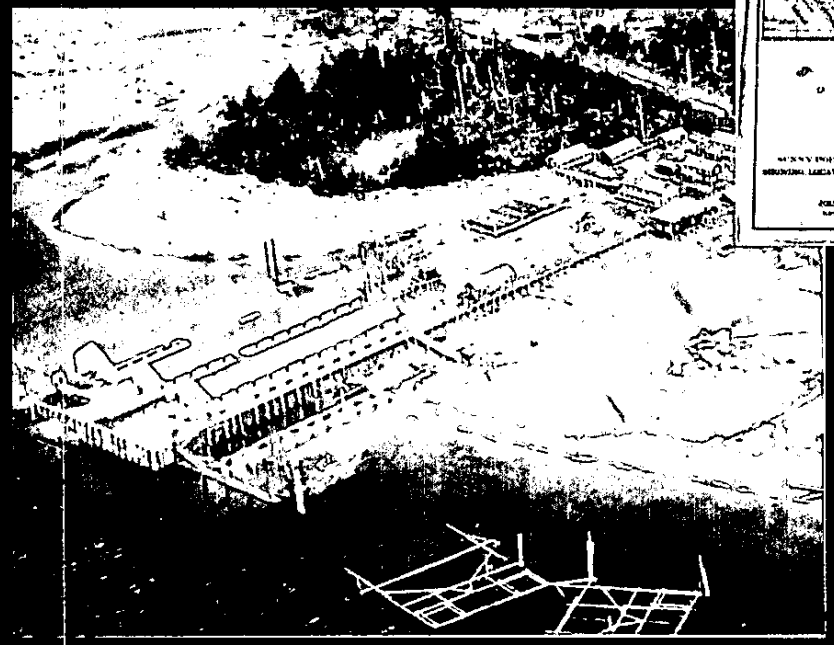
\+ **Alaska Ship & Dry Dock. Guest Speaker: Doug Ward, Shipyard Development. Presentation with discussion to follow about future public/private partnerships and workforce development to further build Alaska's economy.**

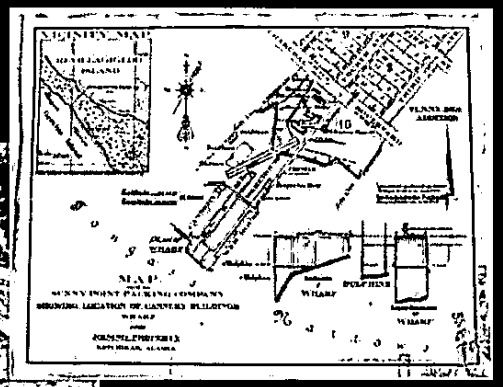
The Ketchikan Shipyard

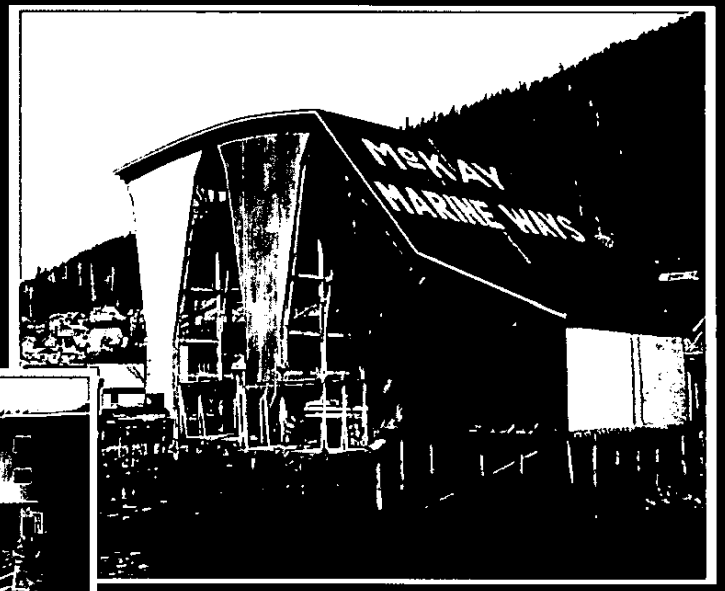
A Public Private Partnership supporting the concurrent development of shipyard

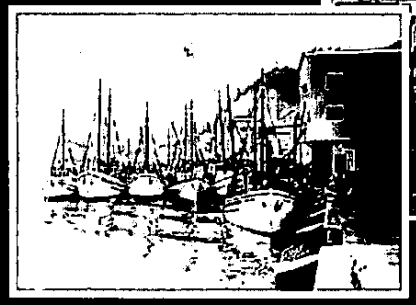
- Infrastructure
- Market
- Workforce
- Creating Regional Competitive Advantage to Attract New Investment







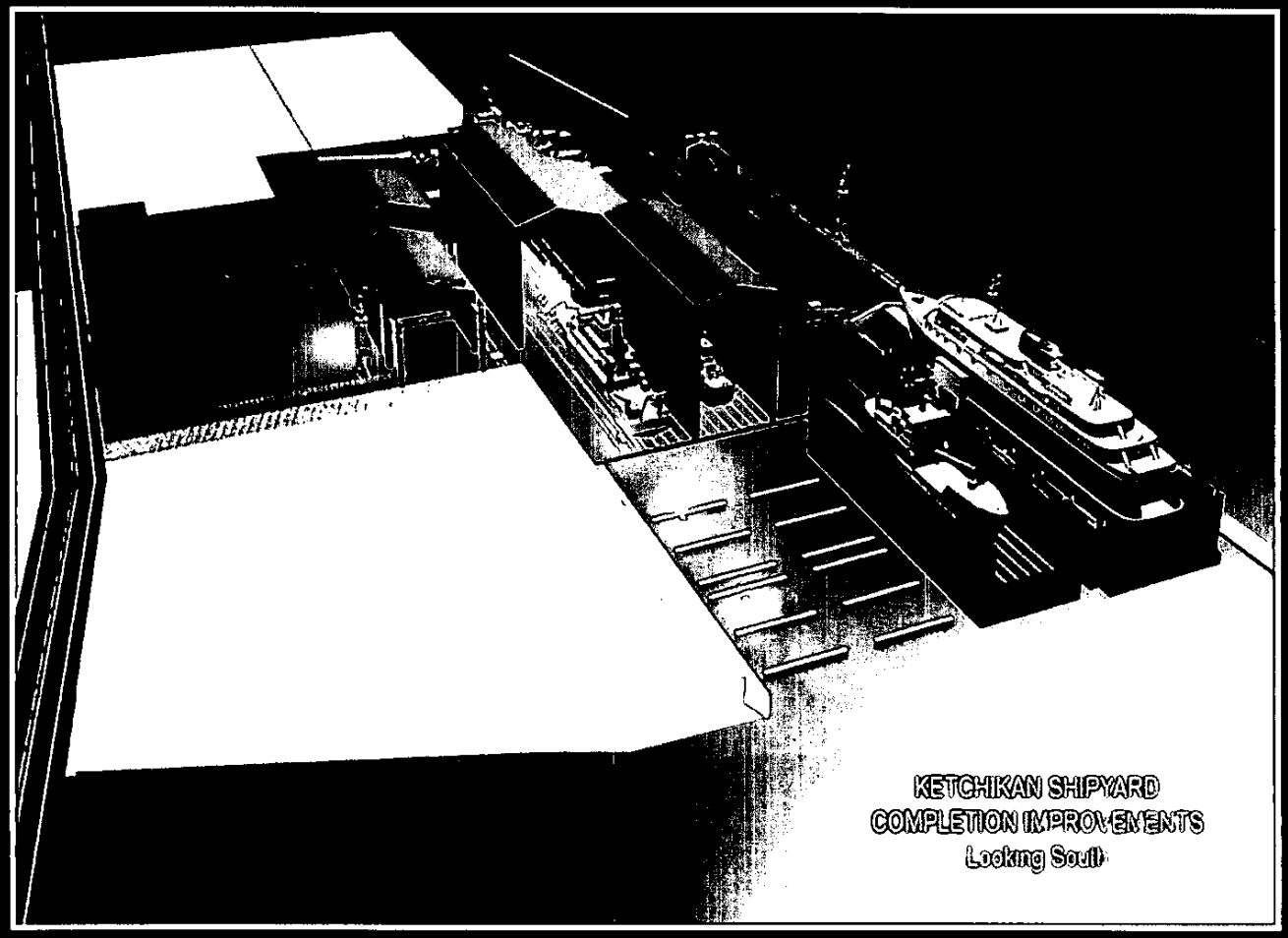




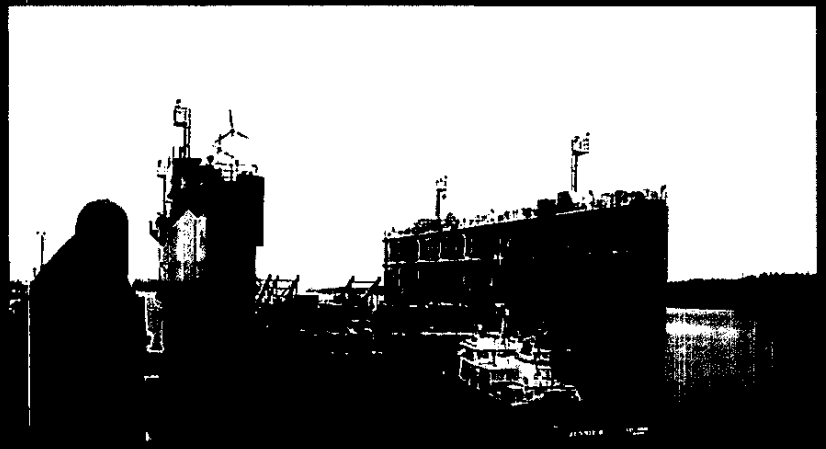
Early Shipyards in Ketchikan

Ketchikan Shipyard
Established 1987

Ketchikan Shipyard Development Plan



Ketchikan Shipyard
Expansion & Improvement
2007 & 2008



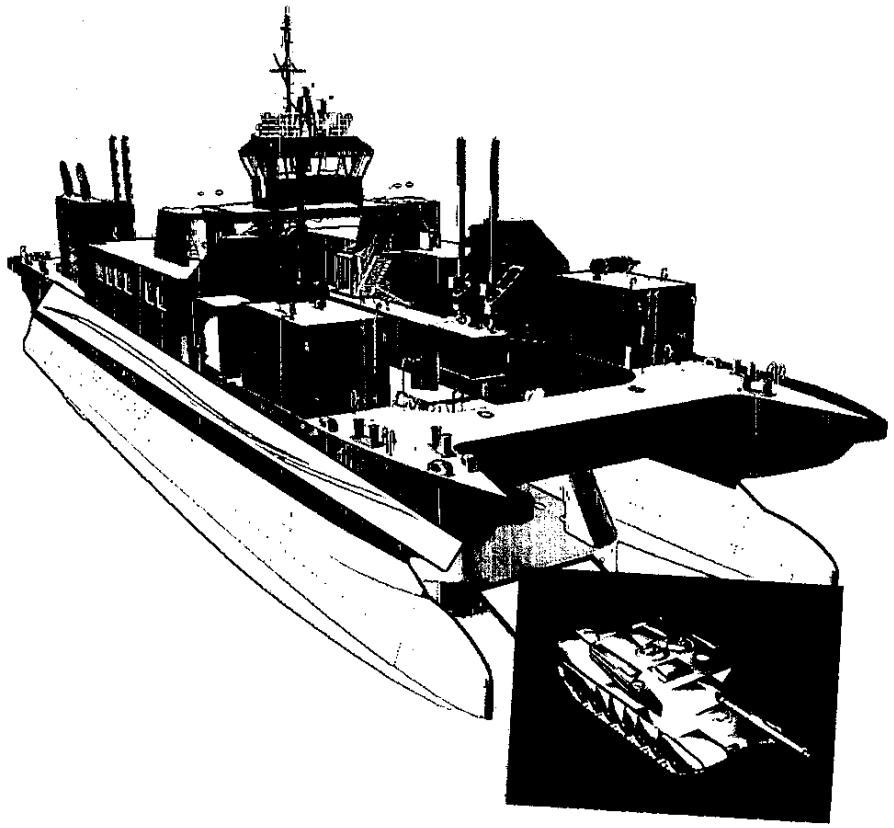
Dry Dock #2
June 2007
250 foot, 2,500 ton Vessels

Berth #1 Land Level Berth
March 2008

Fabrication & Assembly Building
Fall 2007

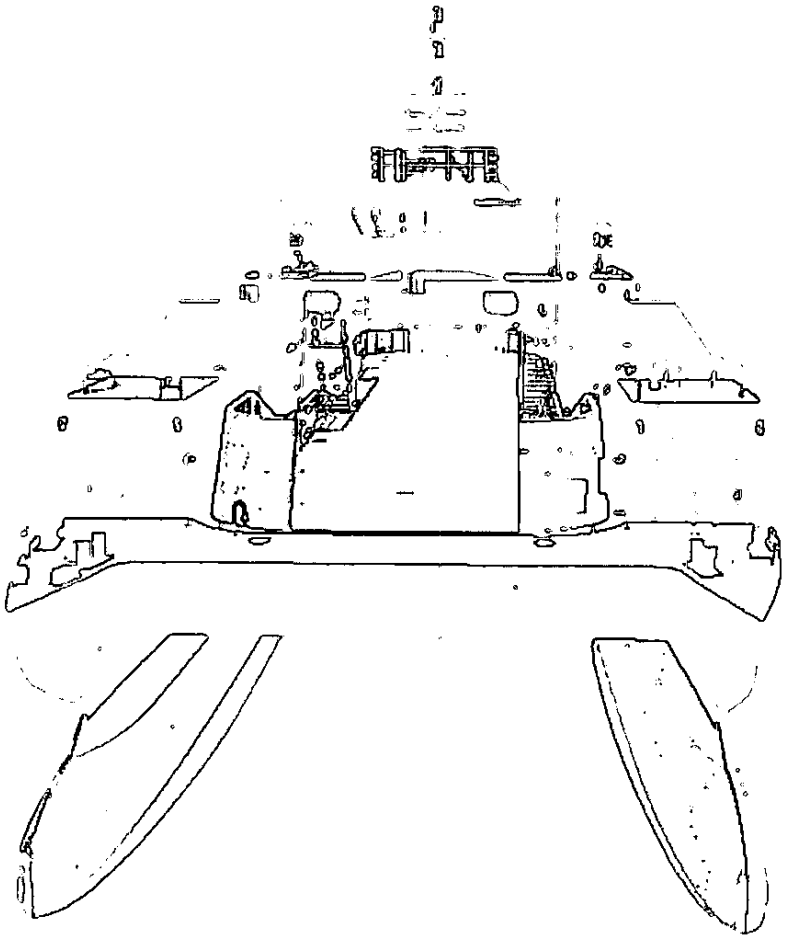
M/V Susitna

An Office of Naval Research Demonstrator Vessel owned by Mat/Su Borough to be operated as the world's first twin hulled, ice breaking ferry across Knick Arm

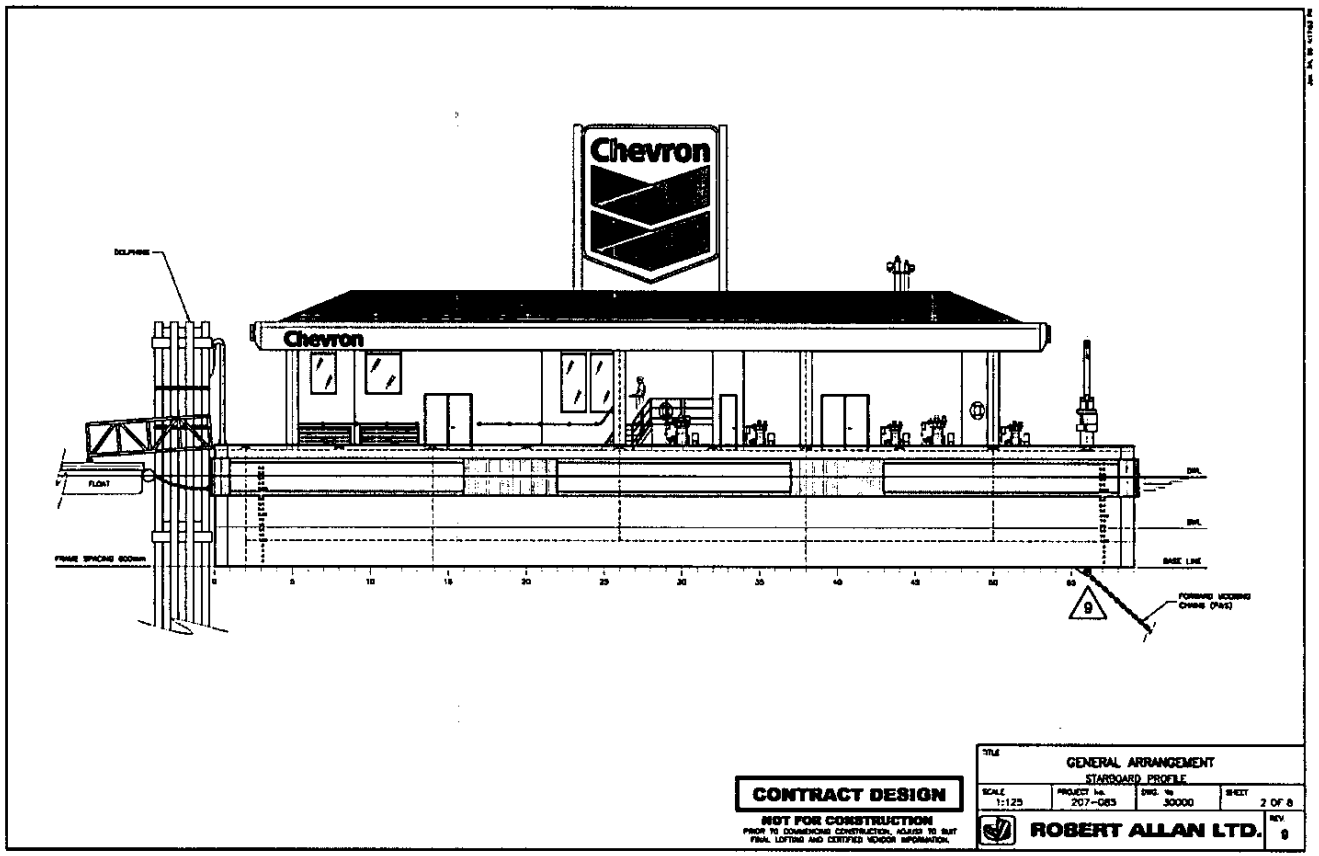


M/V Susitna

Cargo Deck in Raised Position for High Speed, High Sea States, Large Payloads over Long Distances

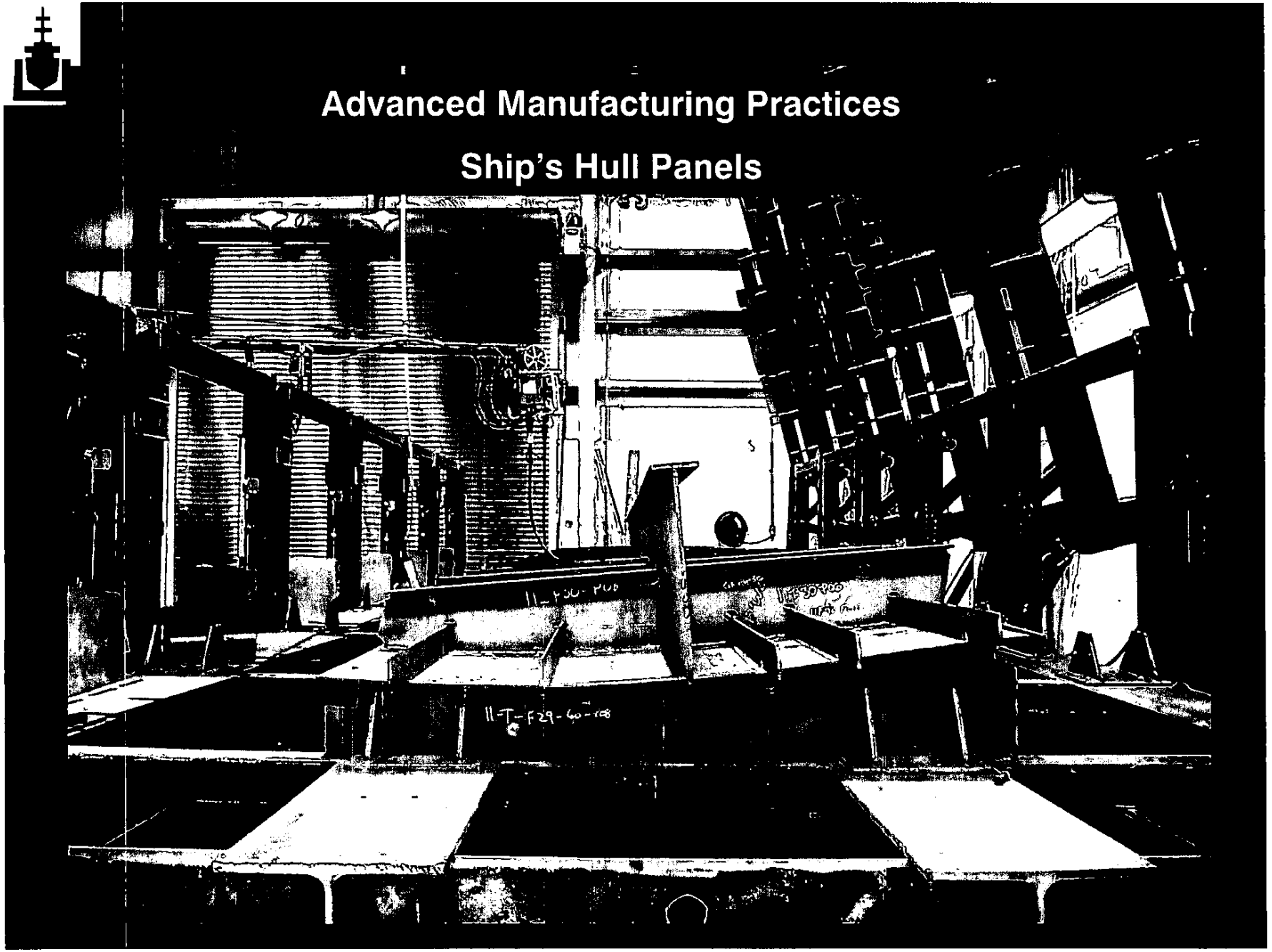


Chevron Coal Harbor Marine Fueling Station

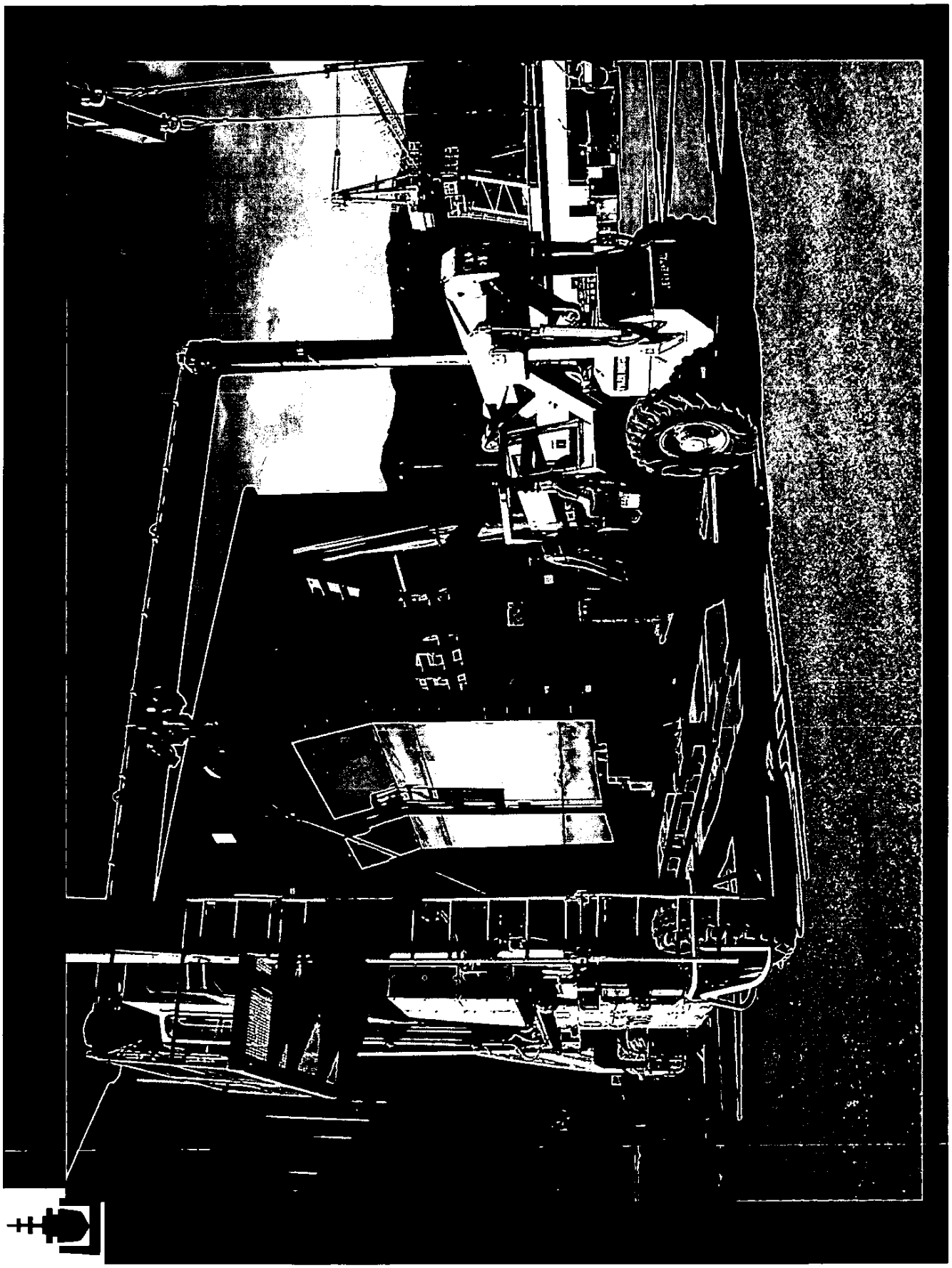


Advanced Manufacturing Practices

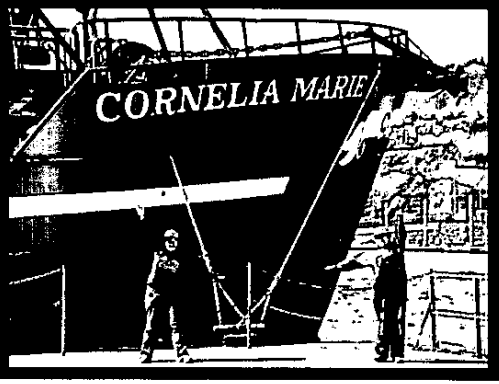
Ship's Hull Panels



Advanced Manufacturing
Ship's Hull Modules



Shipyard Caree



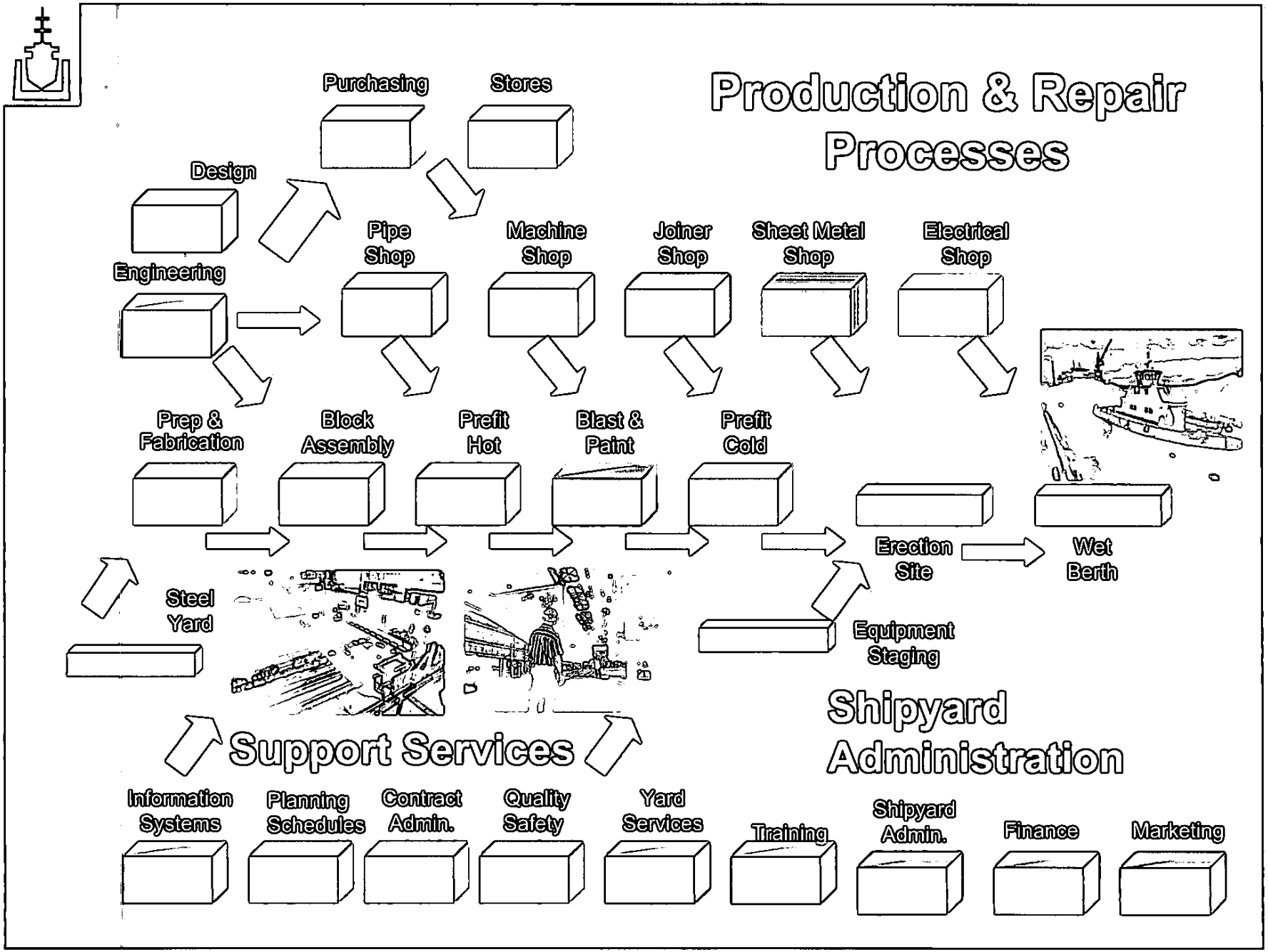
Elementary → Middle → High School

- Production
- Apprentice
- Community College
- University

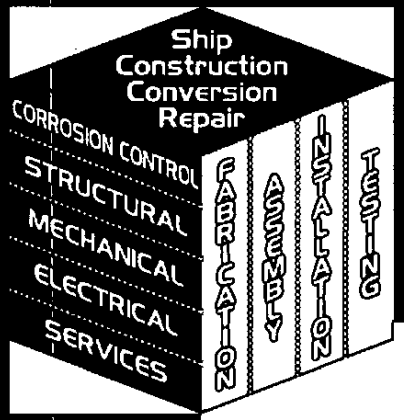
Middle Management

Senior Management

Career Pipelines -- Pre-Employment Assessments – Learning—On-The-Job Training


Production & Repair Processes
Purchasing
Stores
Design
Engineering
Pipe Shop
Machine Shop
Joiner Shop
Sheet Metal Shop
Electrical Shop
Prep & Fabrication
Block Assembly
Prefit Hot
Blast & Paint
Prefit Cold
Erection Site
Wet Berth
Steel Yard
Equipment Staging
Shipyard Administration
Support Services
Information Systems
Planning Schedules
Contract Admin.
Quality Safety
Yard Services
Training
Shipyard Admin.
Finance
Marketing

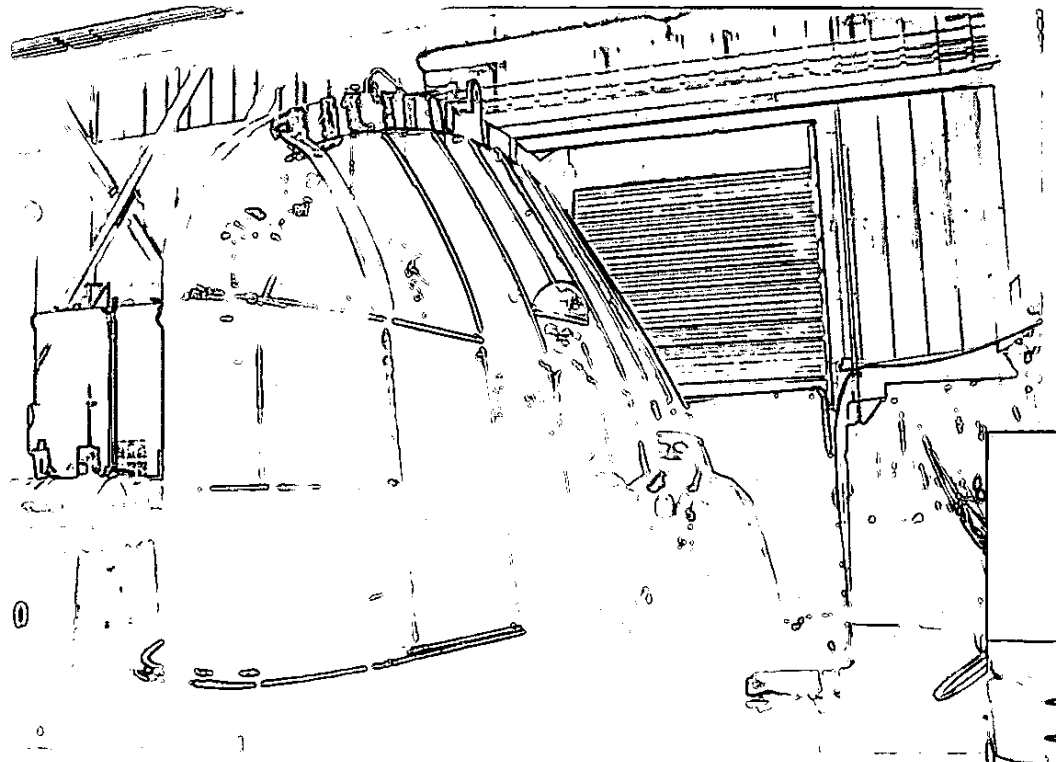
Multi-Skilled Shipyard Production Worker

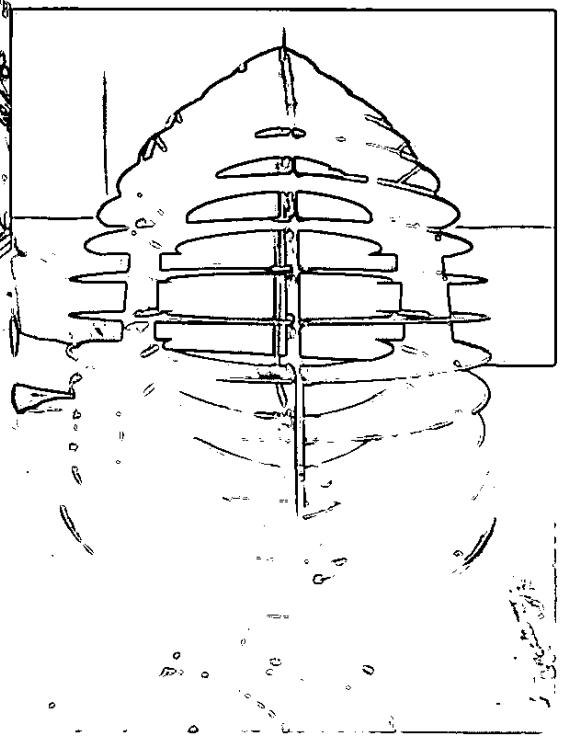


Shipyard Career Paths & Major Processes

ASD ALASKA SHIP AND DRYDOCK

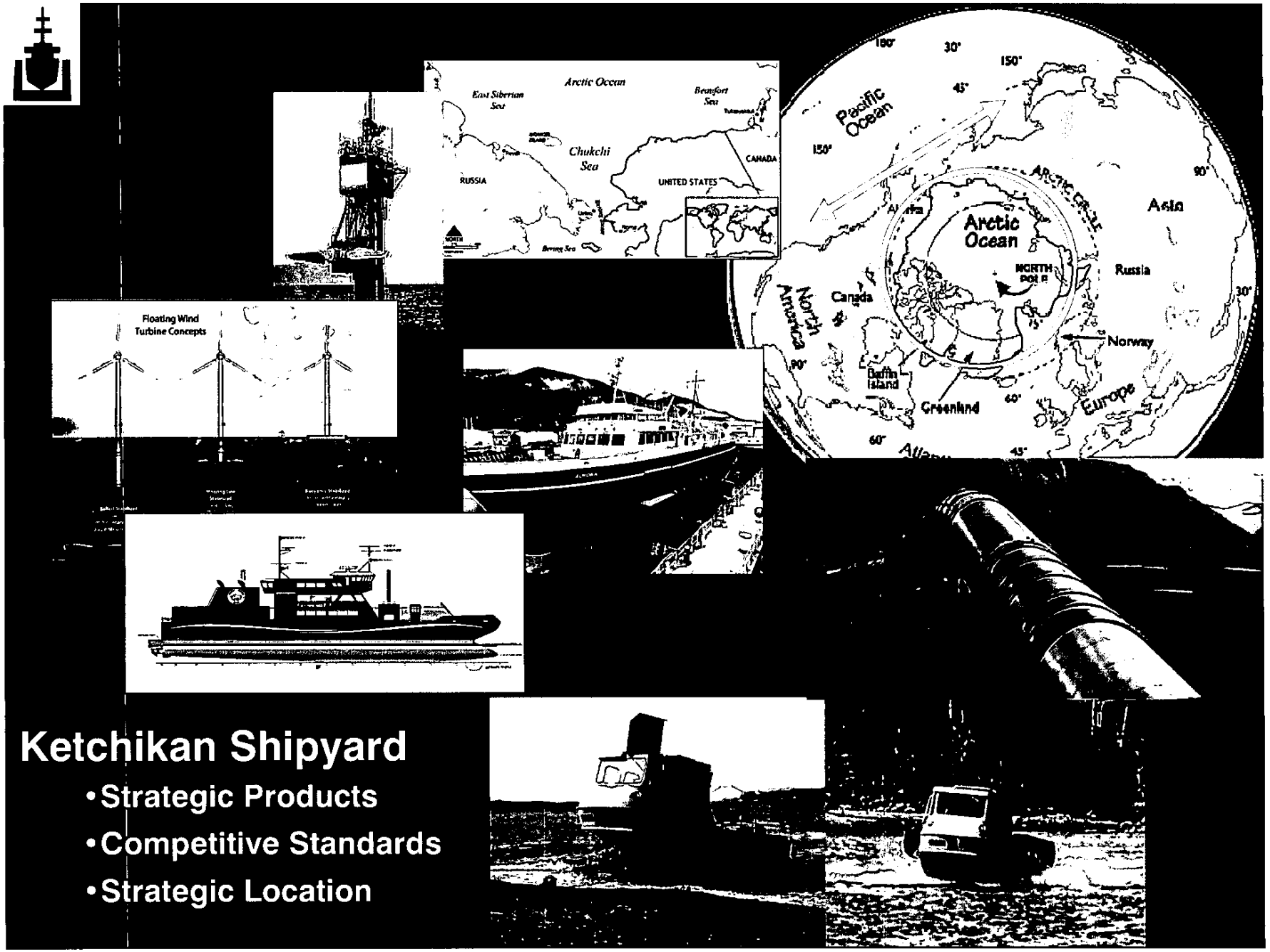
Shipyard 601 Business-Master Craft **Master Crafts Track Management Track** **≈ 4 Years**	Newbuild Fabrication & Assembly Processes	Newbuild Blast & Paint Processes	Newbuild Installation Processes	Newbuild Systems Integration & Testing Processes		
Shipyard 501 Craft-Leadership **Leadman Track Supervisor Track** **≈ 3 Years**	Repair Ripout & Rebuild Processes	Repair Clean Blast Paint Processes	Repair Shop & On-board Processes	Repair Reinstall & Test Processes	Newbuild Repair Sea Trials Delivery	
Shipyard 401 Craft-Trade Team Lead **Journeyman** **≈ 2 Years**	*STRUCTURAL* *Cutting* *Forming* *Welding* *Fitting* *Fabrication* *Assembly*	*CORROSION CONTROL* *Protection* *Blasting* *Painting* *Deck Covering*	*SERVICES* *Drydock* *Logistics* *Temporary Light, Vent* *Cleaning* *Hazmat*	*ELECTRICAL* *Cables* *Motors* *Switchgear* *Controls* *Electronics*	*MECHANICAL* *Outside* *Inside Shops* *Carpentry* *Pipes*	*ADMINISTRATIVE* *Estimating* *Planning* *Scheduling* *Contracts* *Accounting* *Quality* *Safety* *Environmental*
Shipyard 301 - multi-skill 201 - craft **≈ 1 Year**	*What employees need to know about their own career path to begin progress toward journeyman status. Classroom, self-study, learning lab courses. Structured On-the-job learning mentored and coached by production workers and supervisors. SQUT certified by qualified Job Instructor. Includes appropriate cross-training: tack welding, fork lift truck operation, etc.*					
Shipyard 101	*Basic function of the shipyard; safety-health-environmental orientation; how the company makes money; basic customer orientation; Employee Handbook review; basic elements of quality; use of hand tools.*					
Core Entry	*Work ethic - presentation; cooperation & respect; listening-reading-speaking-interacting communications; math; safety-health-environmental concepts;*					





Applying Training Within Industry Applying to construction of the M/V Susitna

Complex Fabrication & Assembly



Ketchikan Shipyard

- Strategic Products
- Competitive Standards
- Strategic Location

3-17-09 Presentation: Anchorage International Airport as an Economic Engine

<target><bill></bill><subject>3-17-09 Presentation Anchorage International Airport as an Economic Engine</subject><comm>HEDC26</comm></target>

ALASKA STATE LEGISLATURE
ECONOMIC DEVELOPMENT, TRADE & TOURISM COMMITTEE

Representative Jay Ramras
Chairman
Phone: (907) 465-3004
Toll Free: 877-465-3004
Fax: (907) 465-2070
Representative_Jay_Ramras@legis.state.ak.us
1292 Sadler Way, Suite 324
Fairbanks, AK 99701

Committee Members:
Representative Mike Chenault
Representative Nancy Dahlstrom,
Representative Mark Neuman
Representative Kyle Johansen
Representative Mike Doogan
Representative Chris Tuck

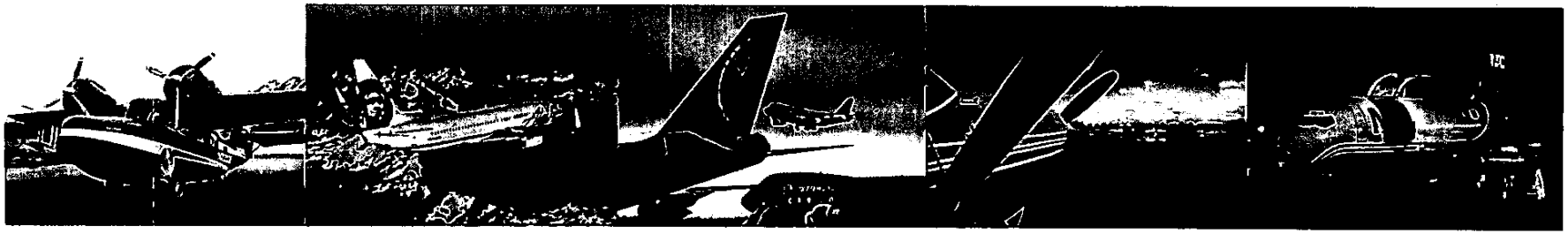
State Capitol, Room 120
Juneau, Alaska 99801

House Economic Development, Trade & Tourism Committee Agenda

Tuesday, March 17th, 2009 at 5:15 p.m. in Room 106 (HESS)

+ Alaska Department of Transportation and Public Facilities.

Guest Speaker: Linda Close, Ted Stevens International Airport Marketing Manager.
The Anchorage International Airport is an economic engine for Anchorage and Alaska. Ms. Close will discuss what the Department of Transportation and Public Facilities is doing to increase economic development and trade activity.



Ted Stevens
Anchorage
International Airport

Linda Close
Marketing Director

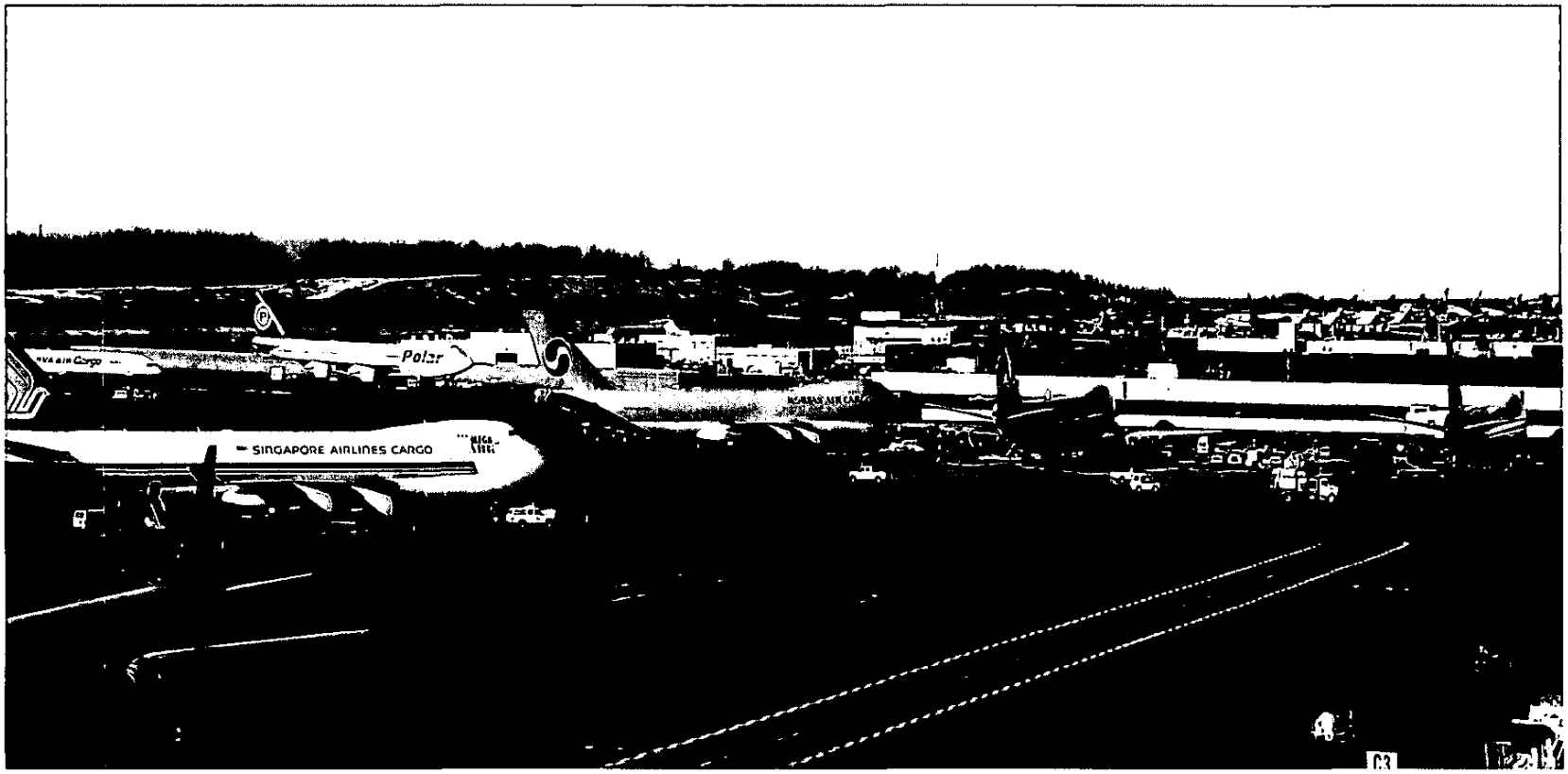
Legislative Update
March 2009

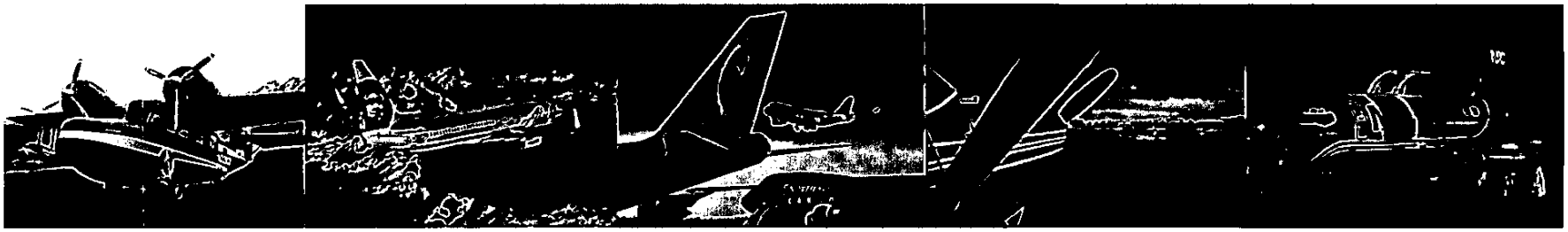
Presentation Summary:

- Airport Overview
- ANC Advantages
- Market Opportunities
- Outlook

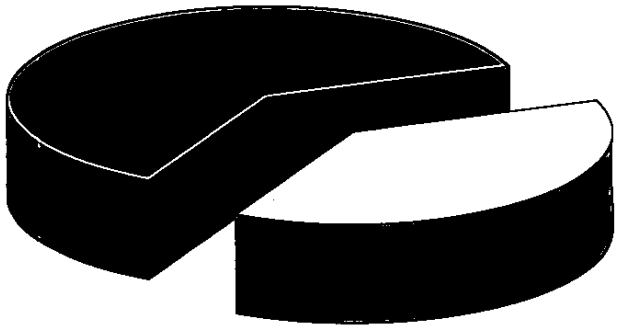
Airport Overview

40 wide-body aircraft on the deck at ANC in October 2008





The Airport's Economic Impact……18,434 Jobs

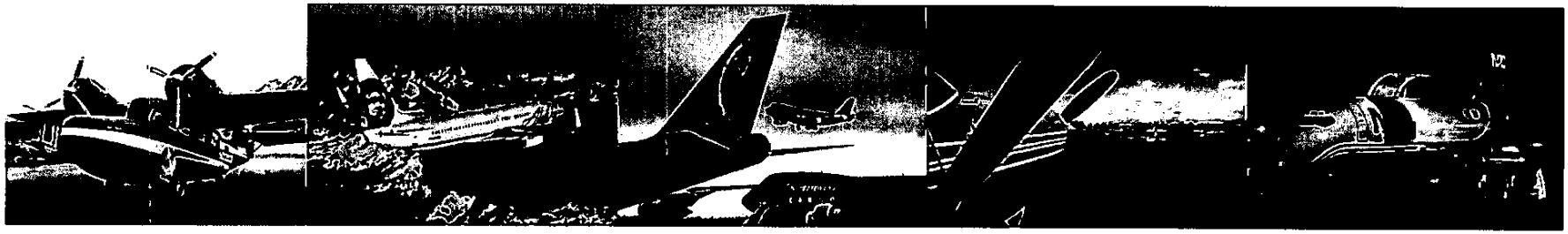


One in eight jobs in Anchorage

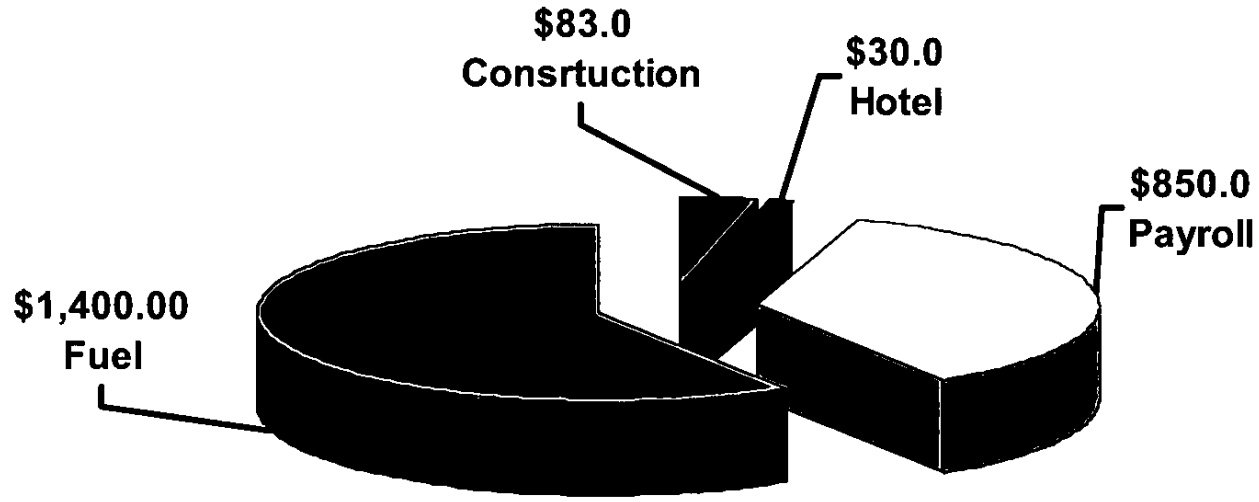
About $562 million in direct annual payroll

Another $288 million in annual payroll for community jobs

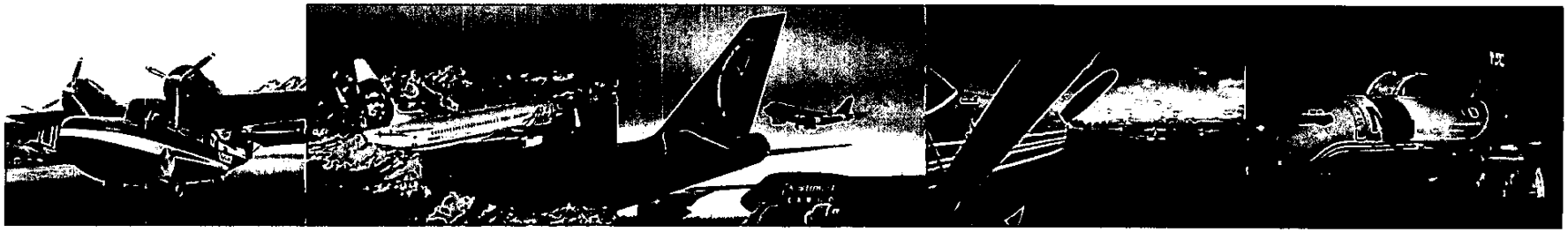
Source: Institute of Social and Economic Research, University of Alaska Anchorage, September 2007.



Airport's Total Annual Economic Impact - $2.363 Billion



Source: Institute of Social and Economic Research, University of Alaska, Anchorage, September 2007



Cargo Carrier Overview

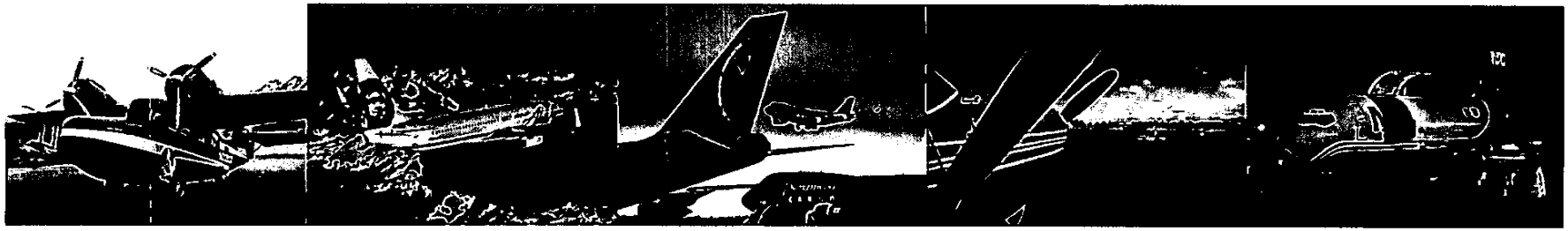
- ACE Air Cargo
- ANA
- Air Atlanta Icelandic
- Air Canada
- Air China
- Alaska Airlines
- Asiana Airlines
- Atlas Air
- Cargo 360
- Cathay Pacific Airways
- China Airlines
- China Cargo
- China Southern
- Empire Airlines
- Eva Airways
- Evergreen International
- Everts Air Cargo
- Federal Express
- Focus Air Cargo
- Japan Airlines
- Kalitta Air
- Korean Air Cargo
- Lynden Air Cargo
- Nippon Cargo Airlines
- Northern Air Cargo
- Northwest Air Cargo
- Polar Air Cargo
- Qantas
- Shanghai Airlines
- Singapore Airlines
- Southern Air
- TradeWinds Airlines
- United Parcel Service
- World Airways
- Yangtze River Express

- ABX Air
- Air Macau
- Dragon Air
- Transmile Air

Blue - Current Cargo Carriers

Red – New Cargo Carrier

Green – New Cargo carrier no longer serving US market



Cargo Carrier by Home Country

- Japan 3
- Korea 2
- Taiwan 2
- China 5
- Hong Kong 1
- Singapore 1
- Australia 1
- Canada 1

- USA 14

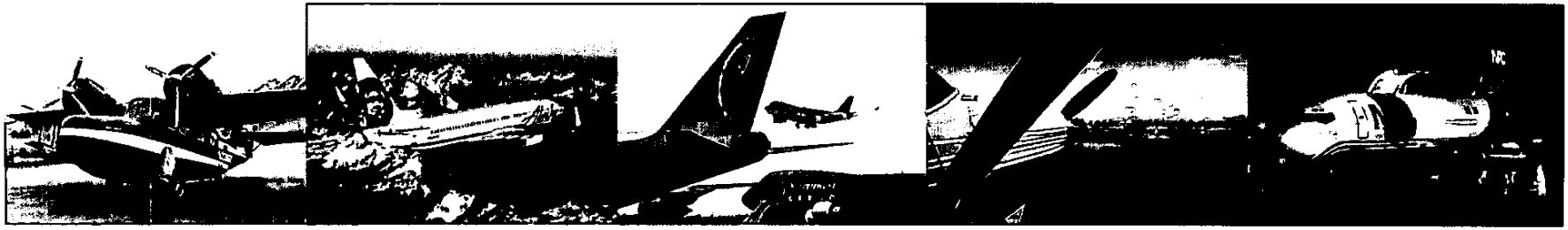
2007 ACI Cargo Traffic Stats
(Metric Tons)

Rank	Airport	Total Cargo	% Change
1	MEMPHIS (MEM)	3 840 491	4.0
2	HONG KONG (HKG)	3 773,964	4.5
3	ANCHORAGE (ANC)	2 825 511	0.6
4	SHANGHAI (PVG)	2 559 310	18.0
5	INCHEON (ICN)	2 555 580	9.4
6	PARIS (CDG)	2 297 896	7.9
7	TOKYO (NRT)	2 254 421	(1.2)
8	FRANKFURT (FRA)	2 127 646	8.4
9	LOUISVILLE (SDF)	2 078 947	4.8
10	MIAMI (MIA)	1 922 985	5.1

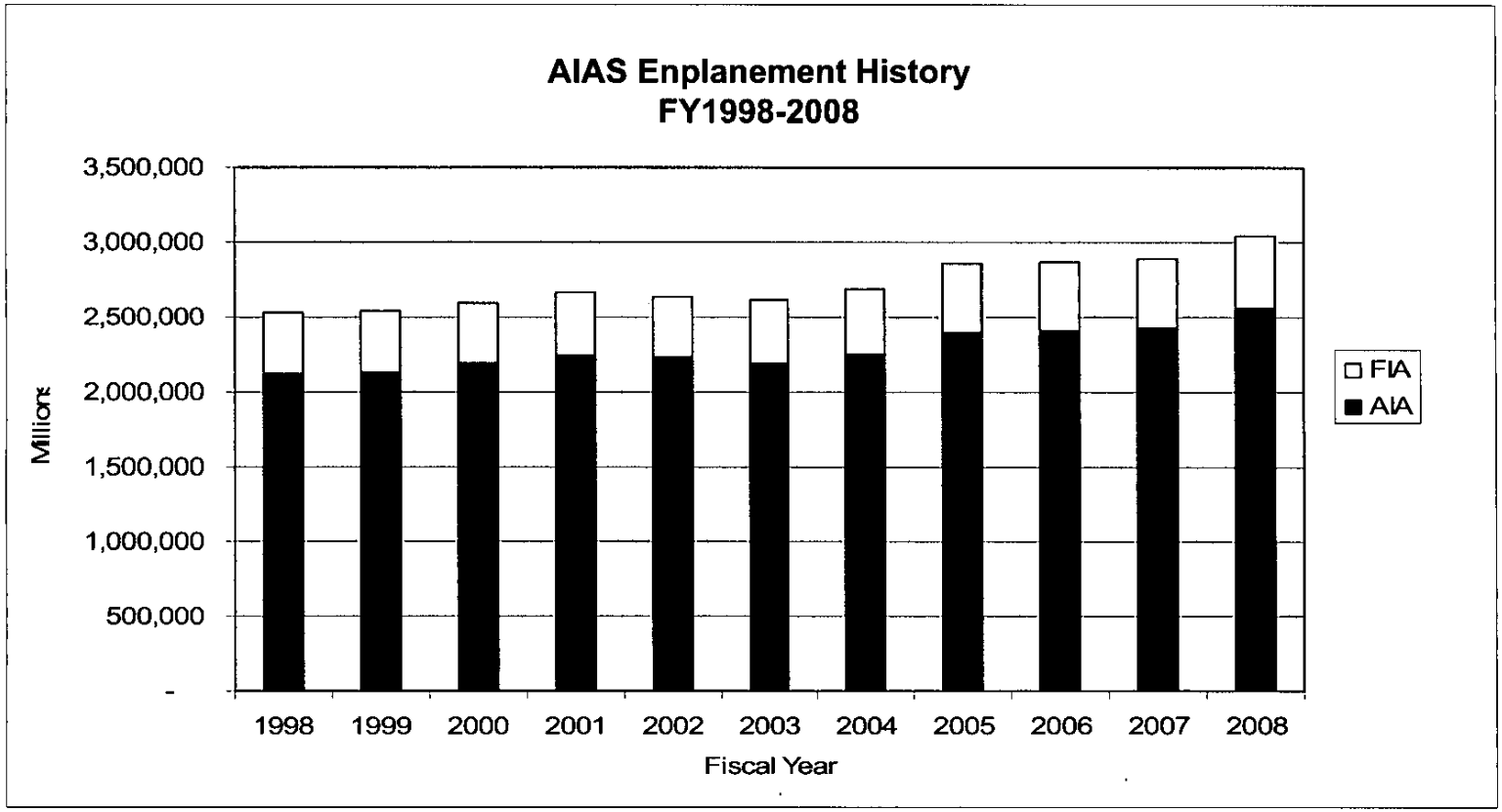
Competitive Rates and Fees

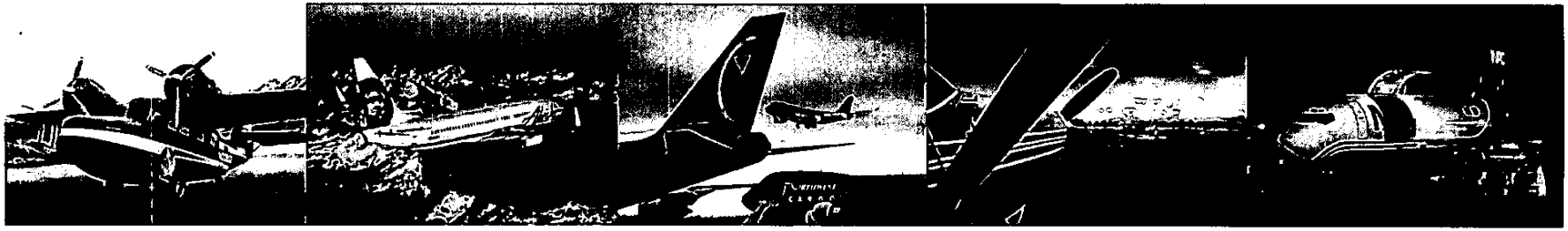
Landing Fee

	Cost for 747-400
Toronto	$12,799.08
Tokyo	$7,405.37
Newark	$4,789.75
New York	$4,456.55
Dallas	$3,349.98
Seoul	$2,982.14
Chicago	$2,759.24
Seattle	$1,918.00
Vancouver	$1,837.08
AIAS	$1,174.53

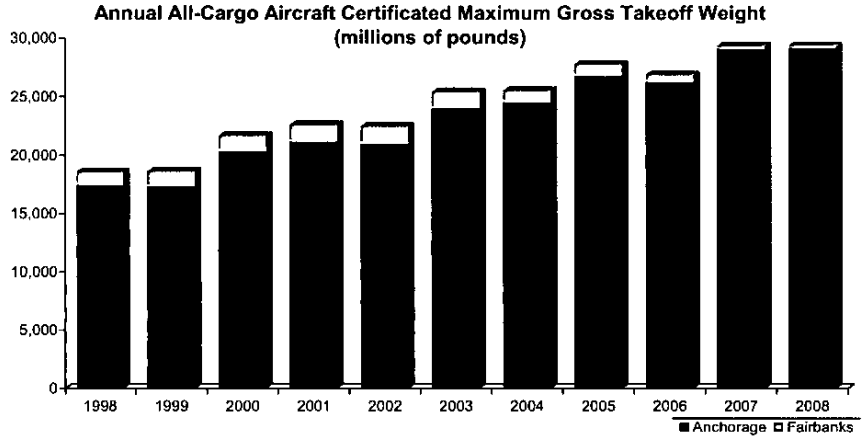


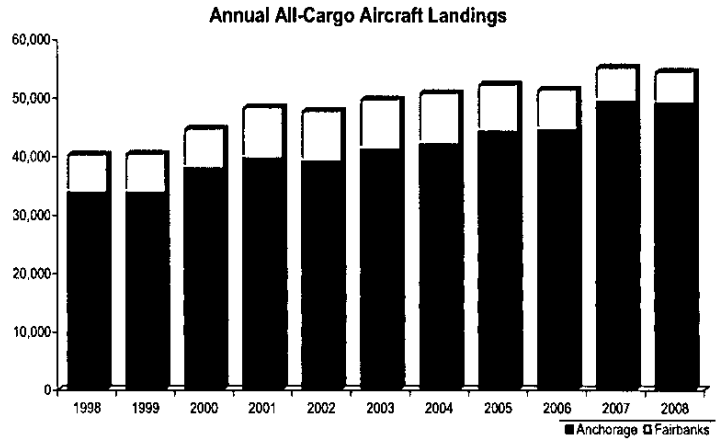
Solid Operating Trends: Passenger





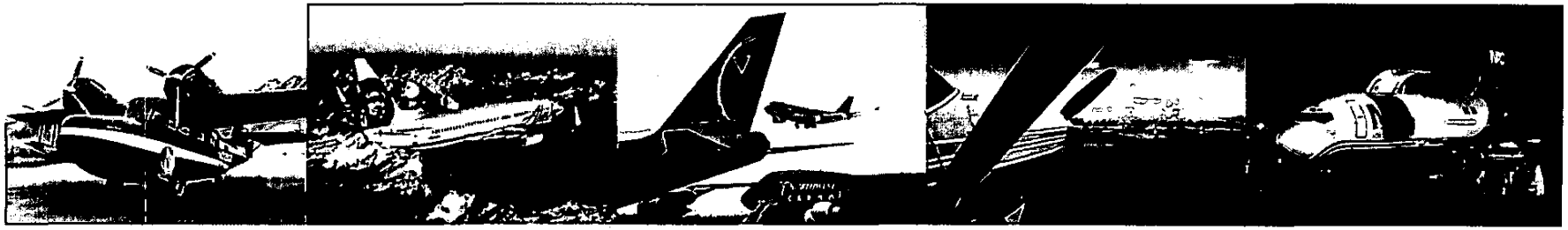
Solid Operating Trends: Cargo



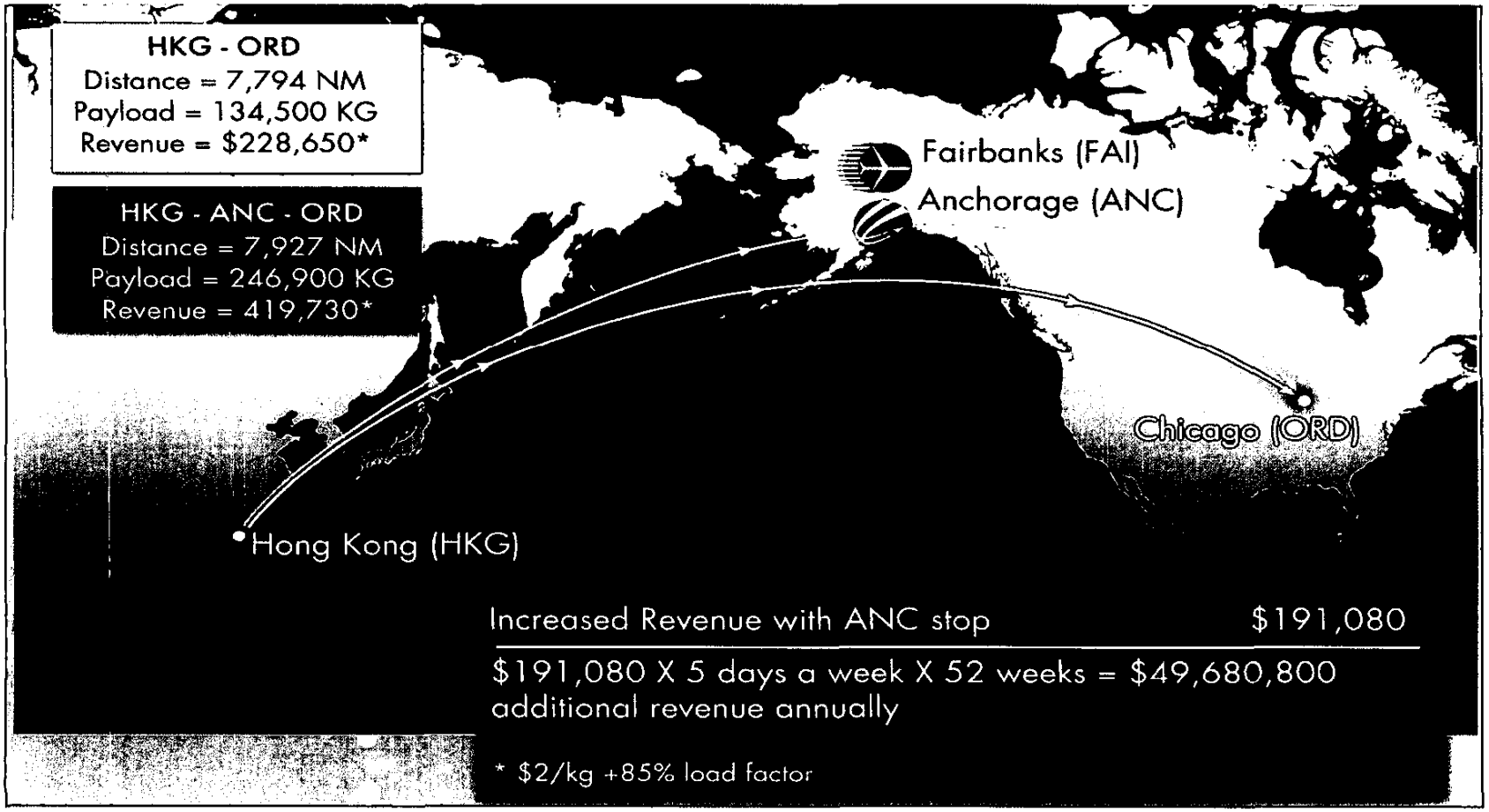


Compound Annual Growth Rate		
	All-Cargo Take-off Weight	All-Cargo Aircraft Landings
1998-2008	4.26%	2.80%
2006-2008	4.48%	6.04%

ANC Advantages

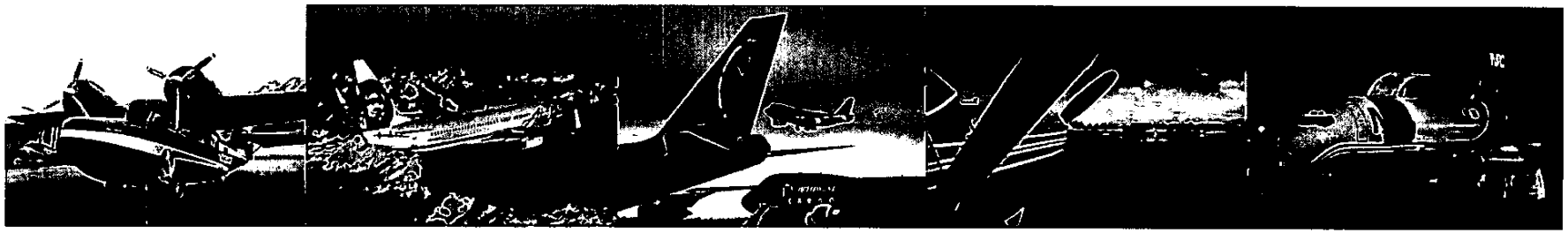


The Alaska Advantage: Strategic Location - Payload v. Range



Regulatory Advantages

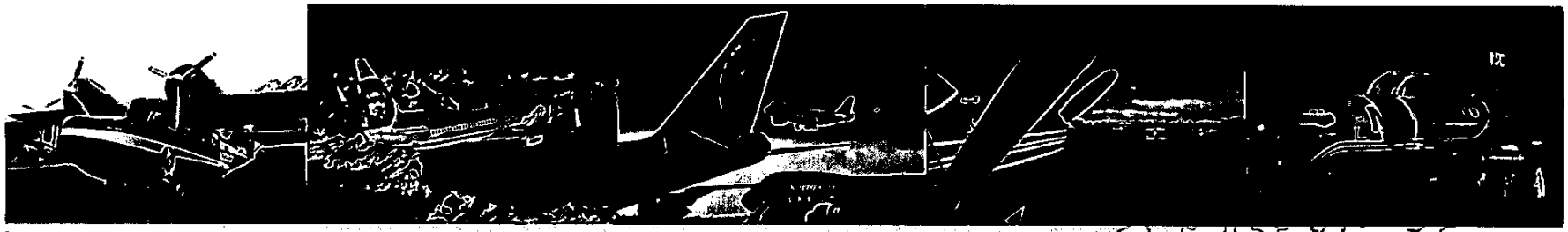
- Progressive Clearance
- International-to-International (ITI)
- Cargo Transfer



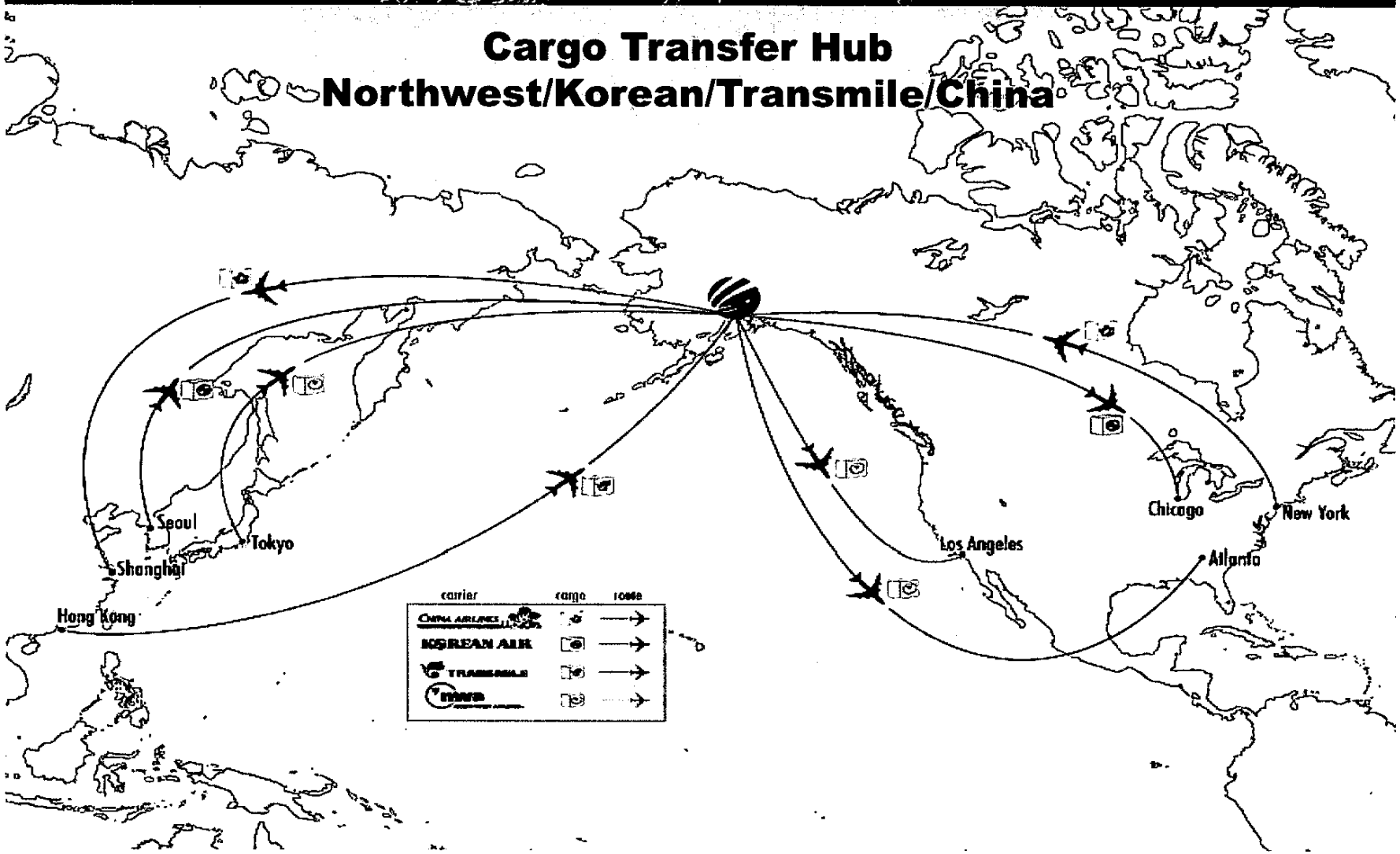
Cargo Transfer Authority

1996 - USDOT awarded Cargo Transfer Flexibility
On-line transfers, change of gauge
Commingling of foreign and domestic cargo
Foreign-domestic, foreign-foreign transfers

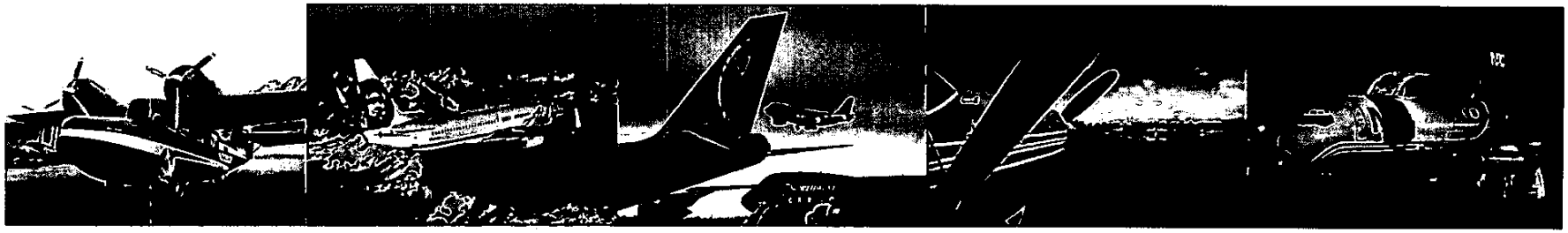
2003 - Expansion of Cargo Transfer
December 12, 2003 expanded current cargo transfer authority for foreign carriers that have a revenue relationship with U.S. carrier



Cargo Transfer Hub
Northwest/Korean/Transmile/China



Market Opportunities



Market Opportunities

Singapore - Open Skies

-- Singapore Airlines via China

Viet Nam - Open Skies

-- Taiwan, China, Korea, Japan, FedEx, UPS

India - Bermuda I Agreement

-- Taiwan, China, Korea, Japan, FedEx, UPS

China –Unique agreement

5 – Chinese cargo carriers designated

--Air China, China Southern, China Cargo, Shanghai, Yangtze River Express

5 – US cargo carriers designated

-- FedEx, Northwest, UPS, Polar, Evergreen

China Market Overview

2000 - 15 landings per week

2006 - 198 landings per week

2007 - 260 landings per week

Nearly 35% of total international cargo traffic at ANC derived from China market

Total China-US air cargo market in 2007 - 36.7% of Asia-North America air cargo market

Economic Impact of International Cargo at Anchorage

- **Cargo accounts for nearly two-thirds of airport revenues**
- **9 International carriers account for 54.76% of cargo revenue**

FY 2008 Cargo Market Share

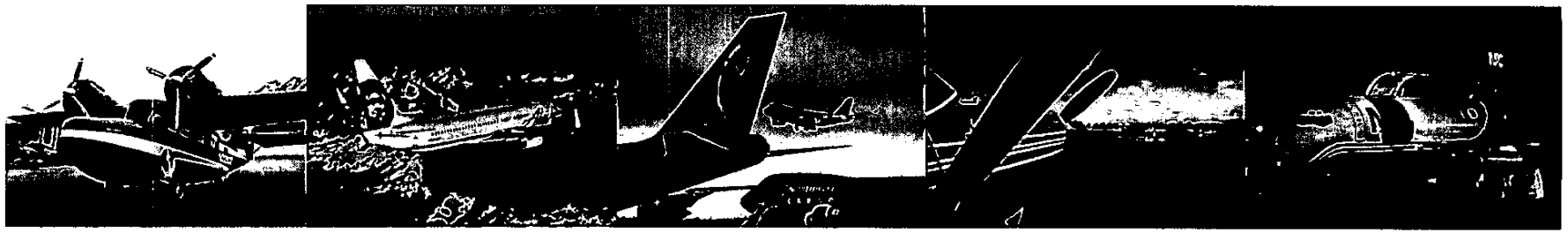
By Take-Off Share

Airline	Total lbs. (000's)	Market Share
Federal Express	3,203,331	11.70%
United Parcel Service	3,155,728	11.53%
Cathay Pacific Airlines	2,602,562	9.51%
China Airlines	2,556,930	9.34%
Korean Airlines	2,361,720	8.63%
Eva Airways Corporation	1,938,868	7.08%
Northwest Airlines, Inc.	1,636,800	5.98%
Japan Airlines International	1,382,469	5.05%
Southern Air, Inc.	1,102,520	4.03%
Asiana Airlines	911,760	3.33%
Singapore Airline Cargo	841,192	3.07%
Nippon Cargo Airlines	660,366	2.41%
Air China	512,164	1.87%
Kalitta Air	498,126	1.82%
China Eastern/Cargo Airlines	454,429	1.66%
All Others (23 Airlines)	3,714,816	12.99%
Total	27,533,781	100.00%

By Revenues

Carrier	Revenues	Market Share
Federal Express	$7,943,319	11.10%
United Parcel Service	7,728,110	10.80%
Cathay Pacific Airlines	7,720,284	10.79%
China Airlines	7,563,925	10.57%
Korean Airlines	6,550,629	9.15%
Eva Airways Corporation	5,735,710	8.01%
Northwest Airlines, Inc.	5,460,525	7.63%
Japan Airlines International	3,785,451	5.29%
Asiana Airlines	2,338,233	3.27%
Singapore Airline Cargo	2,033,132	2.84%
Nippon Cargo Airlines	2,025,426	2.83%
Southern Air, Inc.	1,944,774	2.72%
Air China	1,437,394	2.01%
Kalitta Air	1,239,042	1.73%
Northern Air Cargo, Inc.	1,023,806	1.43%
All Others (23 Airlines)	7,045,916	9.84%
Total	$71,575,676	100.00%

Outlook



ANC Strengths

Strategic Location for Cargo Activity

Competitive airports with low rates and fees

Carrier relationships

Close alternate airport

Parts exchange program

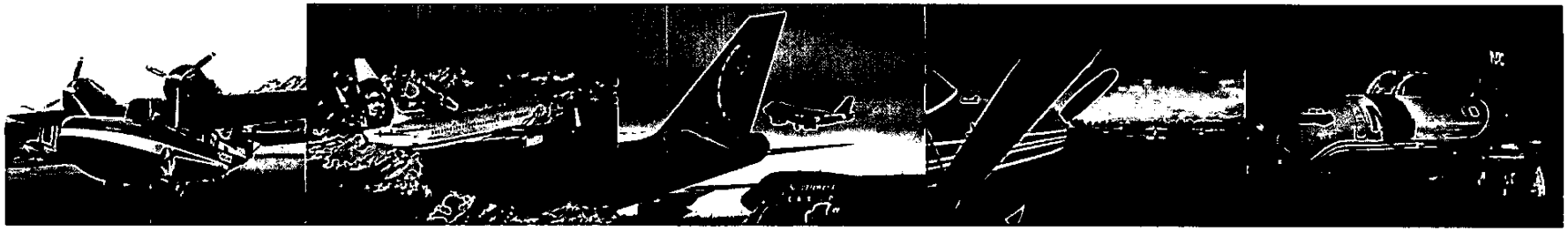
ANC Opportunities

Existing all-cargo carrier operations

Cargo Transfer Authority

Increased use of freighters

Growing base of Chinese carriers



ANC Threats

Other airport communities have a manufacturing base

Weather concerns with deicing costs

Other airport competition

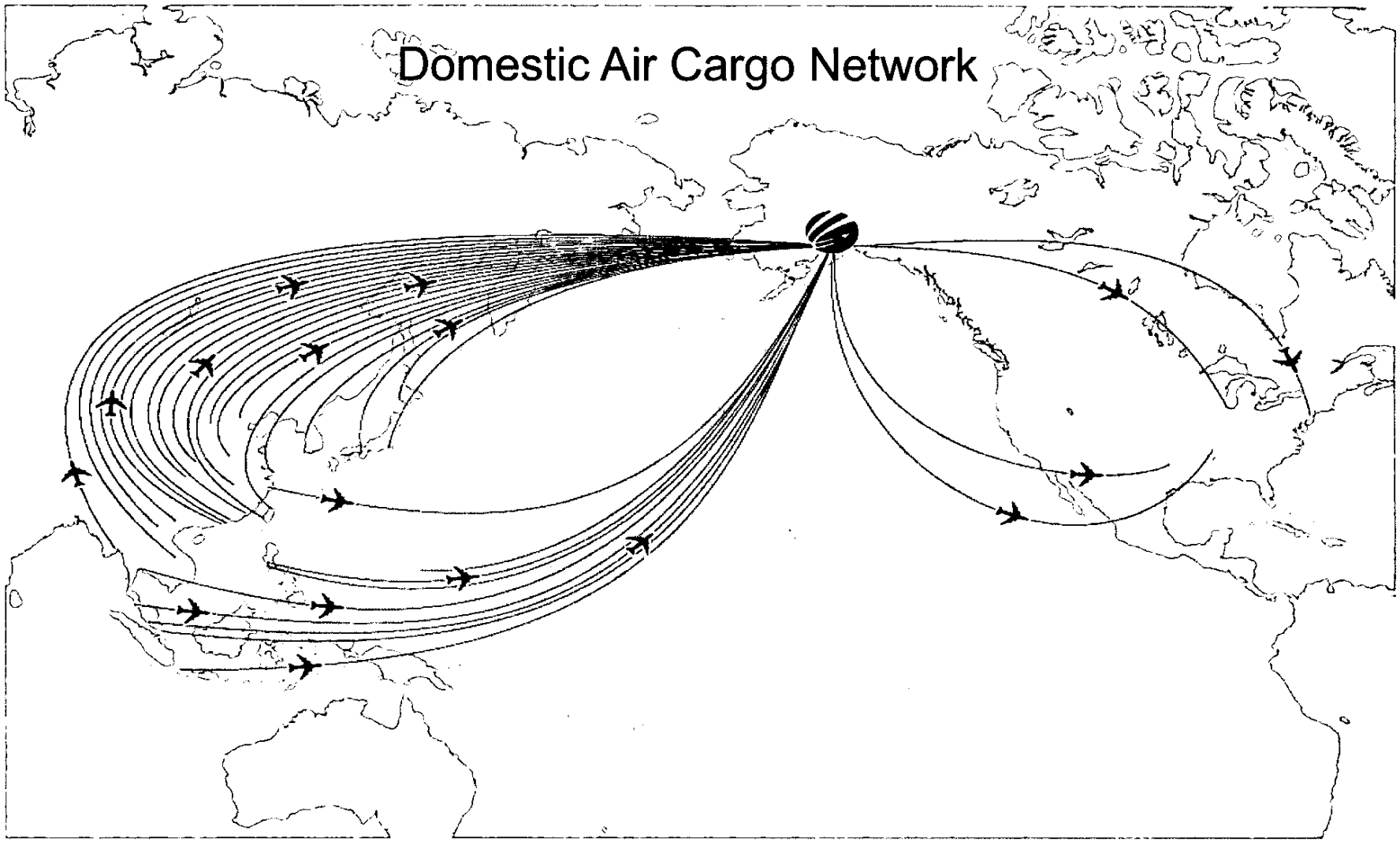
ANC Weaknesses

Global Recession/Aviation Decline

Overflight of ANC

No local manufacturing base and limited air exports

Domestic Air Cargo network limits warehouse & distribution opportunities


Domestic Air Cargo Network

Recap of 2008 Activity

TOTAL LANDINGS
•101,863: Decreased .05%

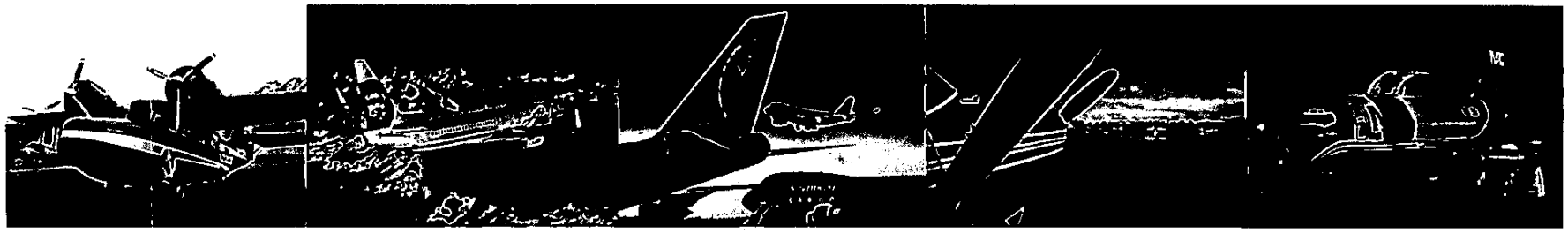
CARGO LANDINGS
•46,965: Decreased 5.4%

PASSENGER GROWTH
5,380,811 passengers: Increased 4.4%

FUEL
865 million gallons: Decreased 6.6%

Good News

- **NCA -** JFK Station
- **Cathay Pacific -** New freighters, new stations
- **Evergreen / Kalitta –** New China designation
- **UPS -** New China frequencies



Thank You!

Questions?

Margaret Dowling

From: Renee Limoge
Sent: Monday, March 16, 2009 12:06 PM
Subject: MA - EDT&T TO HOLD HEARING ON AVIATION IN AK
Attachments: MA - Ramra EDTT2 Meeting.doc

FOR IMMEDIATE RELEASE **MEDIA ADVISORY**

EDT&T TO HOLD HEARING ON AVIATION IN AK

Dep. Comm. for Aviation and Airport Marketing Director to present

Monday March 16, 2009, Juneau, Alaska The House Economic Development Trade & Tourism Committee (EDT&T), is set to hear a presentation on aviation in Alaska from the Marketing Director at Ted Stevens International Airport and the Deputy Commissioner for Aviation with the State of Alaska. The public is encouraged to attend the hearing.

"As part of EDT&T's continued efforts to work with the State to stimulate Alaska's economy, we are going to hear from Linda Close about economic development and trade activity at the Anchorage International Airport," Representative Jay Ramras, R- Fairbanks, said. "The Anchorage International Airport is a significant economic engine in Anchorage and for all of Alaska. We hope to hear what we can do to enhance international tourism and trade, and perhaps how to develop new trade routes to emerging markets."

Presenting at the meeting will be Ms. Close, Marketing Director for the Ted Stevens International Airport, and Christine Klein, AK Department of Transportation and Public Faculties Deputy Commissioner for Aviation.

WHO: House Economic Development Trade & Tourism Committee

WHAT: Presentation by Linda Close: Marketing Director, Ted Stevens International Airport
Also attending: Christine Klein – Deputy Commissioner for Aviation, State of Alaska

WHEN: Tuesday, March 17, 2009 – 5:15 p.m.

WHERE: Room 106, Capitol Building

# # #

To contact Rep. Ramras, please call 1-907-465-3004

4-08-09 Presentations: Technologies for Shale Gas Development in the U.S.

<target><bill></bill><subject>4-08-09 Presentations Technologies for Shale Gas Development in the U.S.</subject><comm>HEDC26</comm></target>

ALASKA STATE LEGISLATURE
ECONOMIC DEVELOPMENT, TRADE & TOURISM COMMITTEE

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Committee Members:
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Representative Nancy Dahlstrom
Representative Mark Neuman
Representative Kyle Johansen
Representative Mike Doogan
Representative Chris Tuck
Representative Joule
Representative Holmes

State Capitol, Room 120
Juneau, Alaska 99801

House Economic Development, Trade & Tourism Committee Agenda

Joint with House Resources Committee
And
Senate Resources Committee
And
Senate World Trade, Tech. & Innovations

Wednesday, April 8th, 3:30pm **House Finance, Room 519**

+ **Presentation: Technologies for Shale Gas Development in the US**

Guest Speakers:
Mark Meyer, AGIA Coordinator
Porter Bennett, CEO and President of BENTEK Energy LLC

PORTER BENNETT

BENTEK Energy, LLC, 32045 Castle Court, Ste. 200, Evergreen, CO 80439
303-988-1320 • pbennett@bentekenergy.com

Porter Bennett is founder, president and CEO of BENTEK Energy. Founded in 1985, BENTEK is a leading analytics firm specializing in the US natural gas market.

Mr. Bennett is

- Chairman of Natural Gas Committee and a Director of the Independent Producers Association of Mountain States Natural Gas Committee, and
- Observer with the Potential Gas Committee and member of the Colorado Oil and Gas Association.
- Mr. Bennett is the author of various articles in the Oil & Gas Journal, American Oil Reporter and other publications. He is also a frequent speaker at GasMart and other natural gas industry forums.

Today BENTEK serves over 210 of top firms and over 5,000 traders in the energy industry, including majors, independent producers, pipeline companies, utilities, as well as the largest energy hedge funds, financial institutions and industry regulators.

EDUCATION

M.S., Colorado School of Mines, Golden, CO
Major: Mineral Economics

M.A., Columbia University, New York, NY
Major: International Affairs

B.A., Lewis and Clark College, Portland, OR
Major: History

How Horizontal Drilling & Fracturing Technologies Are Changing Natural Gas Markets

Presented to:

Senate & House Resources and EDT Joint Committee Meeting

State of Alaska

April 8, 2009

BENTEK Energy LLC

32045 Castle Court, Suite 200
Evergreen, Colorado 80439
(888) 257- 4398
www.bentekenergy.com

Key Points

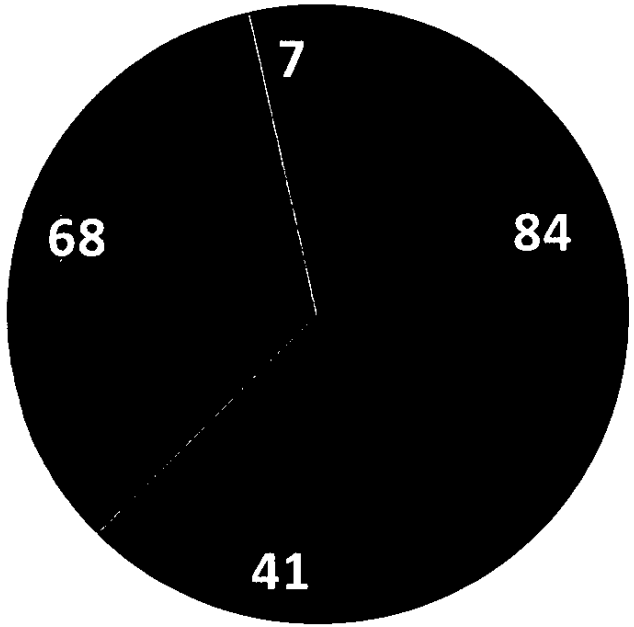
- The Energy World has changed. Technology has unlocked unconventional gas resources.
- Natural gas should no longer be viewed as unavailable, unreliable or too expensive.
- Due to unconventional gas production, the US has become supply long, prices are falling and consumers will benefit.
- Burgeoning supplies are overwhelming the nation's pipeline capacity, driving prices even lower.
- The production growth creates an historic opportunity to use gas to quickly and significantly reduce our GHGs and reduce our consumption of oil and other high emission fuels.

Presentation Outline

- US Supply Explodes: What happened in 2008
- Why It Happened: Impact of technology innovation
- What are the Impacts?
- Recent Activity
- Conclusions and Implications

Who Is BENTEK?

Distribution of Customers

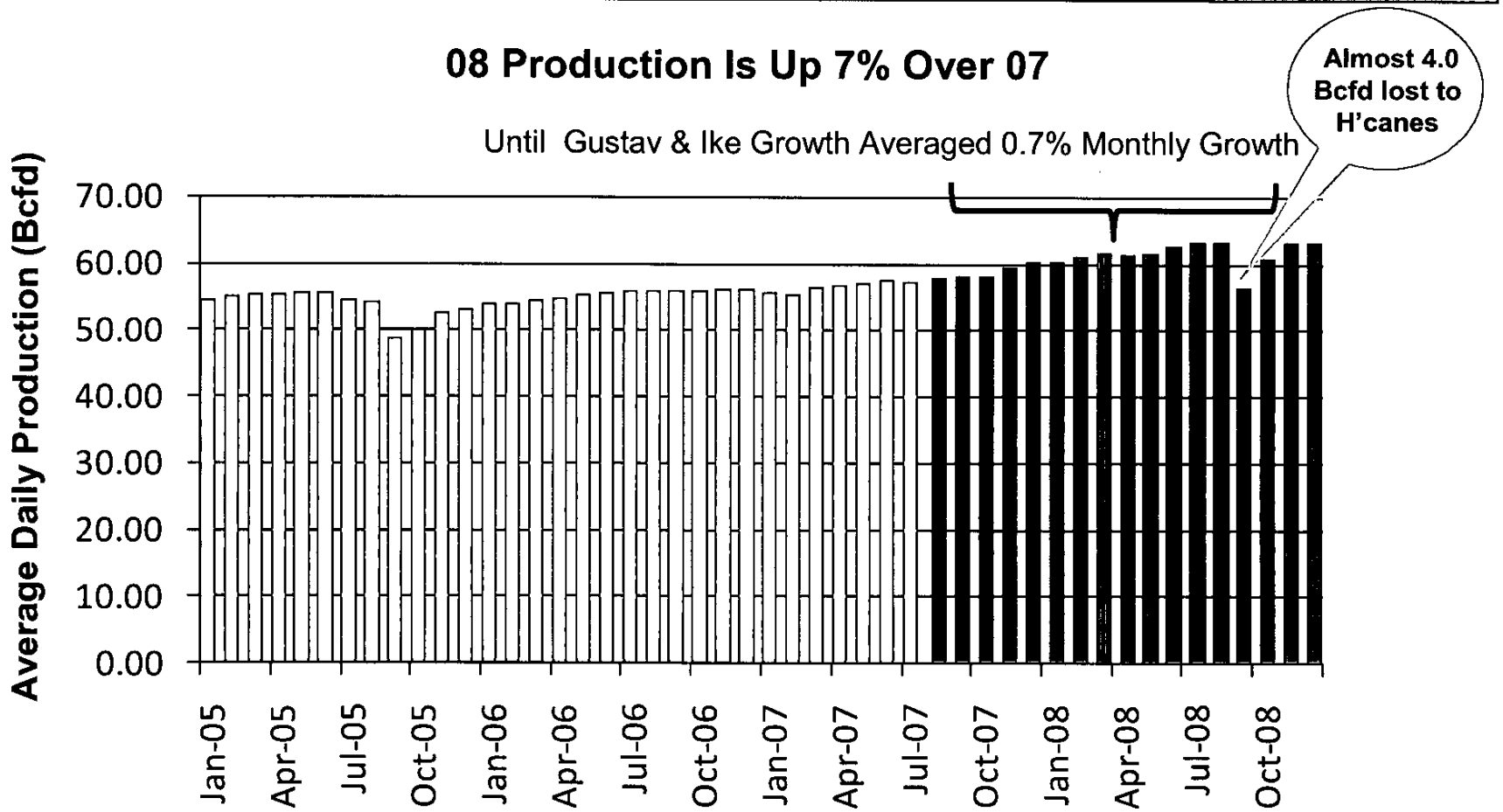


- Majors, Producers, Mktrs, Industrials
- Pipelines, Utilities, Midstream
- Financial and Hedge
- Government, Associations, Consultants

- BENTEK is the leading energy analytics firm
- We provide:
  - Daily assessments of the US natural gas market fundamentals
  - Analysis of major market developments
  - Near real-time Market Fundamentals Data
  - Consulting and Advisory Services
- Over 200 clients include producers, marketers pipelines, banks, LDCs and end users
  - FERC
  - MMS
  - State PUCs via NARUC

BENTEK Energy LLC

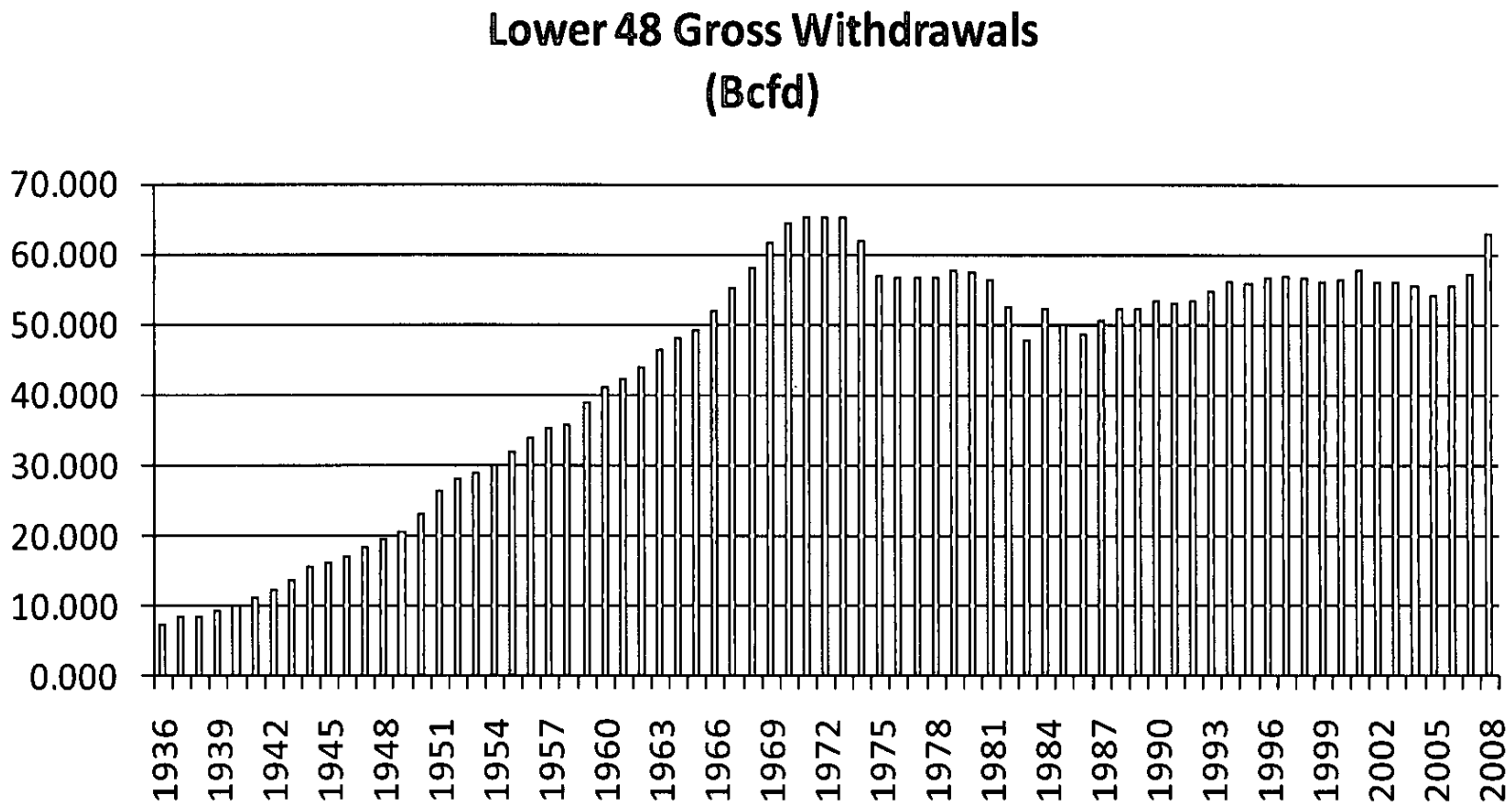
Production Grew In 2008 By 4 Bcfd



Source: EIA 914 Report
(Gross Withdrawals)

BENTEK Energy LLC

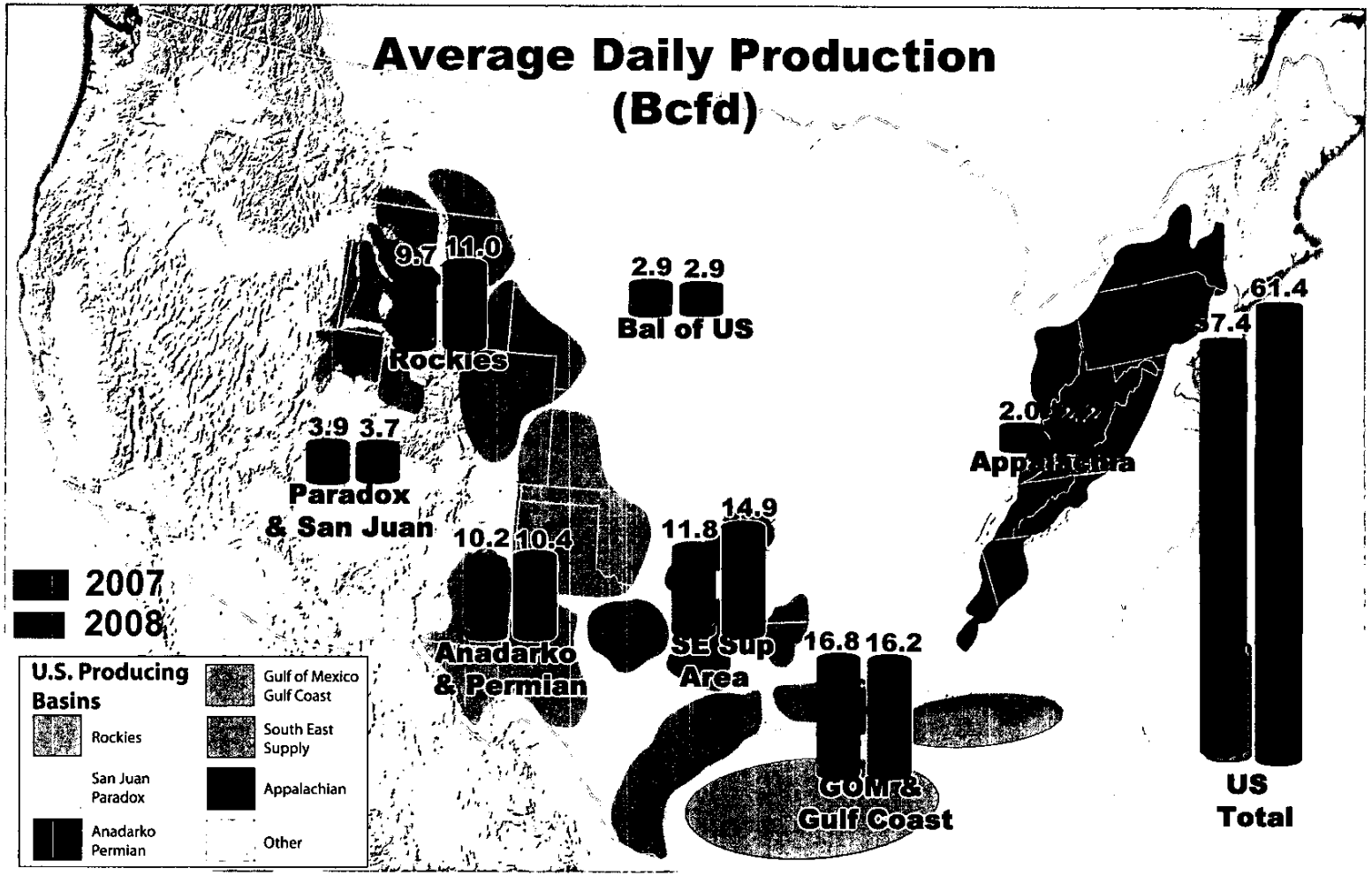
Production Is Nearing Historic Highs



Source: EIA, BENTEK

BENTEK Energy LLC

Growth Was Greatest In The Non-Conventional Supply Regions



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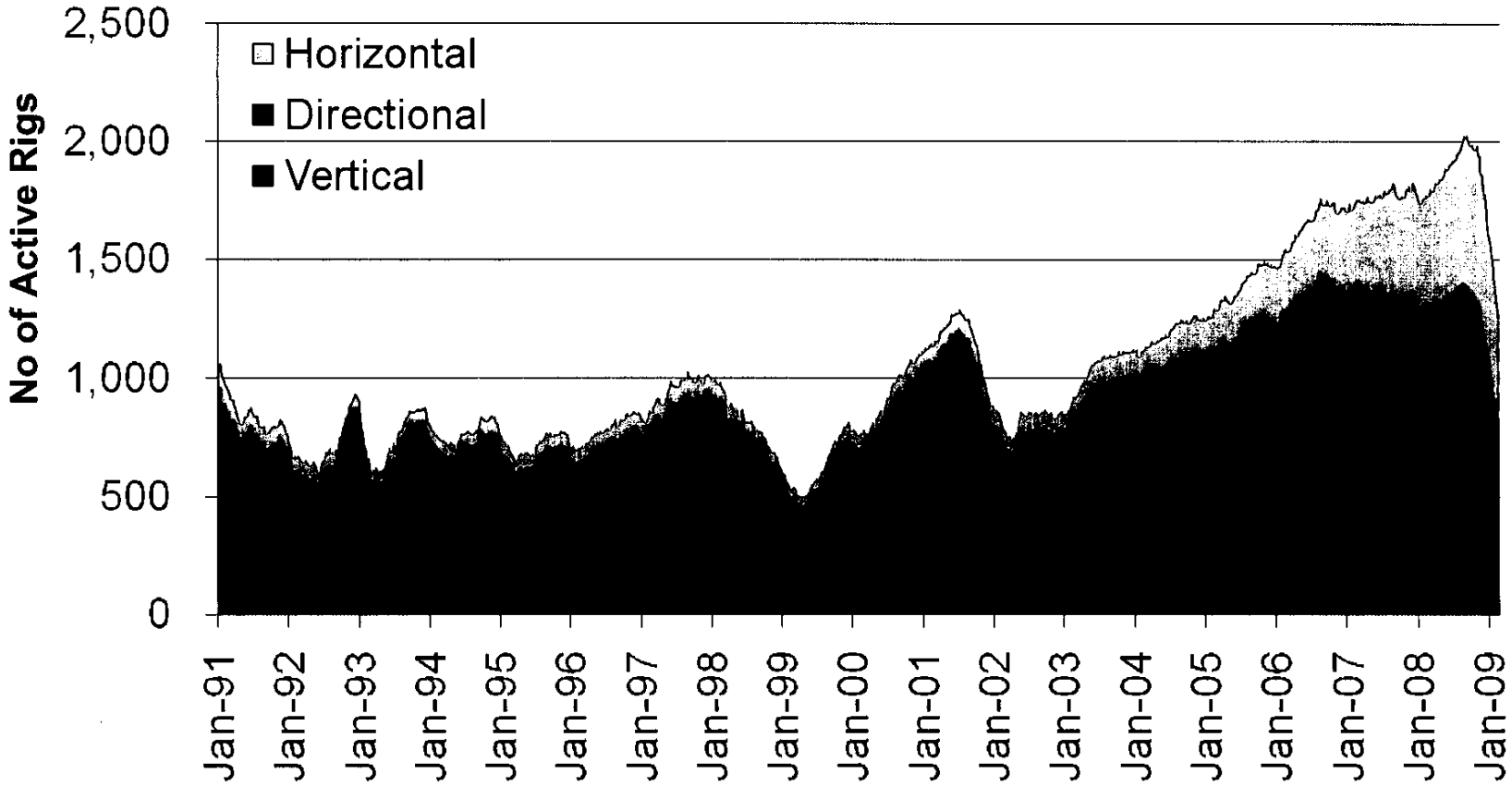
Drilling Reflects The Shift To Unconventional Production



Source: Baker Hughes Direct

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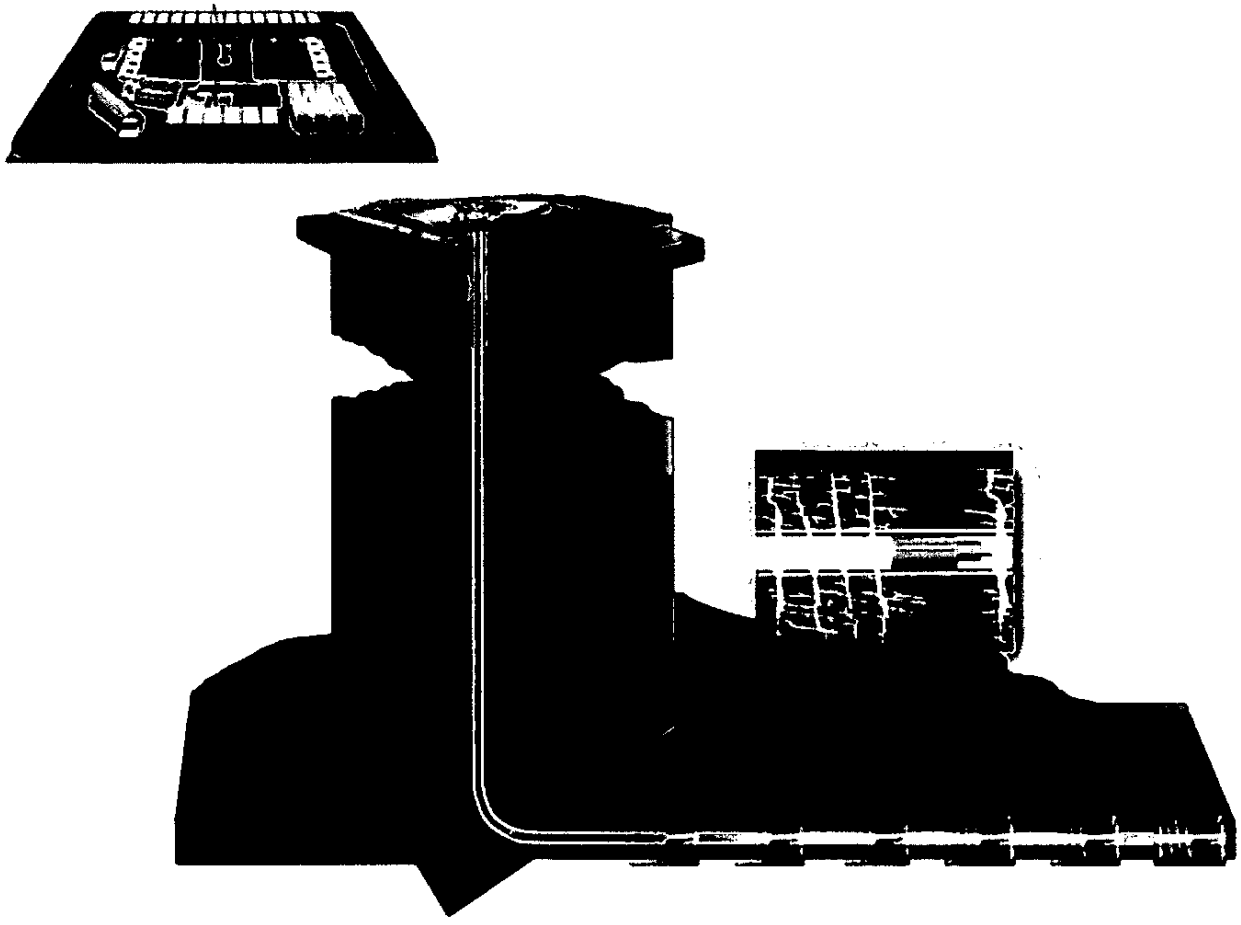
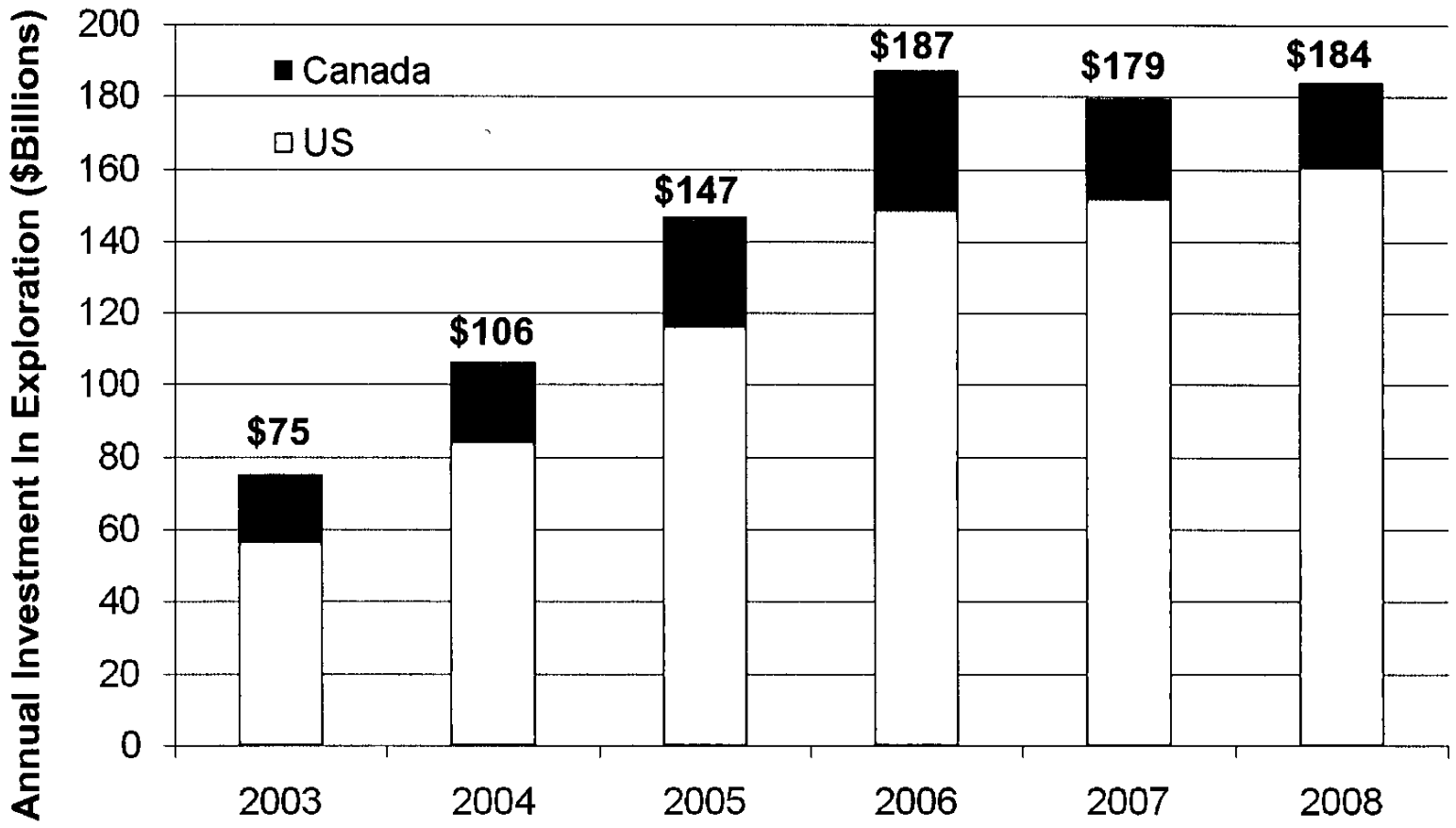
Innovative Fracing Technology Is Driving The Growth



Source: *Hydraulic Fracturing Factsheet,* prepared by Chesapeake Energy, February 2009

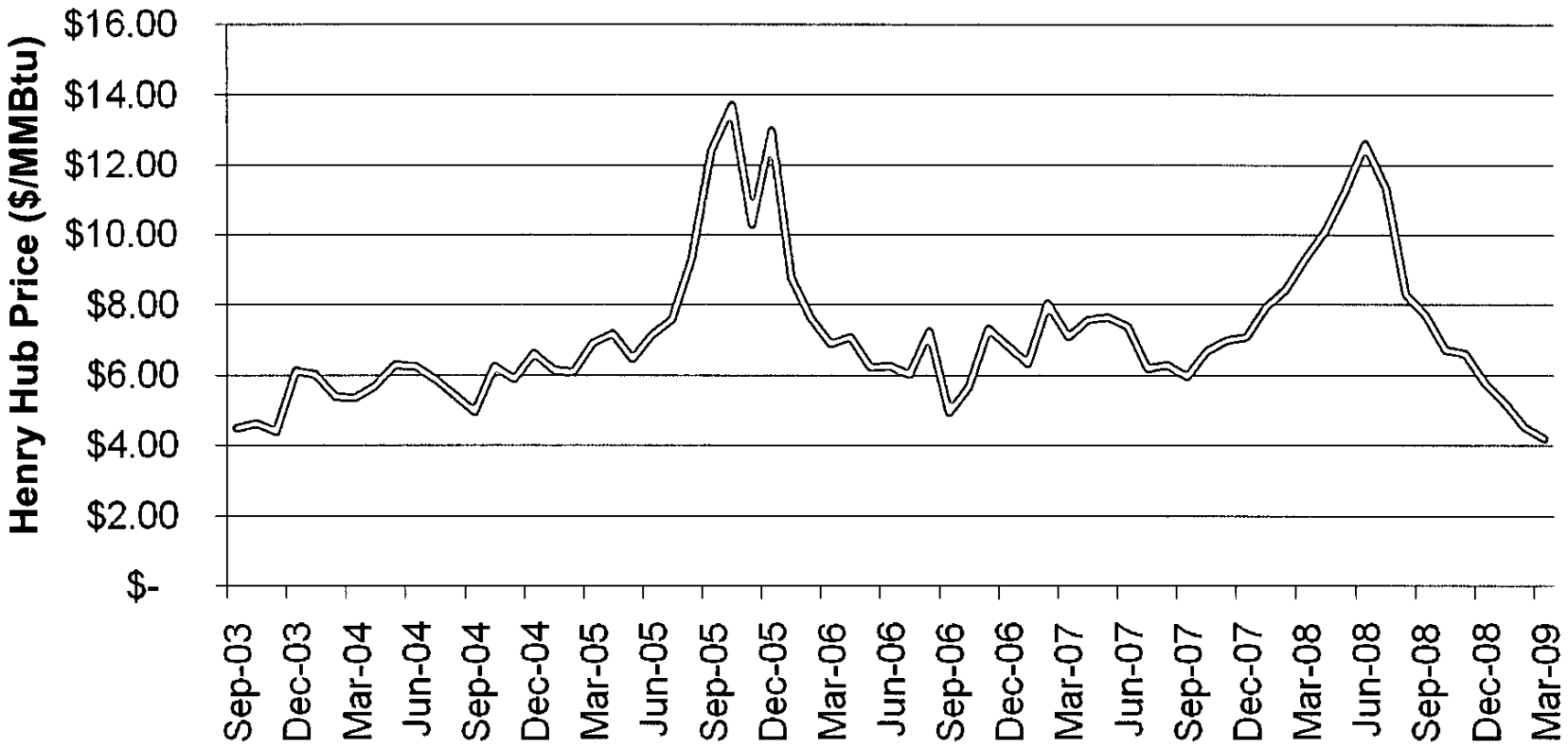
Producers Have Invested Nearly $1 Trillion On Exploration Since 03



Source: Oil and Gas Journal, Penwell Publications

BENTEK Energy LLC

Natural Gas Prices Are Falling Precipitously



Source: ICE

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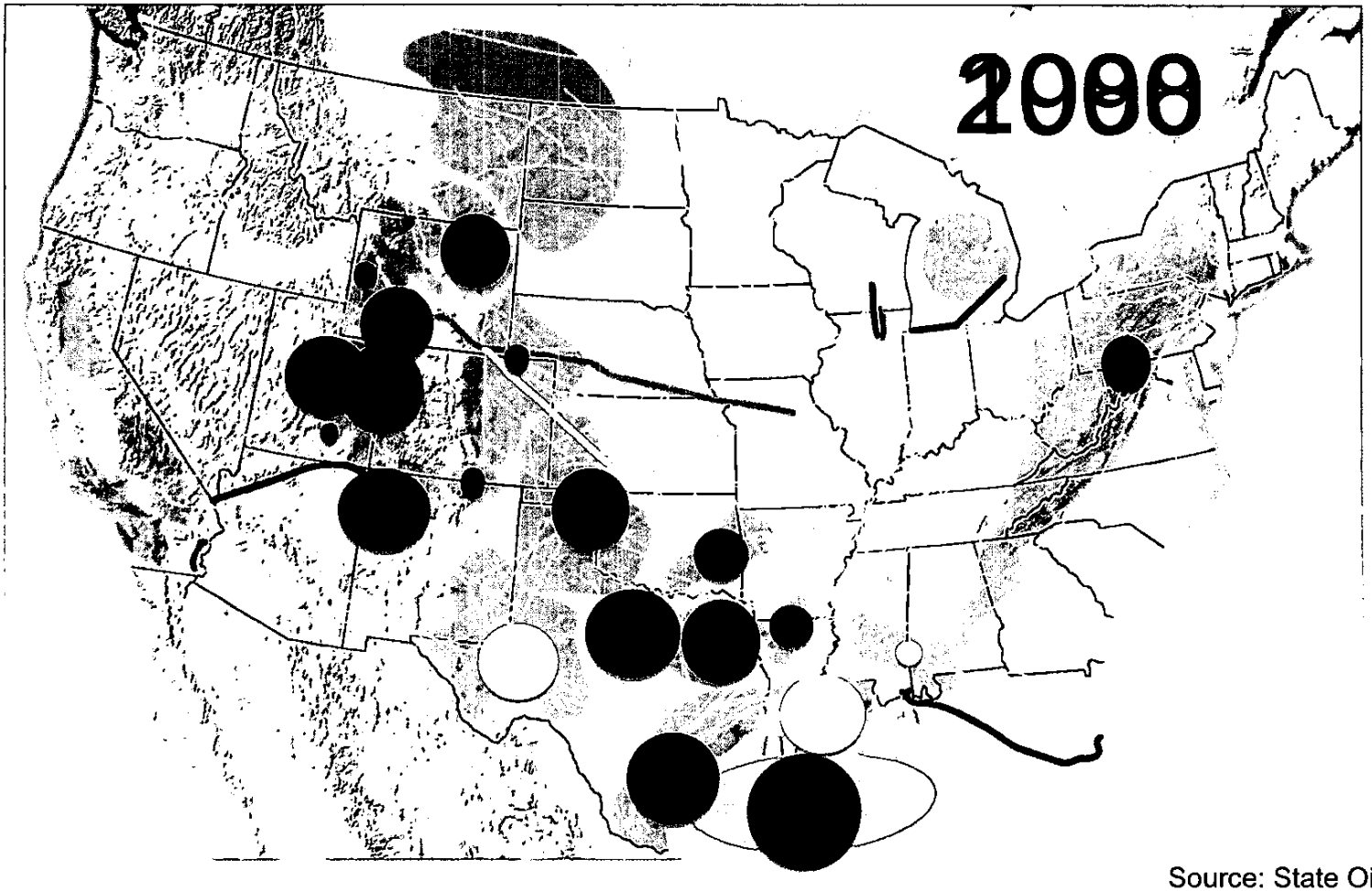
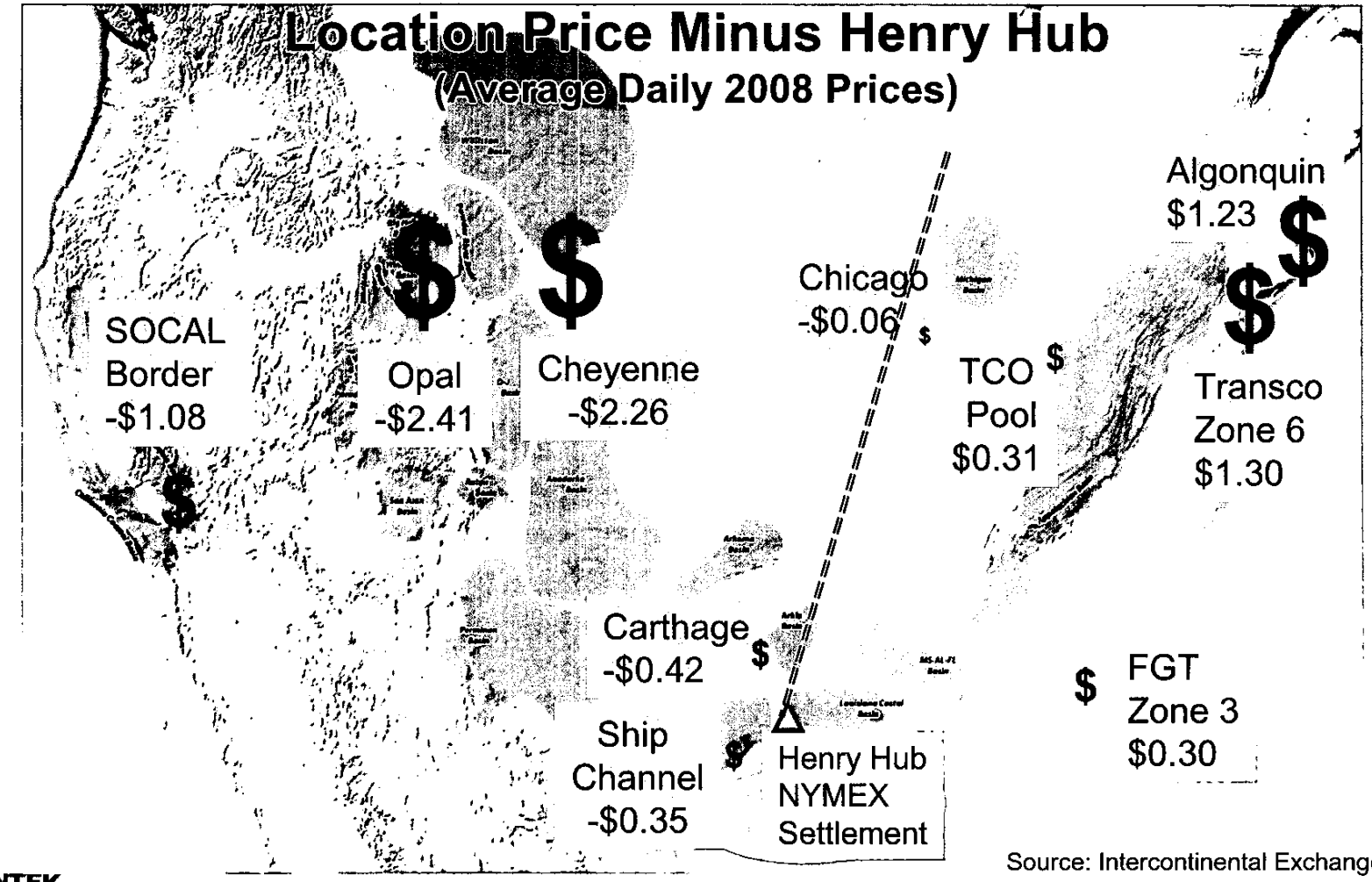
The Geography of Production Is Changing



Source: State Oil & Gas Commission Reports

Pipeline Constraints Create Price Anomalies



Source: Intercontinental Exchange

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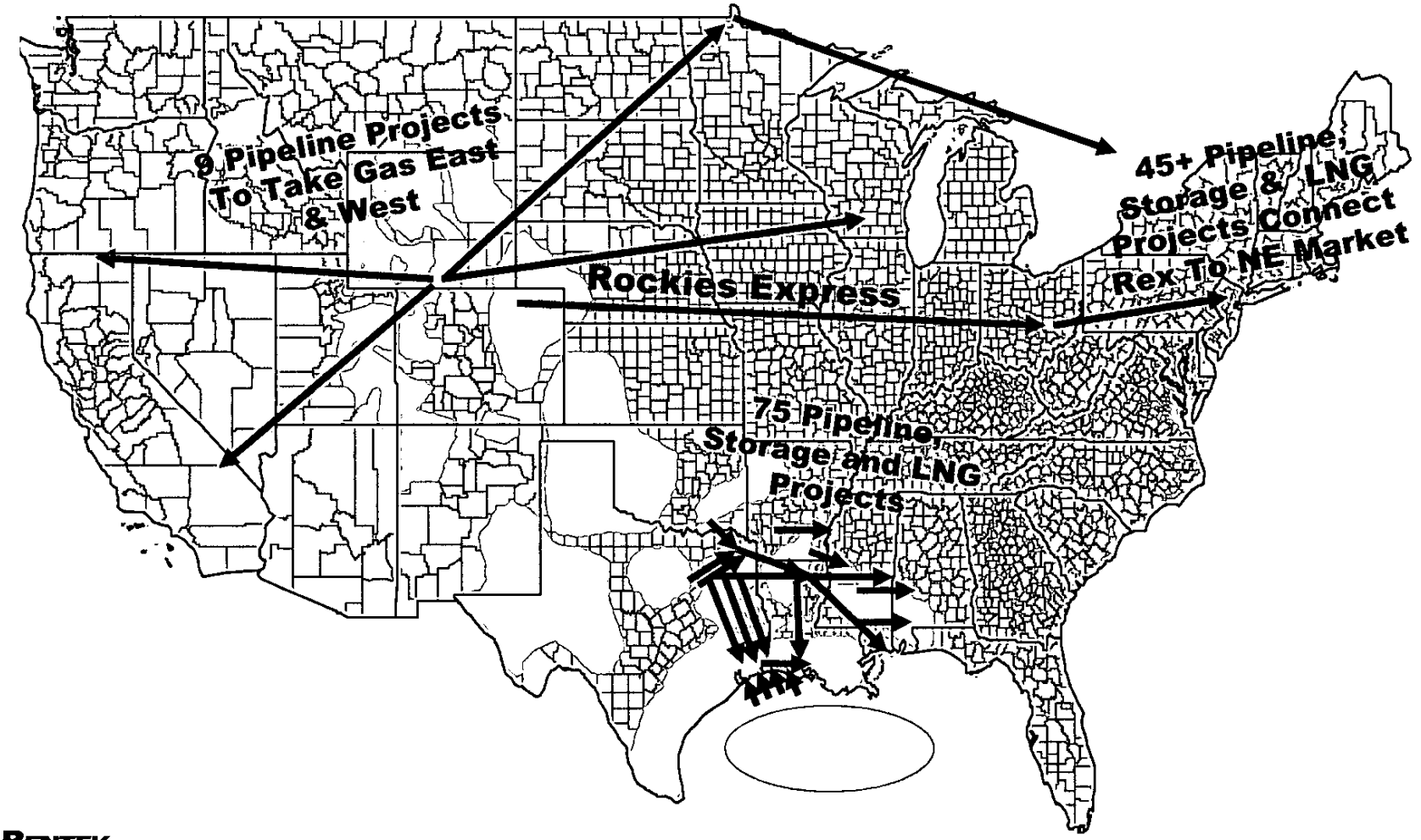
Billions Are Being Invested To Connect New Production



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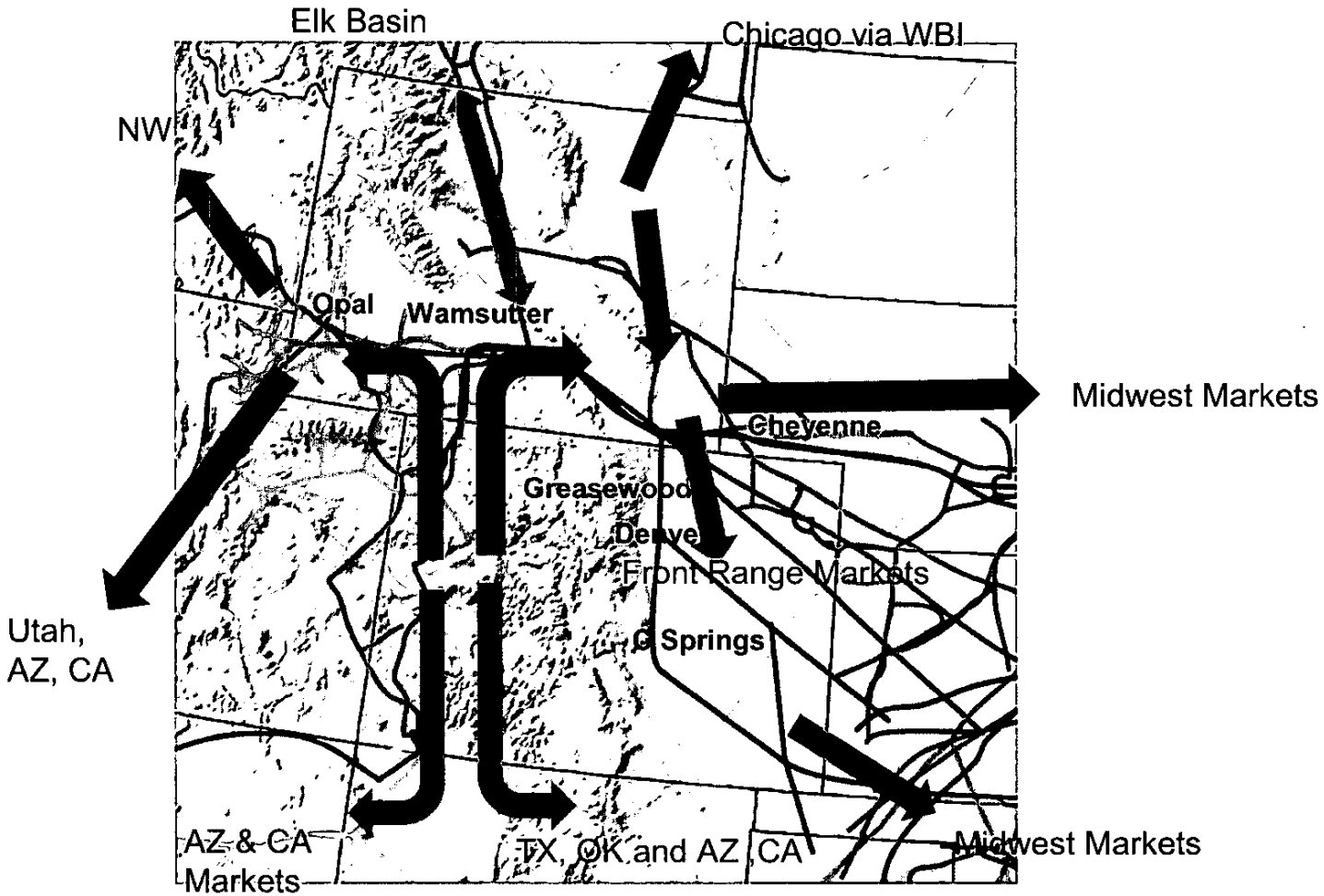
Rockies Gas Is Mostly For Export



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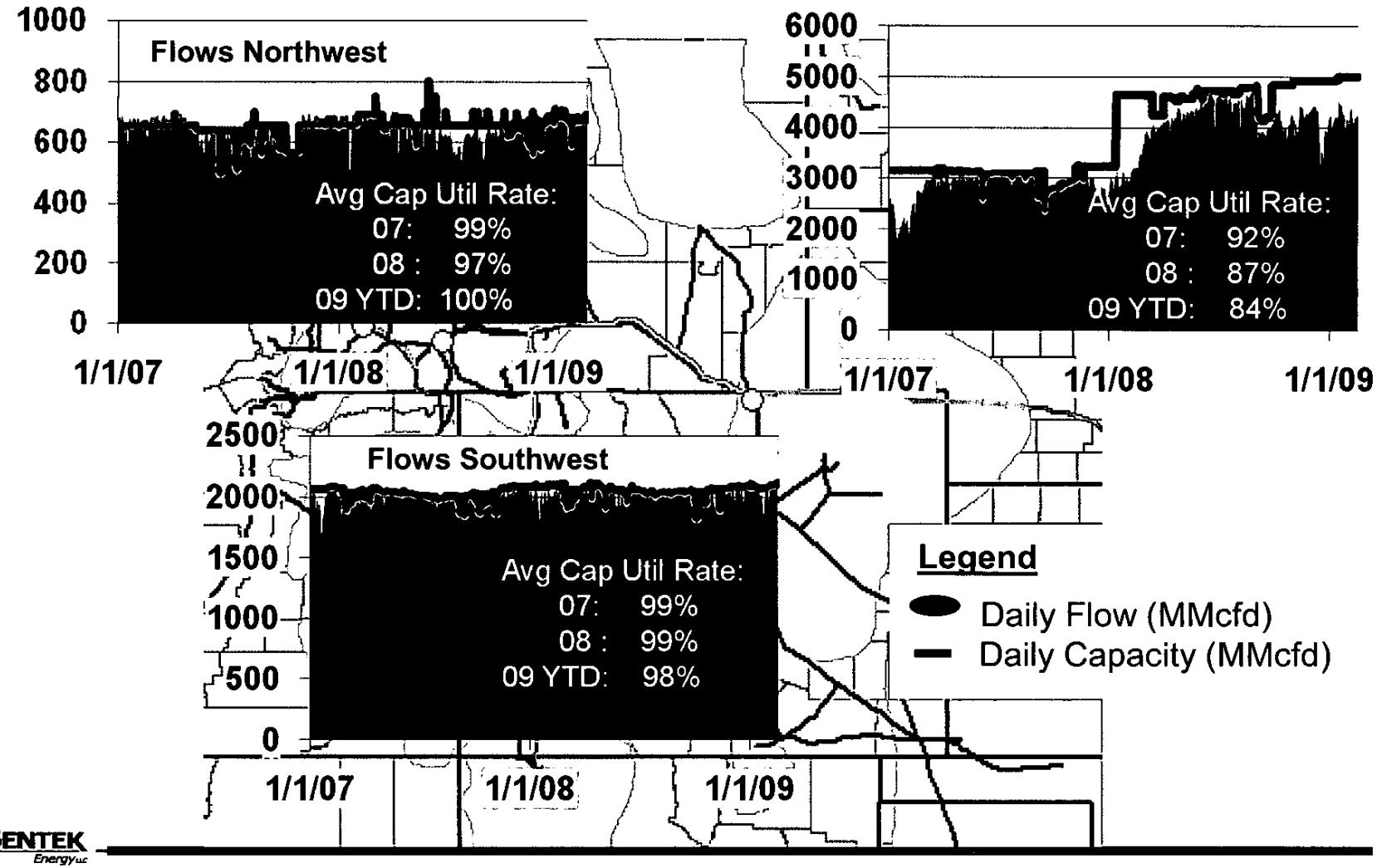
All Rockies Export Outlets Are Constrained



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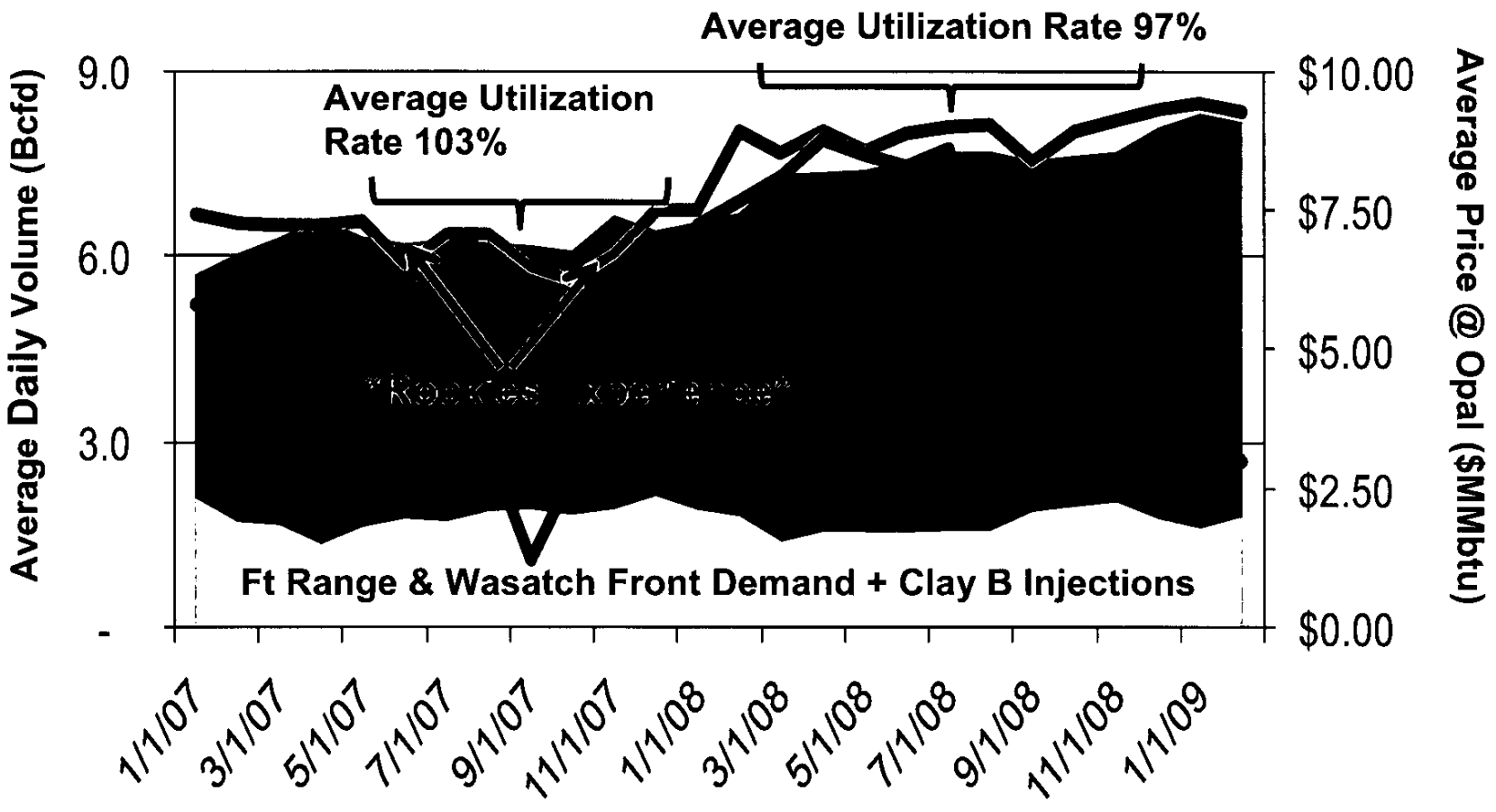
When Capacity Is Tight, Prices Fall



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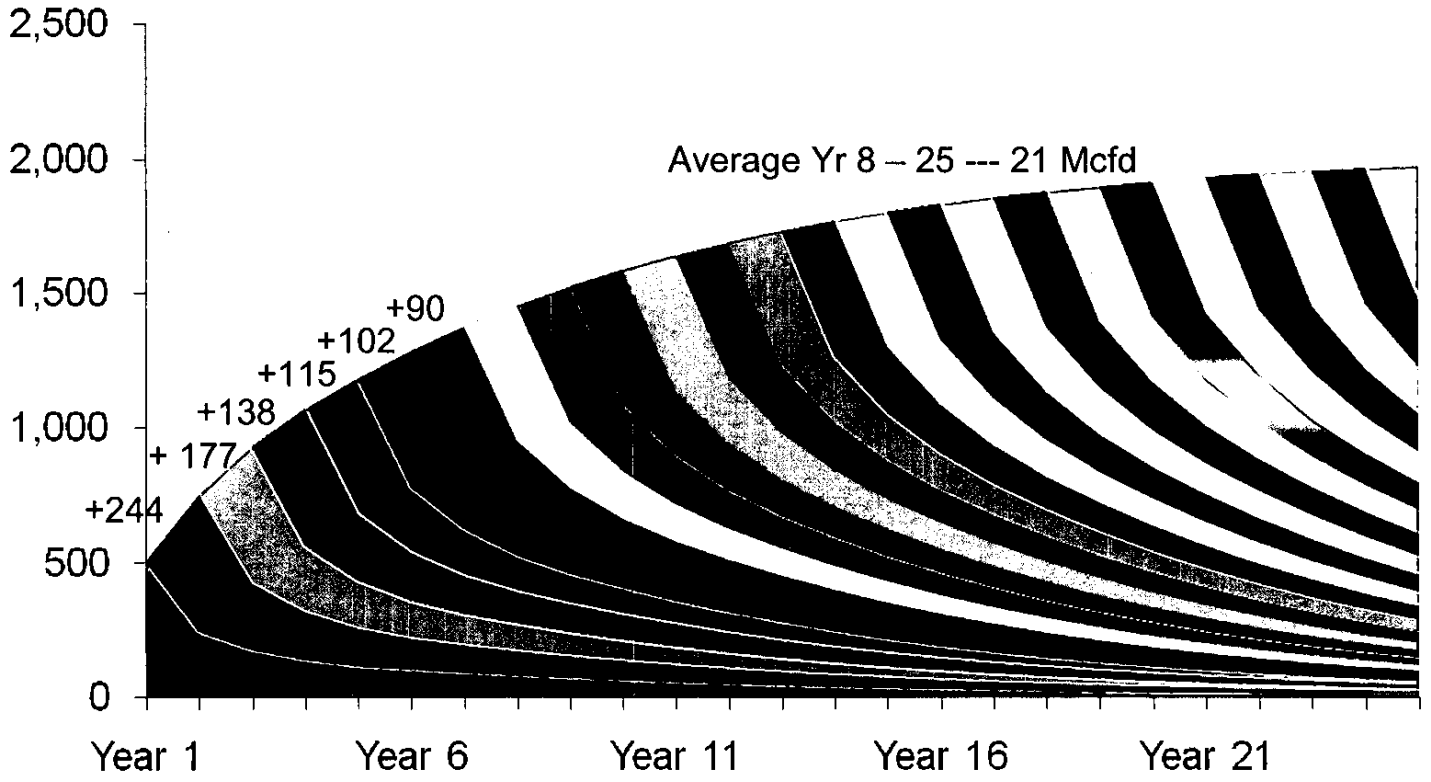
Steep Decline Rates Mean That Each Well Adds Less Incremental Volume

Average Daily Production From A Mamm Cr Well, Piceance Basin (Mcfd)



Assumes one well drilled per year

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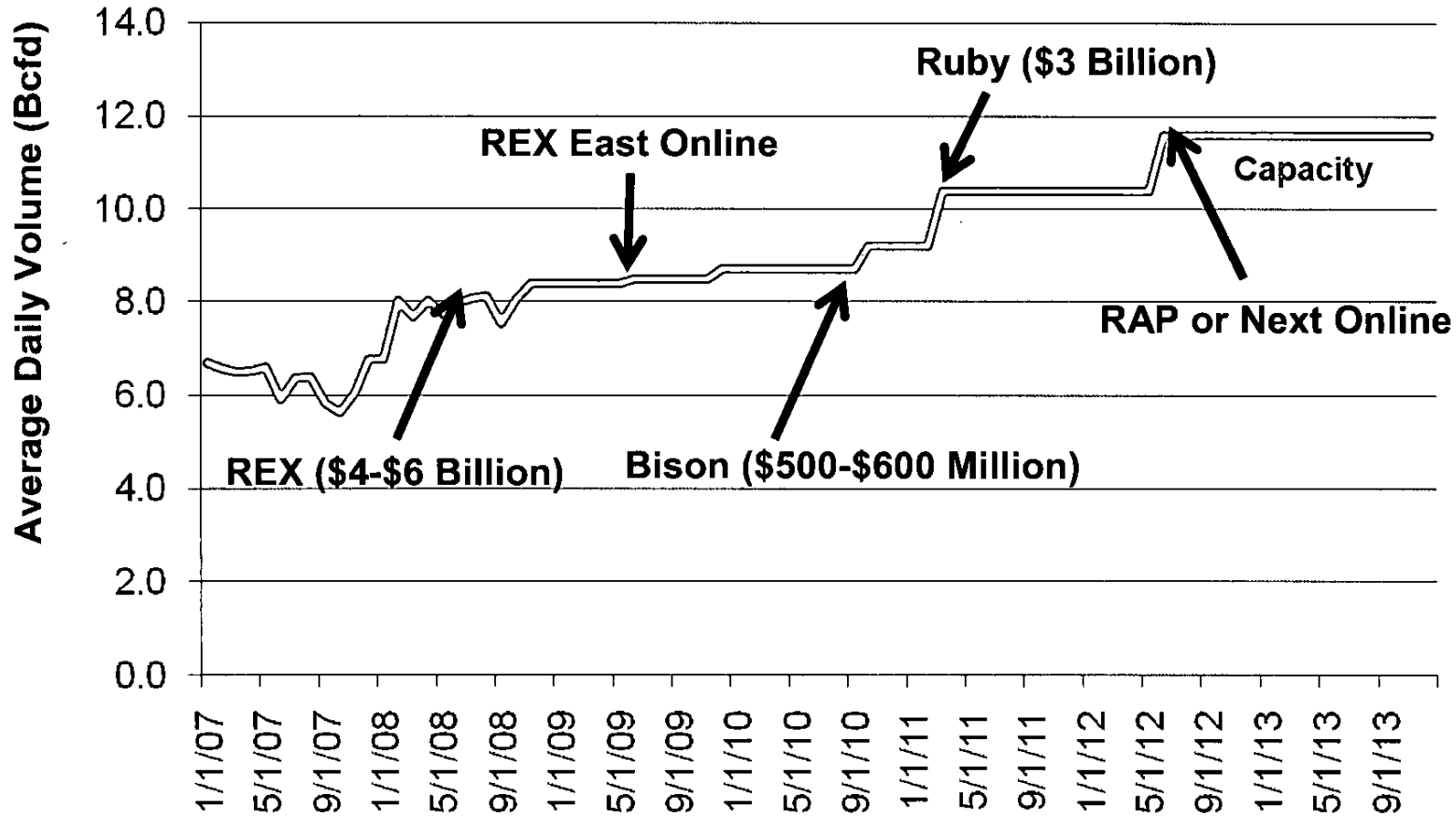
Rockies Capacity Additions



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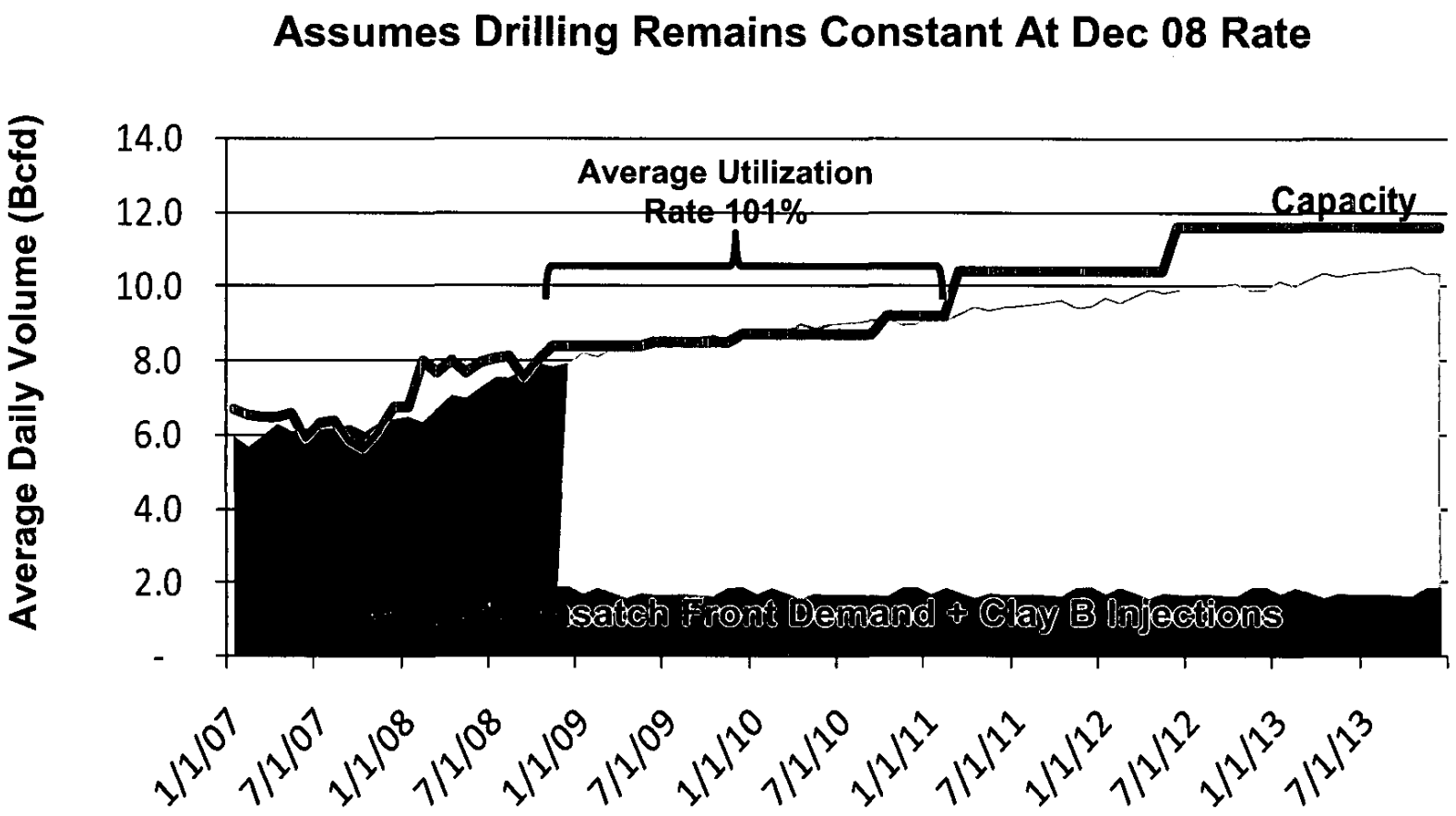
Business As Usual – Prices Too Low To Support Drilling



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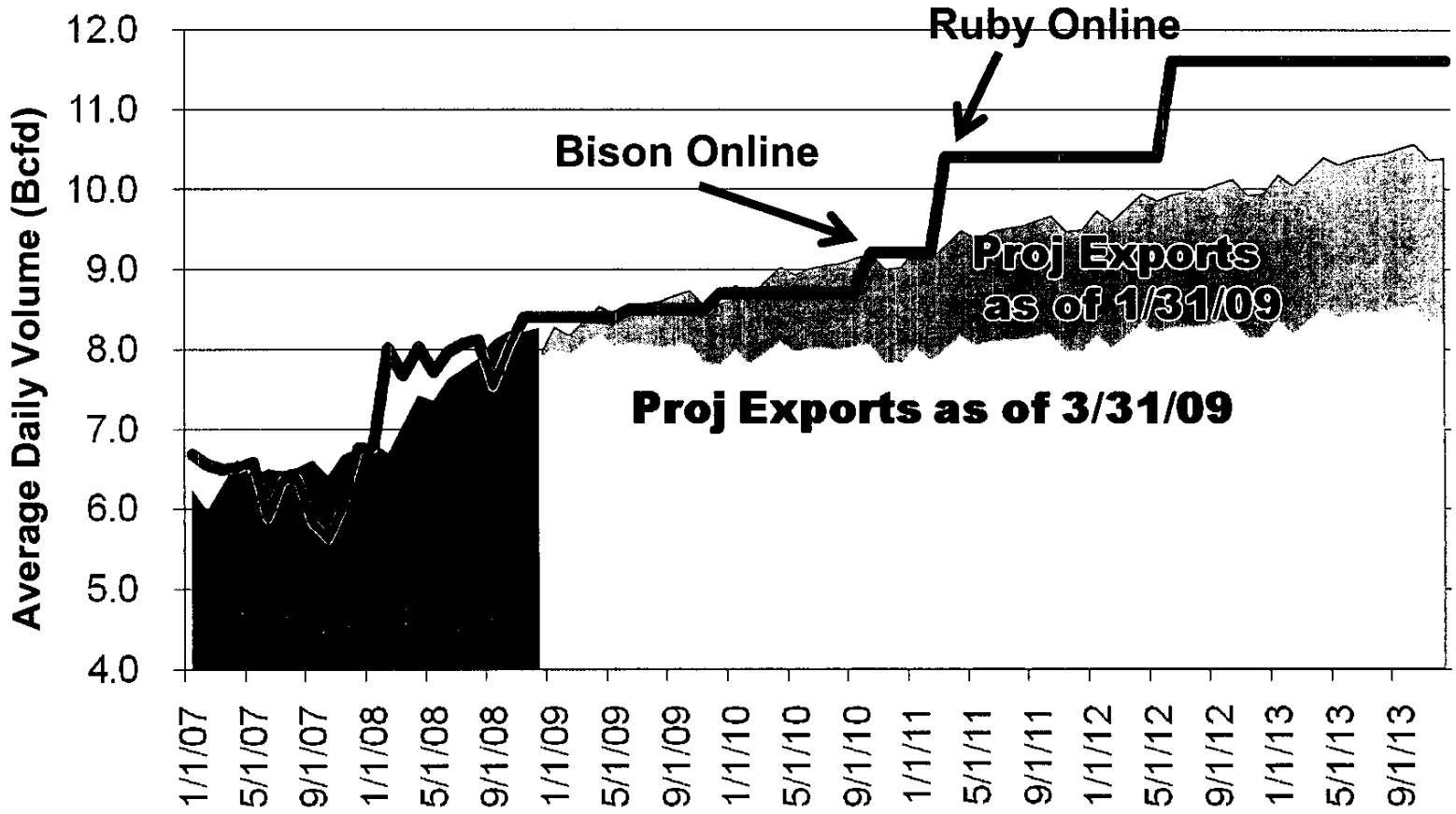
Drilling Slowdowns Are Aligning Production & Capacity



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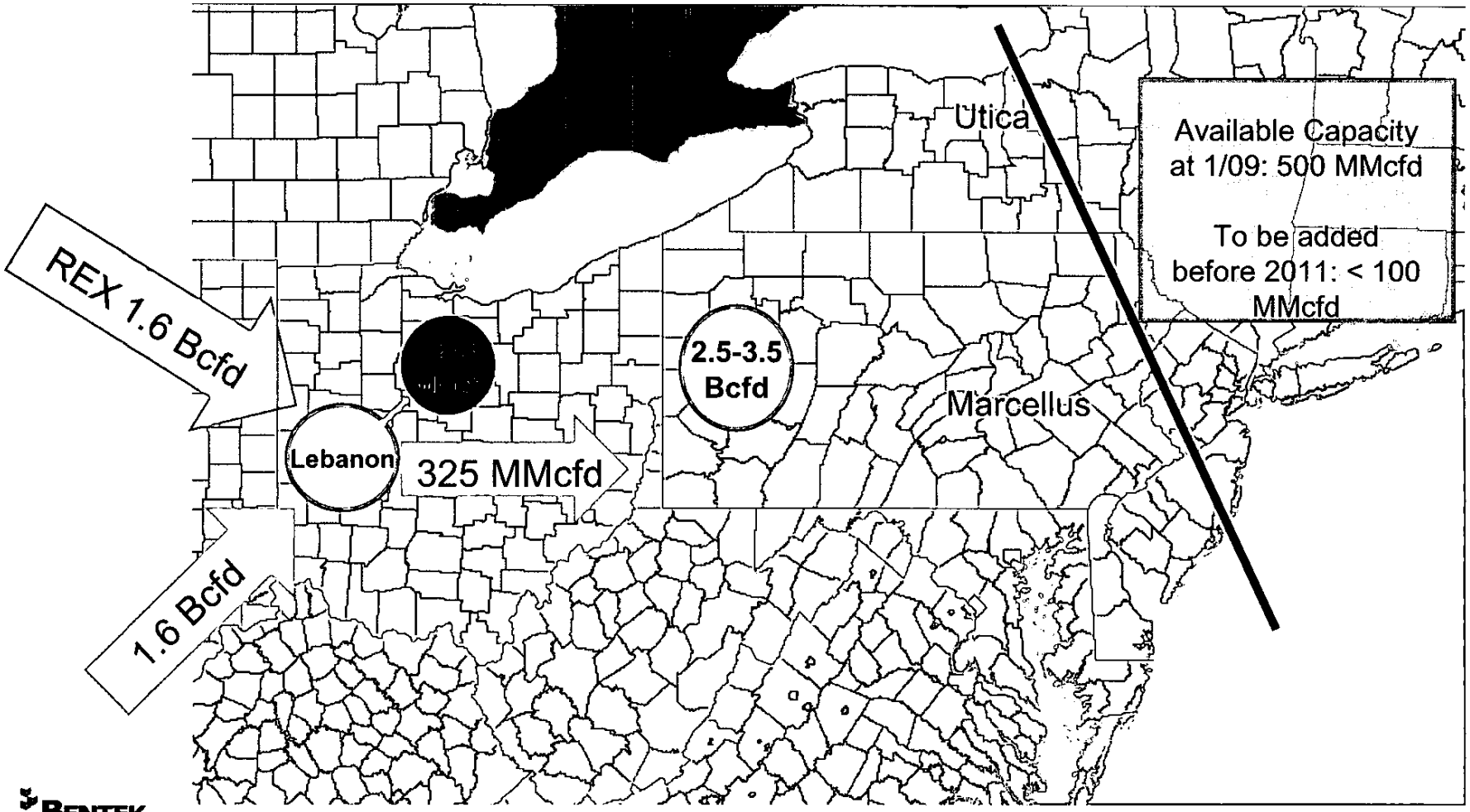
Constraints Are Developing In The Appalachia Market



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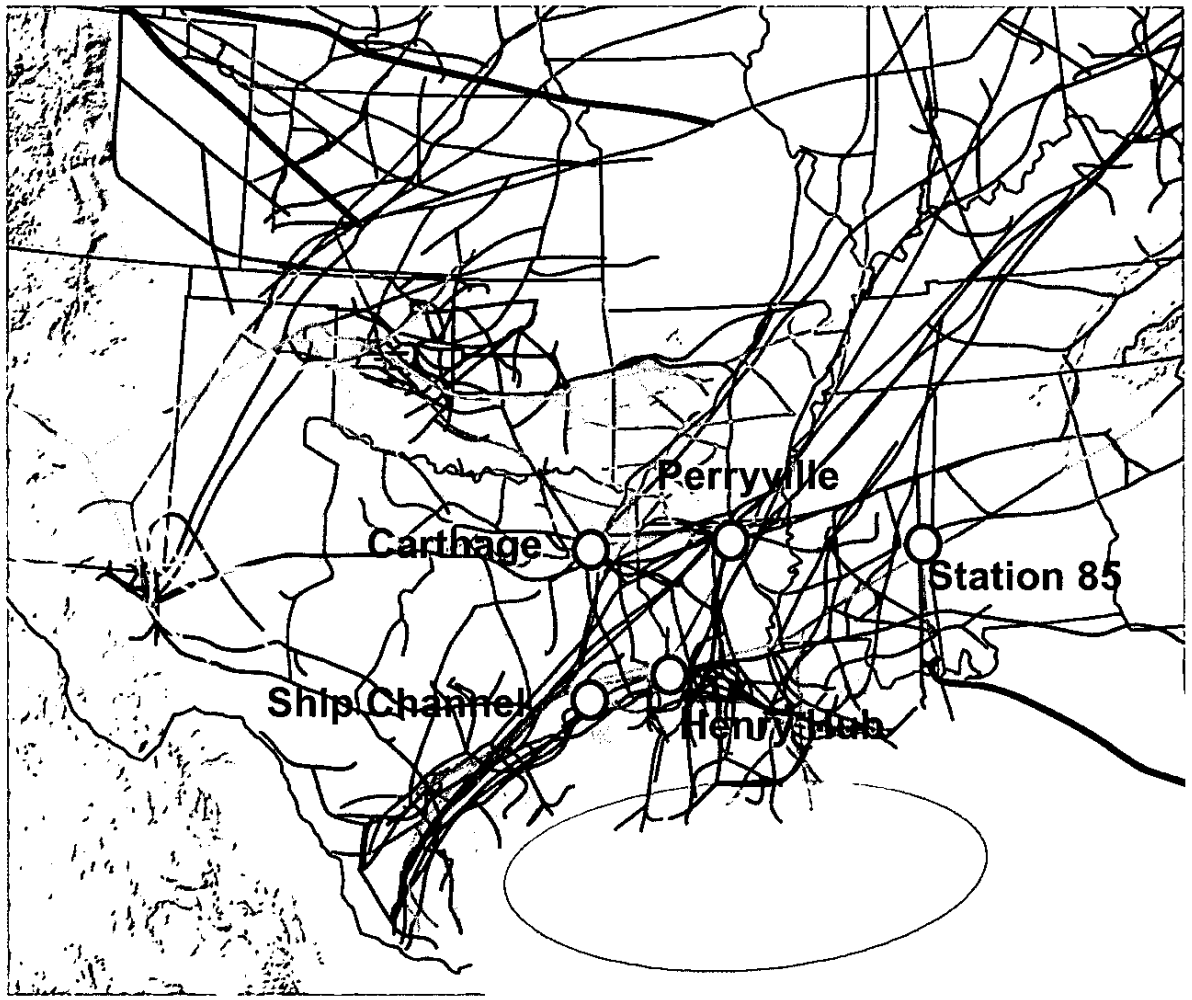
The Southeast Supply Area Is Complex



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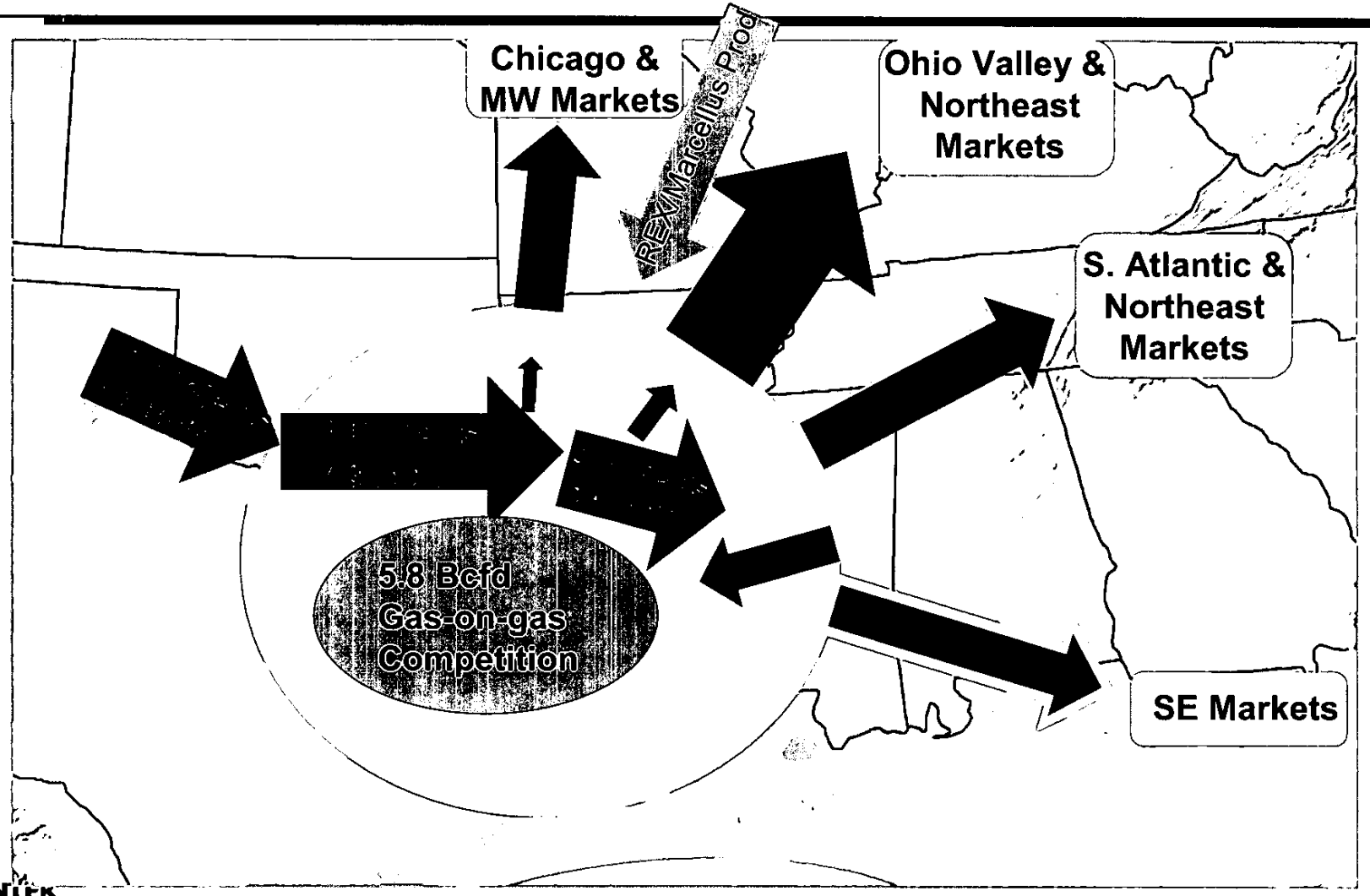
Pipeline Constraints Will Impact The SE Supply Area As Well



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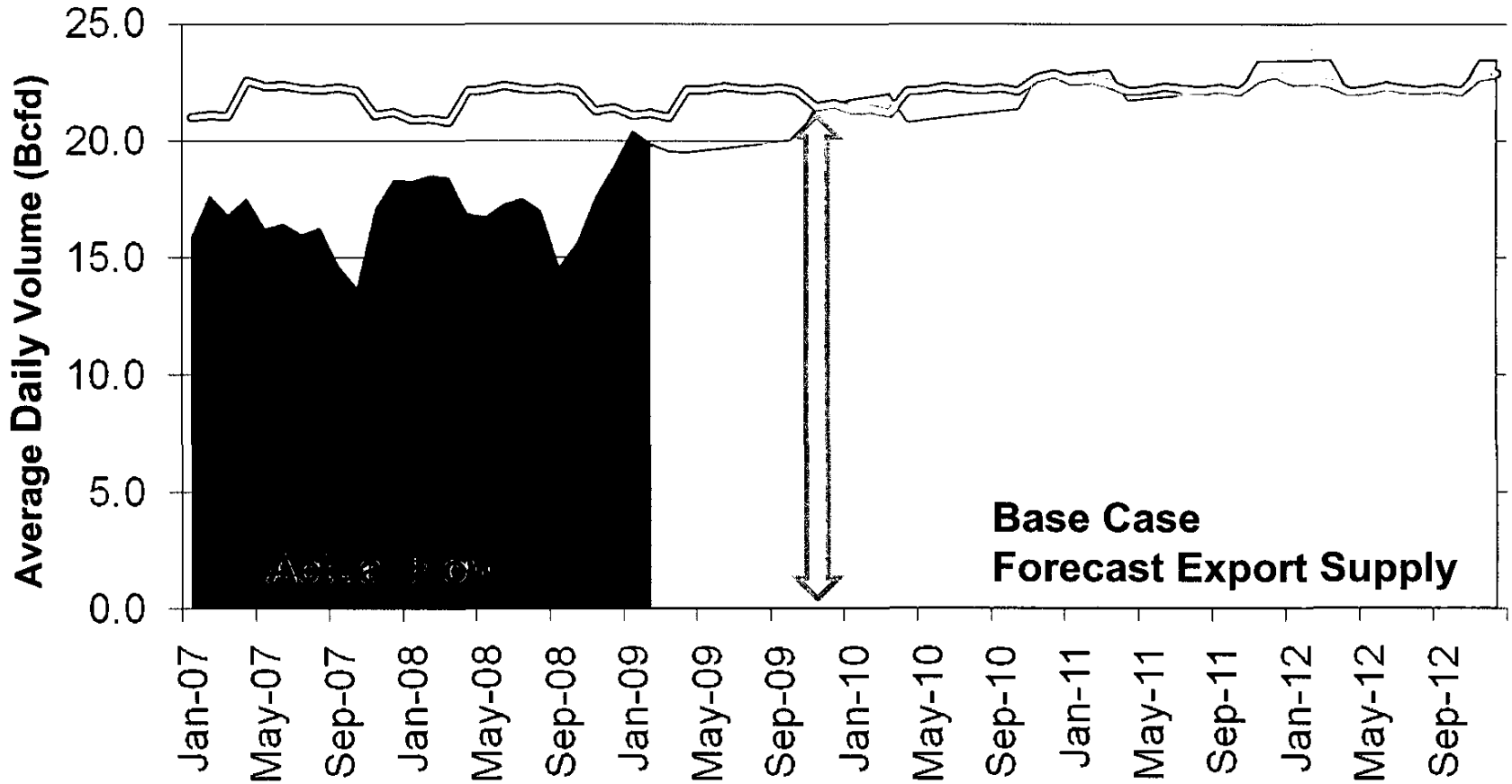
Drilling May Fall Off Further In The SESA As Well



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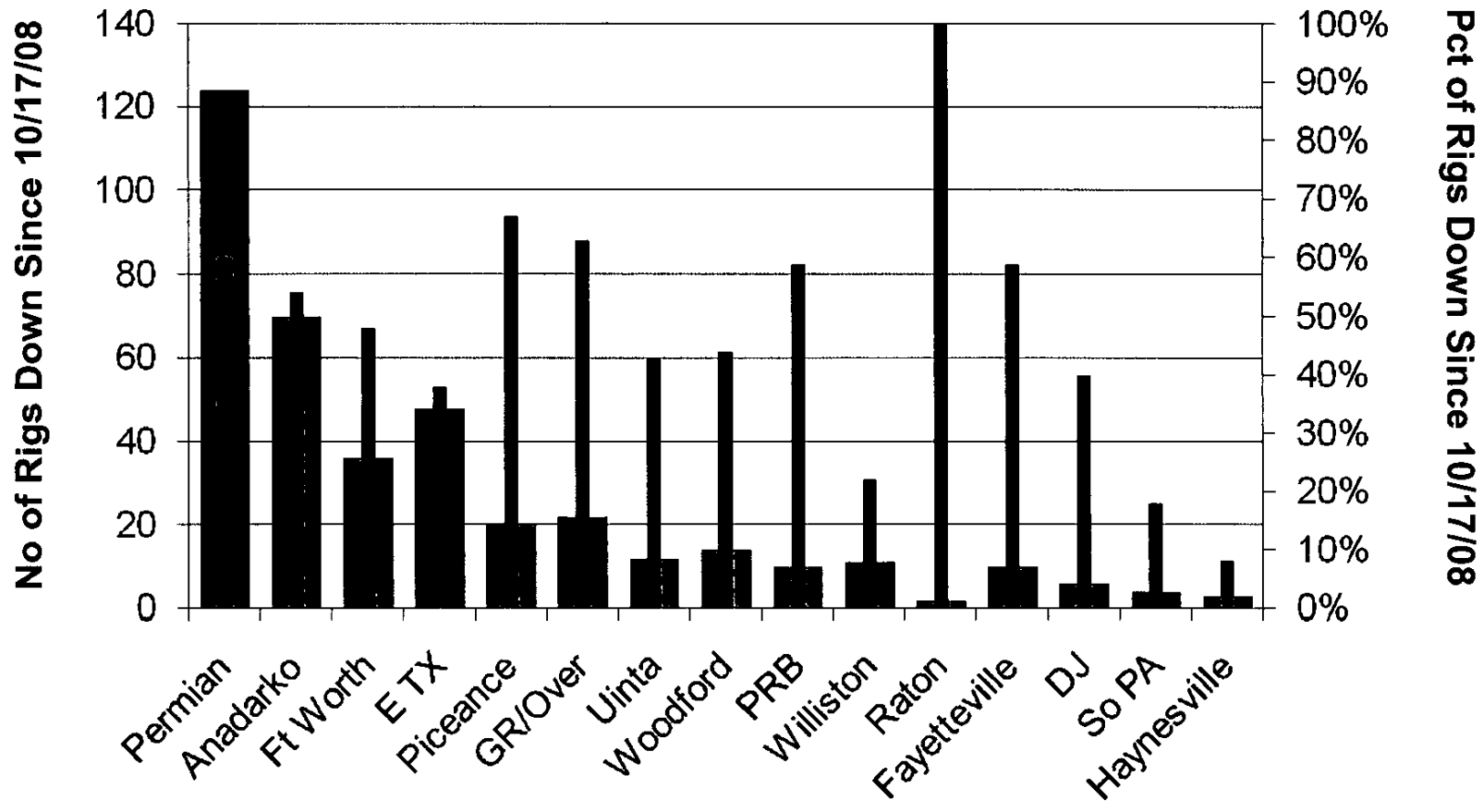
Drilling Is Off Across The Country



Drilling Data Thru 3/25/2009

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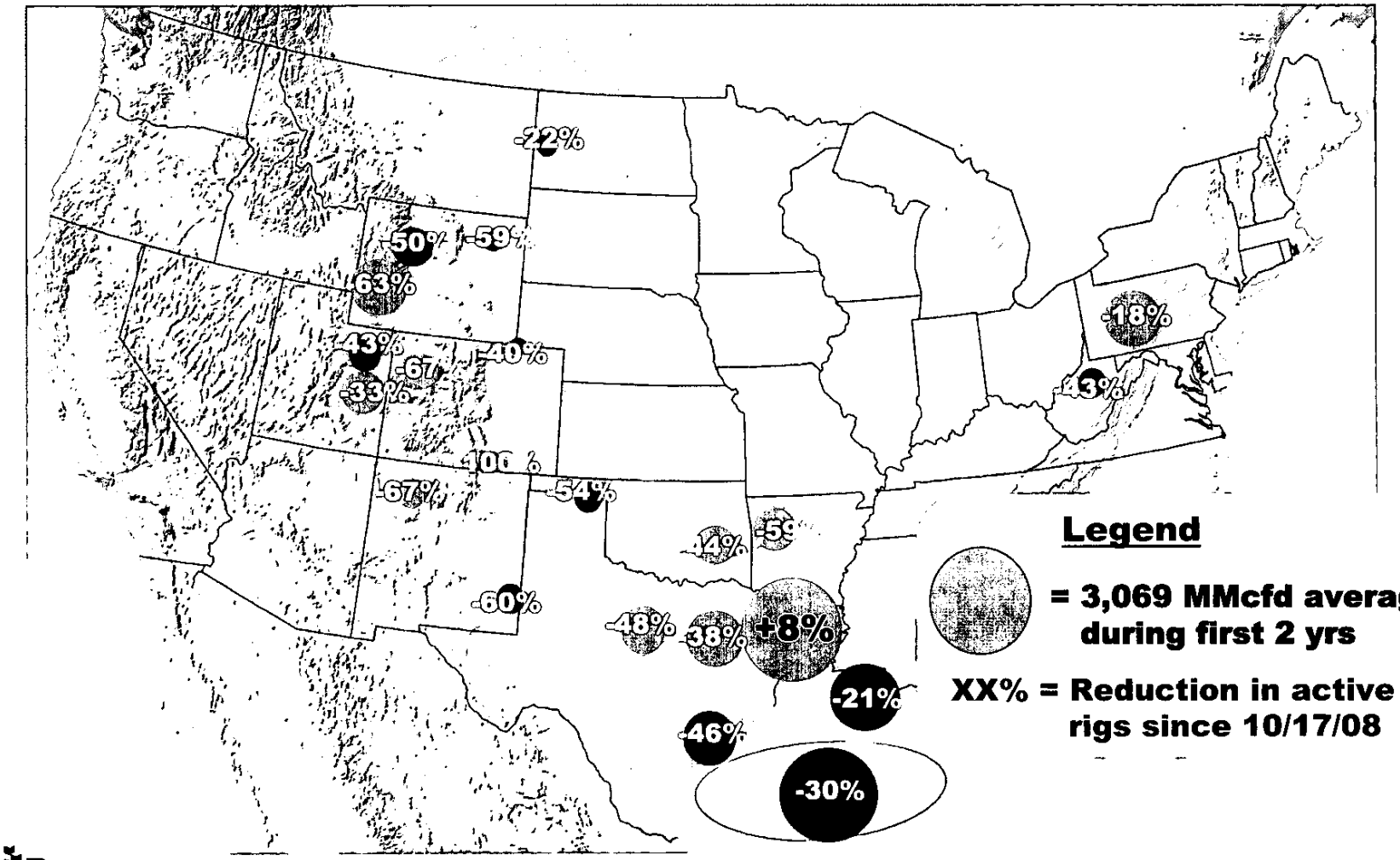
Exploration Is Concentrating In The Most Productive Basins



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Conclusions

- Natural gas is the GOOD energy news for consumers.
- 2008 belied the notion that the US is running out of natural gas. Prices will continue to fall and may stay in the $3 to $6 range for many years.
- On our current pace:
  - Exploration activity will fall dramatically in 2009 from 2008 levels.
  - 2009 drilling declines will arrest production growth.
  - Because of technology and pipeline constraints, prices will continue to be volatile, but corrections will happen more quickly and the range narrower.
  - Additional pipe capacity is needed but increased demand must come first .

Implications

- The low cost of natural gas will make alternatives economically less competitive .
- We are faced with an historic opportunity: US gas supplies are sufficient to play the central role in our nation's energy policy:
  - It is abundant in the US
  - It is relatively cheap
  - It is relatively clean
  - It is N. American – it provides jobs and tax base
  - Its consumption technologies are proven
- State, local and federal government policy is critical to realizing this fragile opportunity.
- Government policy – whether state, federal or local – needs a feedback loop to accommodate market changes. Ultimately markets prevail.

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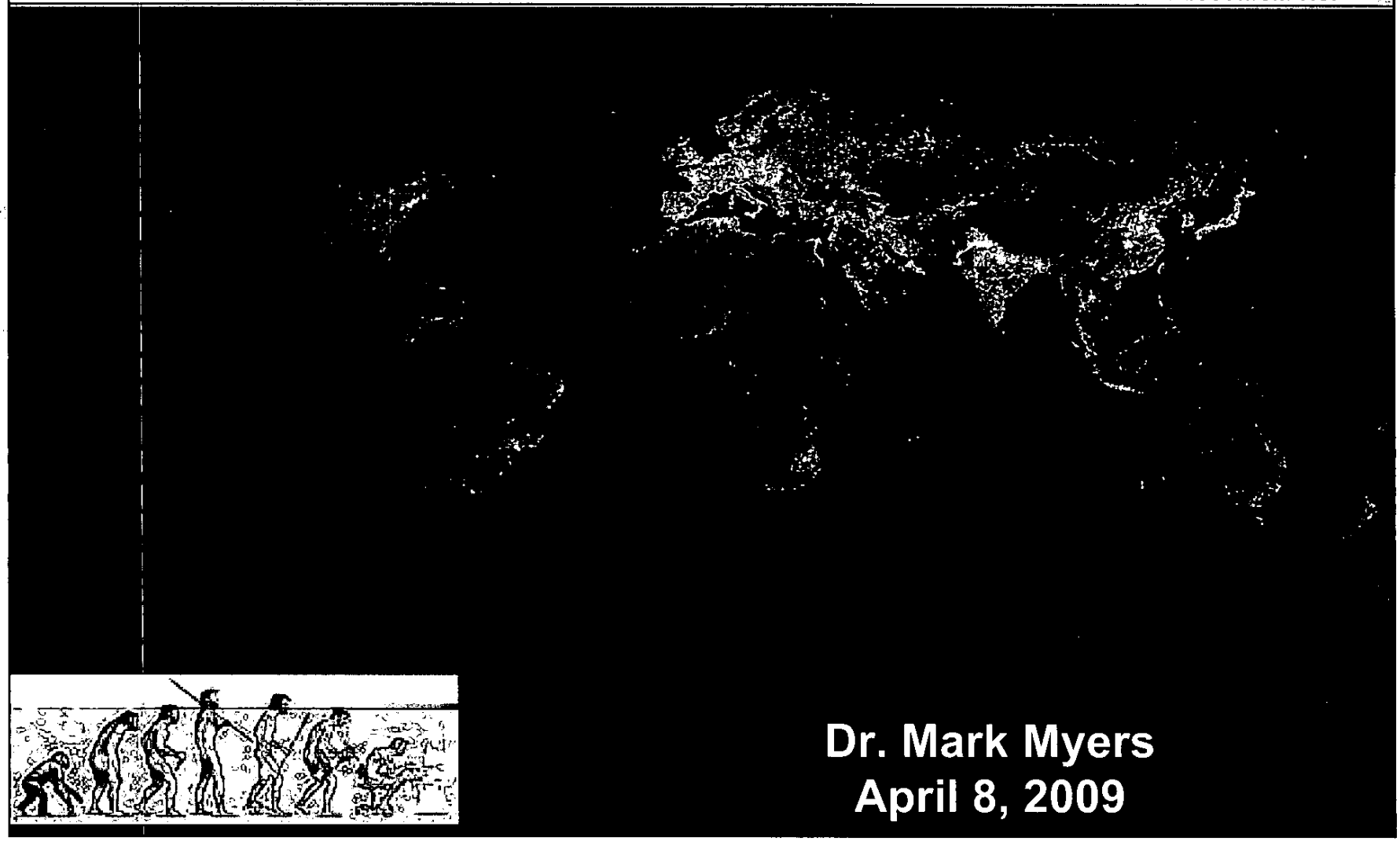
Toll Free: 888-251-1264
pbennett@bentekenergy.com

Alaska's Natural Gas – Needed or Not? What About Shale Gas and Carbon Regulation?

AGIA

The Alaska Gasline Inducement Act



Dr. Mark Myers

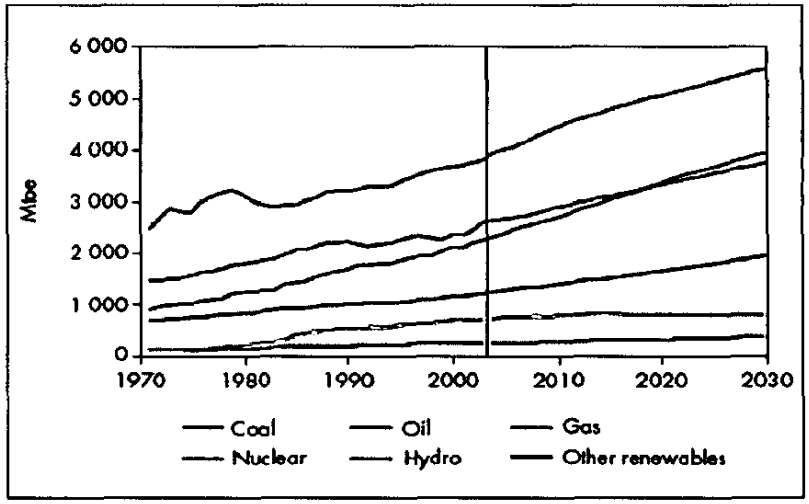
April 8, 2009

Alaska's Natural Gas is America's Resource For Enhancing Economic, Environmental and National Security

AGIA
The Alaska Gasline Inducement Act

- Global competition for imported energy
- Growing population, long term economic growth heighten worldwide demand
- Environmental consequences of development, extraction, and use of other resources

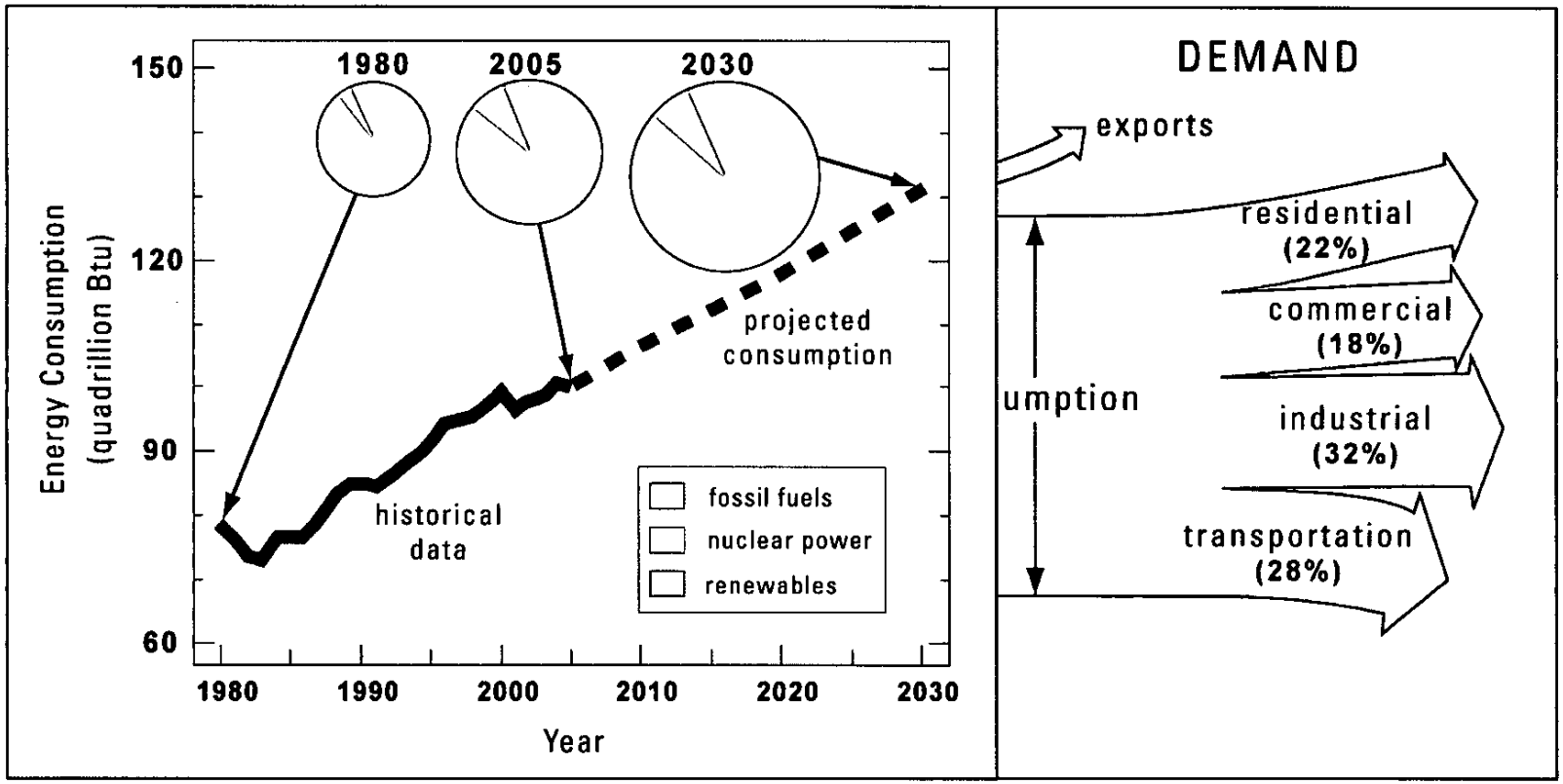
World Energy Consumption by Source



IEA

The Energy Mix for the United States

AGIA
The Alaska Gasline Inducement Act

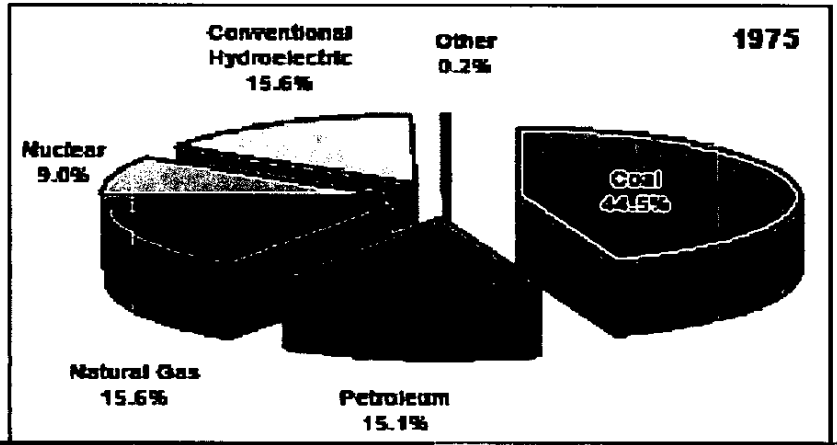


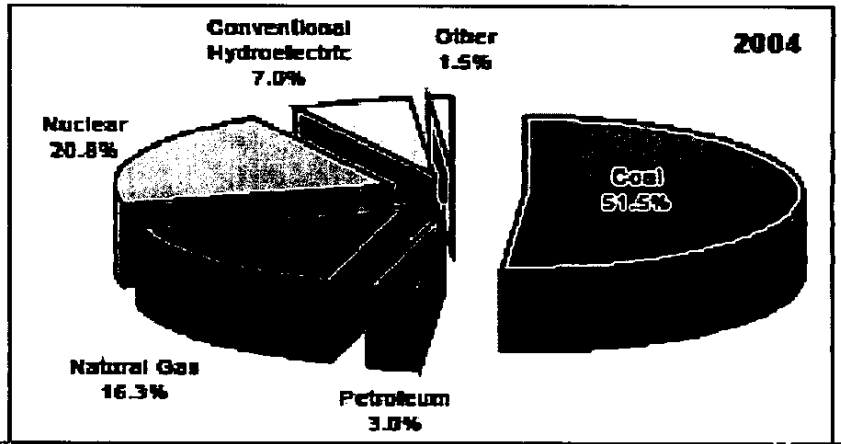
EIA

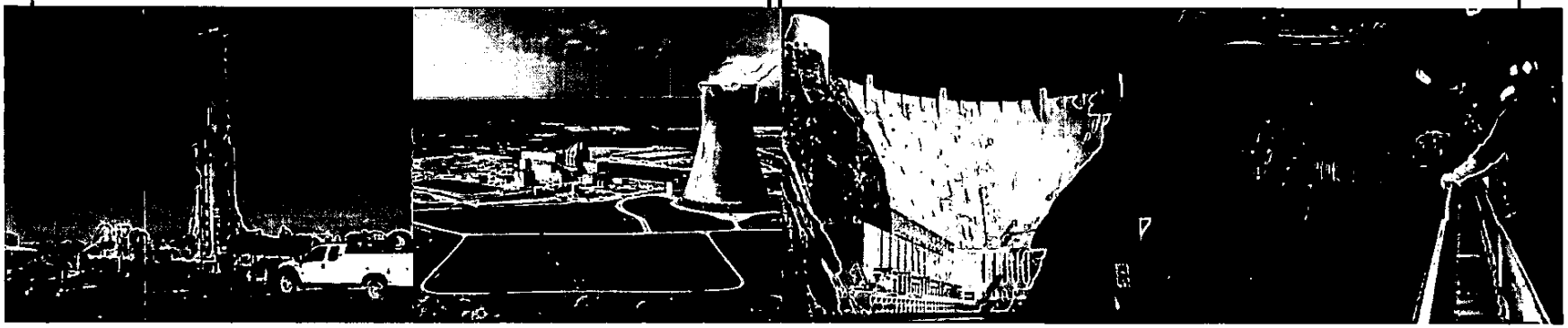
Large Changes Have Occurred In Fuel Sources

AGIA
The Alaska Gasline Inducement Act

U.S. Electric Power Generation by Fuel Type - Years 1975 and 2004







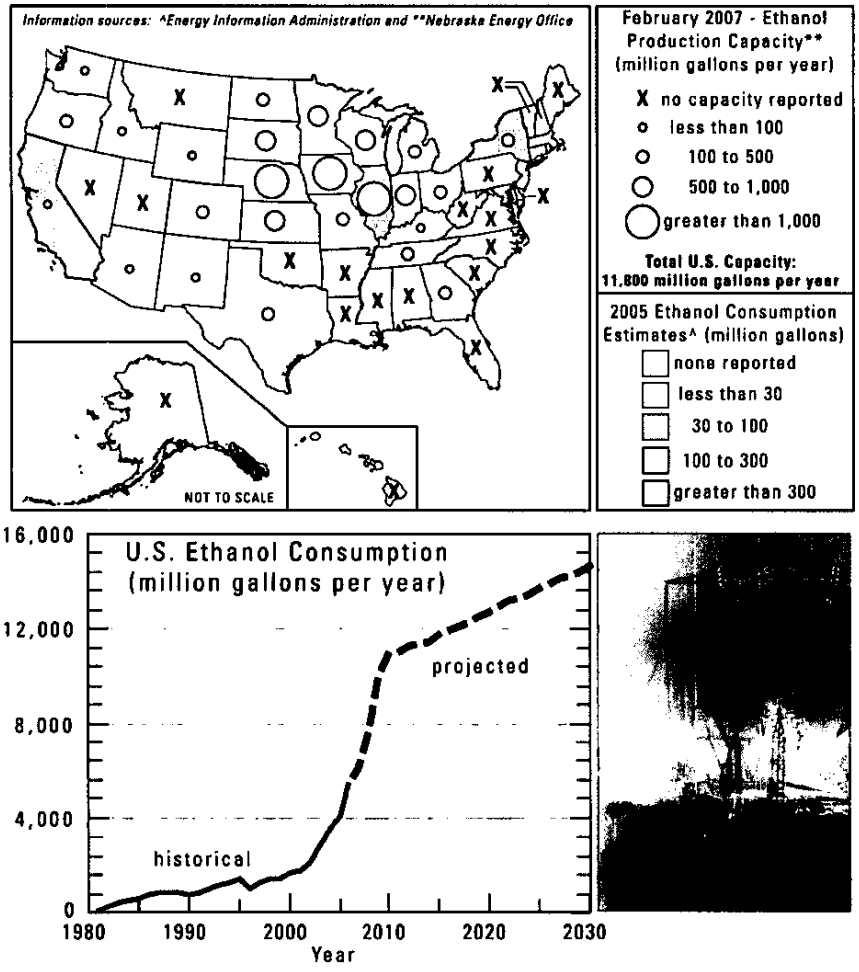
USGS/EIA

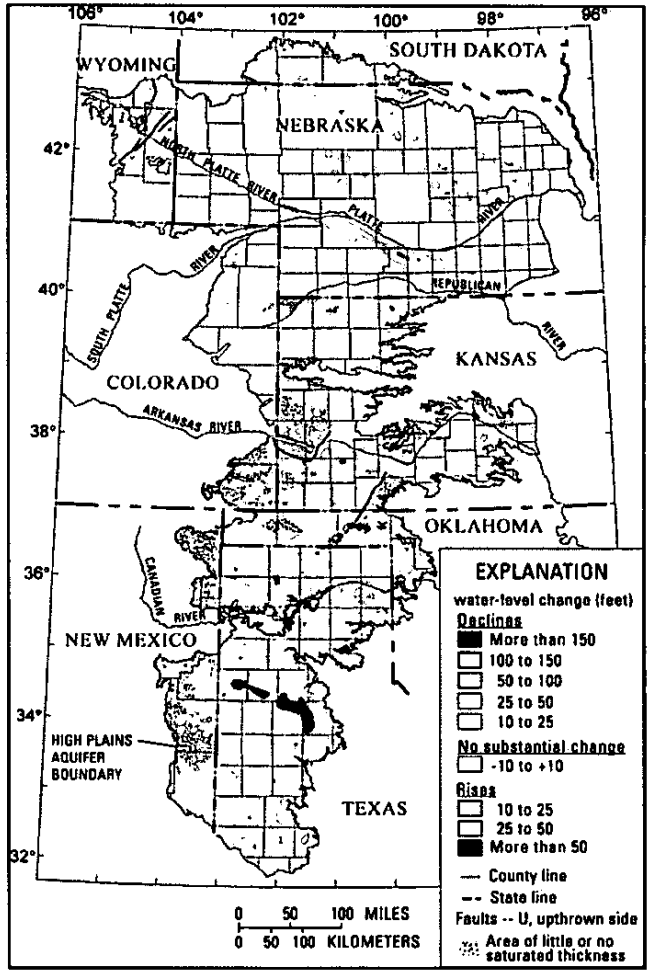
Change in Fuel Type for Electrical Generation Over Three Decades

No Free Lunch: All New Sources of Energy Have Their Own Unique Environmental Challenges: Biomass/Water

AGIA
The Alaska Gasline Inducement Act

USGS/EIA





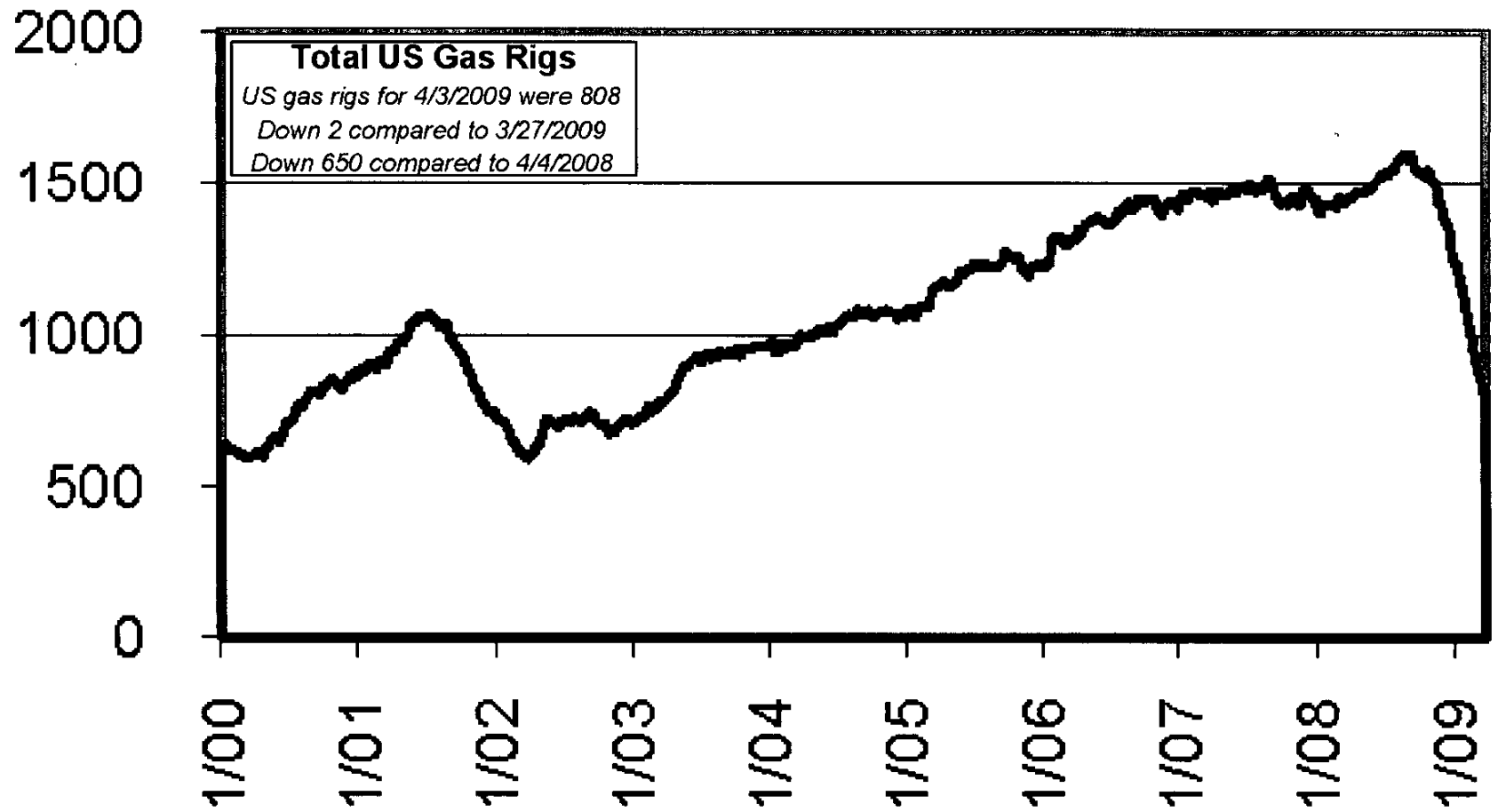
The USA Today

AGIA
The Alaska Gasline Inducement Act

- How have things changed since the legislature approved the AGIA license?
  - Global economic downturn with associated rapid decline in oil and gas prices
  - Rapid expansion of unconventional (shale) gas supplies in USA
  - Policy shift limiting access to lower 48 federal lands for non-renewable energy production?
  - First authoritative Arctic oil and gas assessment
  - Increased likelihood of carbon regulation

U.S. Gas Well Drilling down 45% in Last Year

AGIA
The Alaska Gasline Inducement Act



Source: Baker Hughes

Economic 'Recession' AGIA

The Alaska Gasline Inducement Act

Jim Mulva, Chairman and CEO ConocoPhillips,
March 13, 2009 - *Petroleumworld.com*

"Costs are coming down pretty dramatically," (Mulva) said. "When we say defer, we're not talking years, we're talking months, quarters, maybe up to a year."

Speaking about the Denali Alaska gas pipeline project, proposed last June by ConocoPhillips and BP, Mulva said President Barack Obama has identified the 4 Bcf/d project as a means of reducing US dependence on foreign oil.

The pipeline would bring North Slope gas down to a pipeline in Alberta for transport to the Lower 48 states. "We know it's going to get far more federal attention," he said. "Obviously, Alaska would like to see it go."

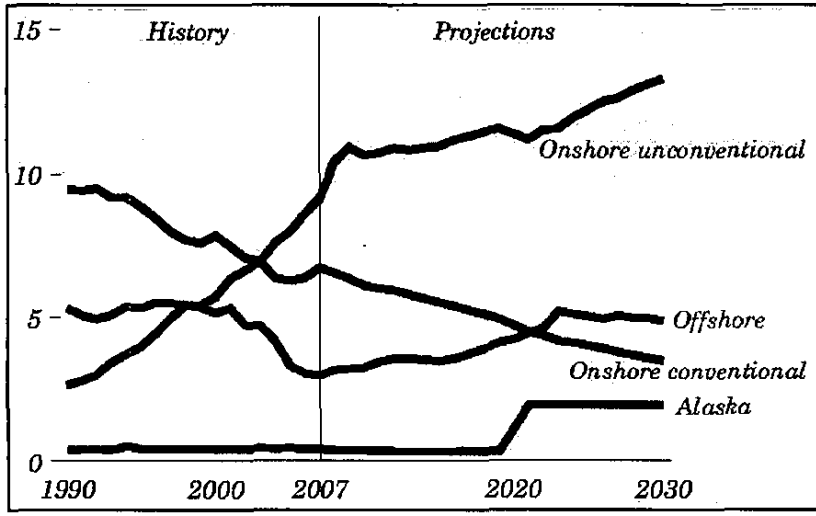
Mulva repeated the partners plan a 2010 open season for gas deliveries; first gas deliveries are eyed for 2019.

While current gas prices have led ConocoPhillips to cut back on its Canadian operations, Mulva discounted the low prices as a roadblock to the pipeline project's development.

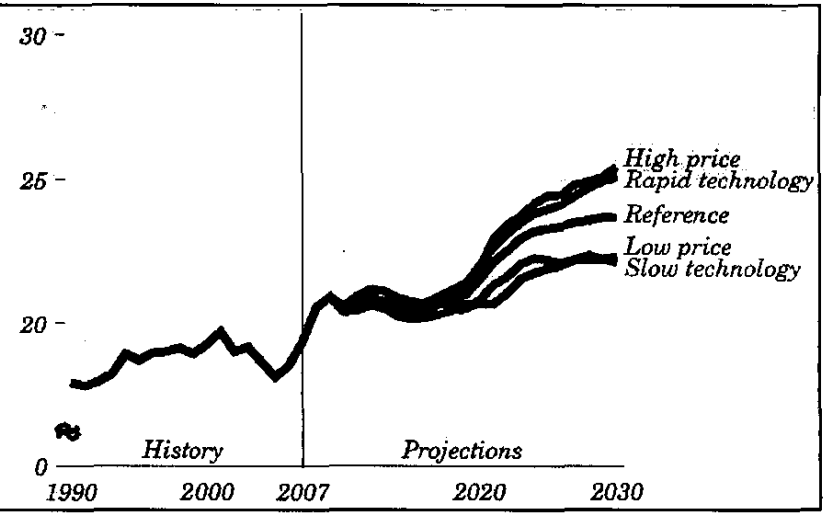
"You can't look at gas prices today," he said. "You have to look at prices 10 years from now."

Both Lower 48 Unconventional and Alaska North Slope Gas are Needed for America's Future

AGIA
The Alaska Gasline Inducement Act



Natural gas production by source, (1990-2030 9trillion cubic feet)



Total U.S. natural gas production in five cases, 1990-2030 (trillion cubic feet)

Source: EIA Annual Energy Outlook 2009

2009 EIA Forecasts for Natural Gas Prices Accounts for Growth of Unconventional Gas Resources

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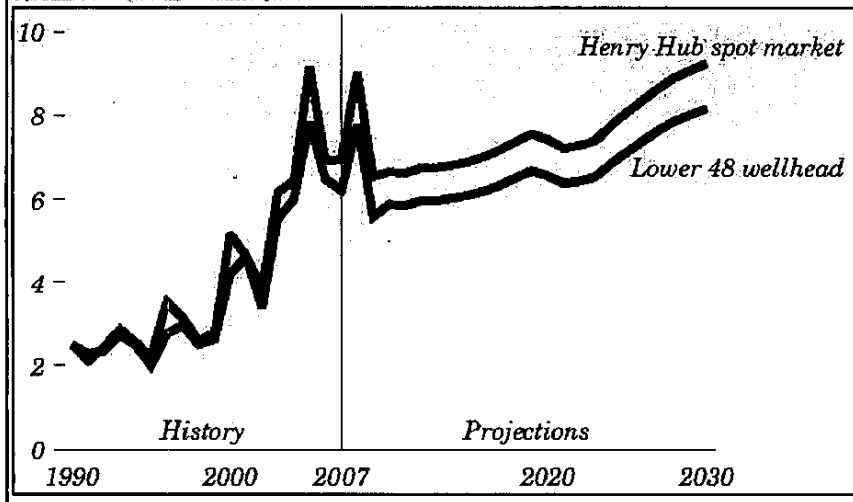
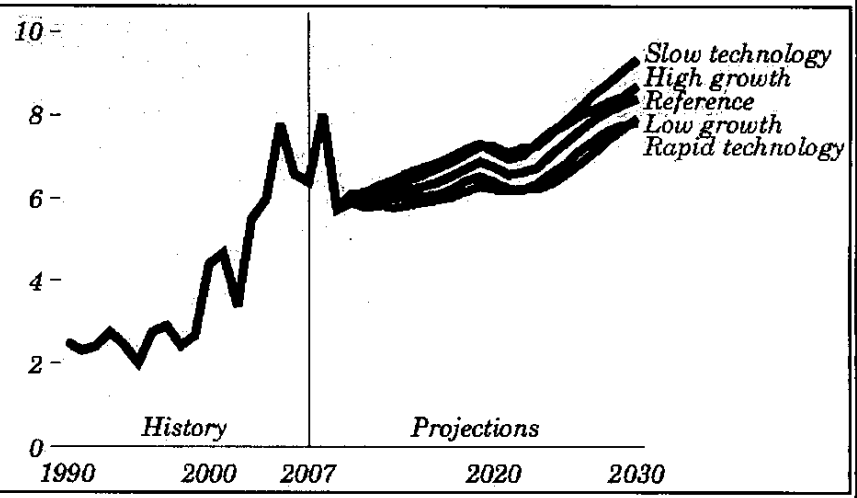
The Alaska Gasline Inducement Act



Lower 48 wellhead and Henry Hub Spot market prices for natural gas, 1990-2030 (2007 dollars per million Btu)



Lower 48 wellhead natural gas prices in five cases, 1990-2030 (2007 dollars per thousand cubic feet)

10

Source: EIA Annual Energy Outlook 2009

Development of New Unconventional Gas Resources

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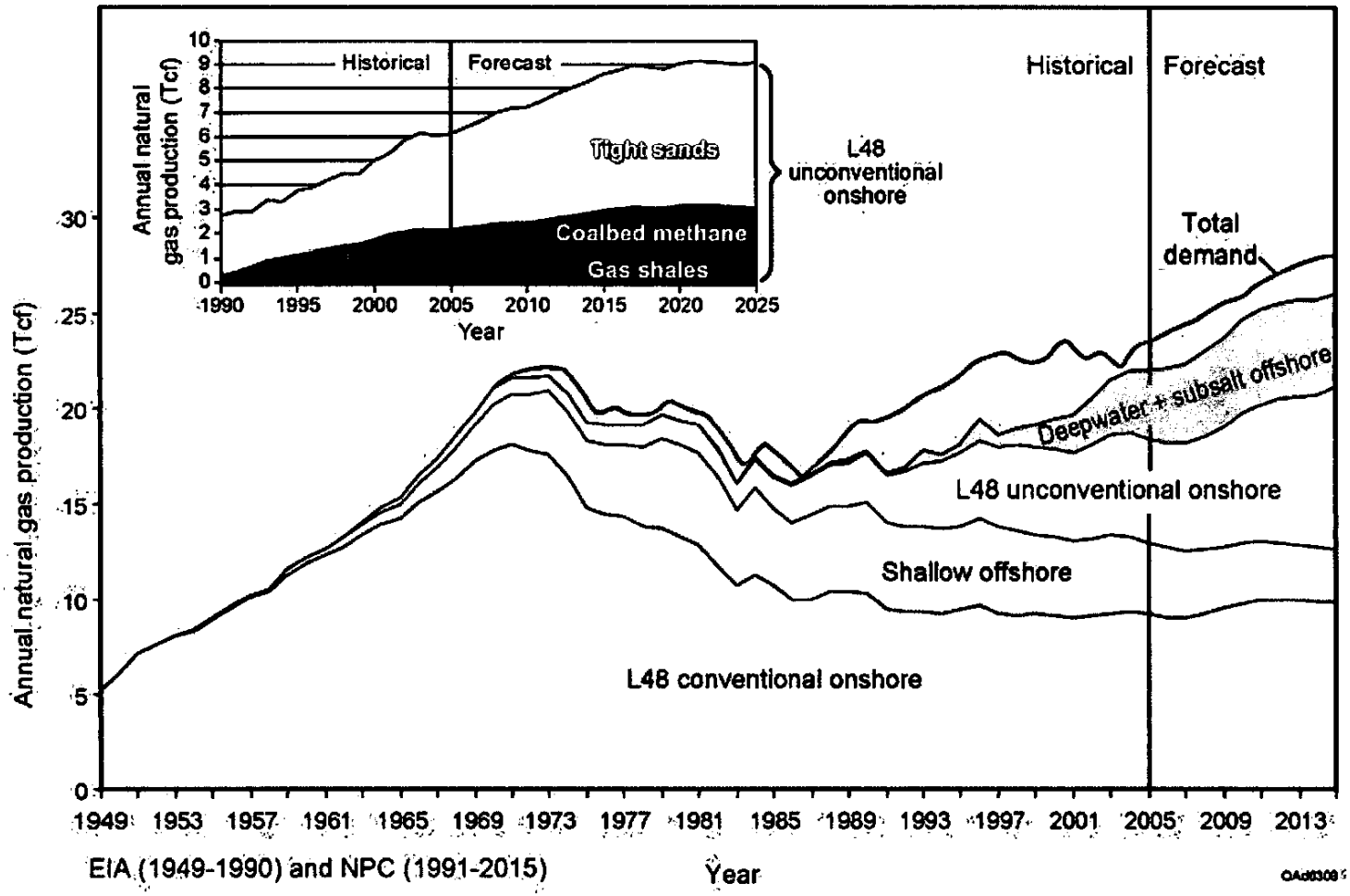
The Alaska Gasline Inducement Act

"Declines [in North America] are expected to accelerate after 2030 coinciding with the increase in LNG import volumes. Black & Veatch expects near-term production growth in the Rockies and shale plays to offset declines in the Gulf Coast and other Lower 48 production basins."

- AGIA Findings and Determination; Appendix G1 – *AGIA NPV Report*

Shale Gas Provides About 5% of Domestic Production

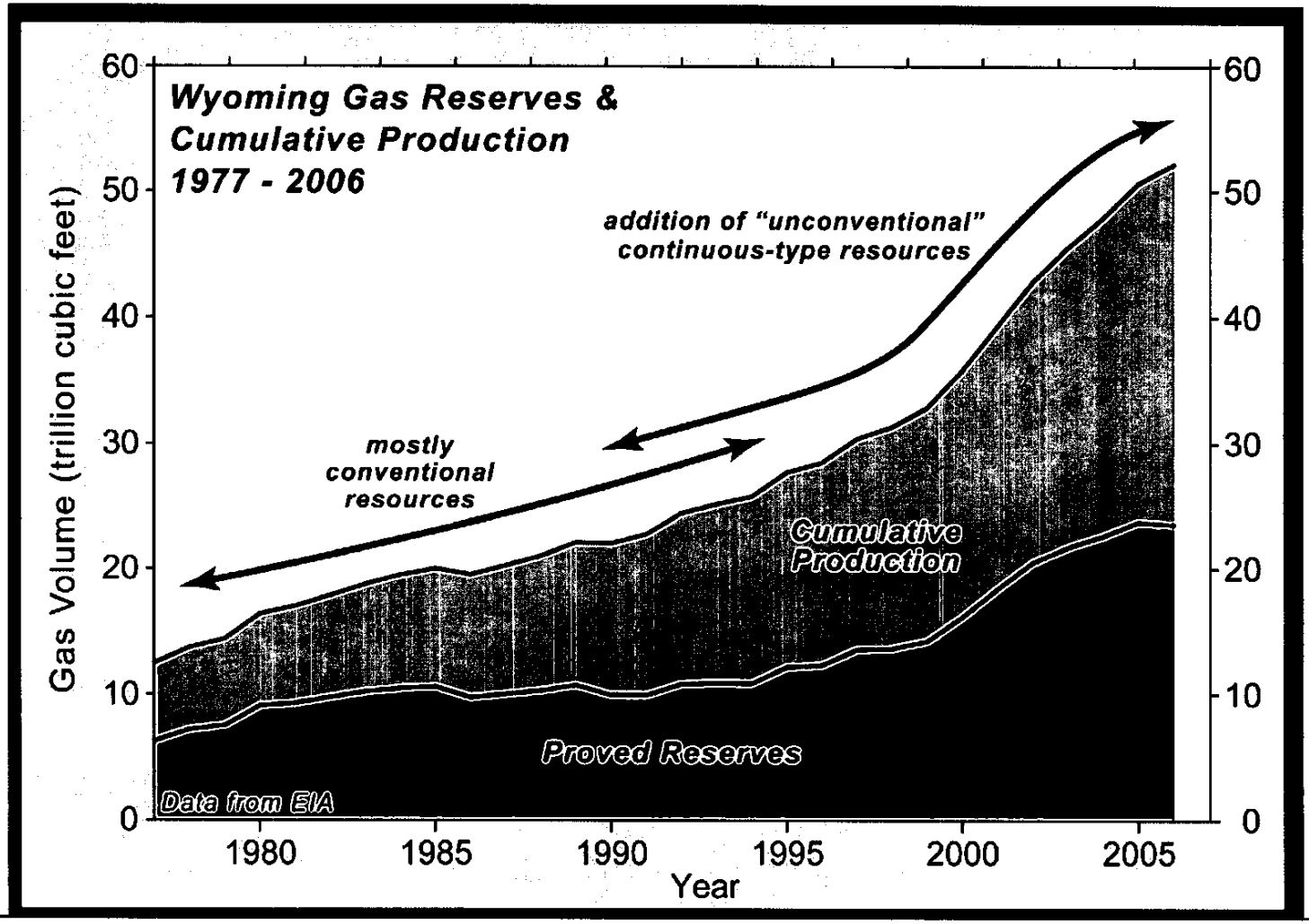
AGIA
The Alaska Gasline Inducement Act



Wyoming Gas Reserves & Production History

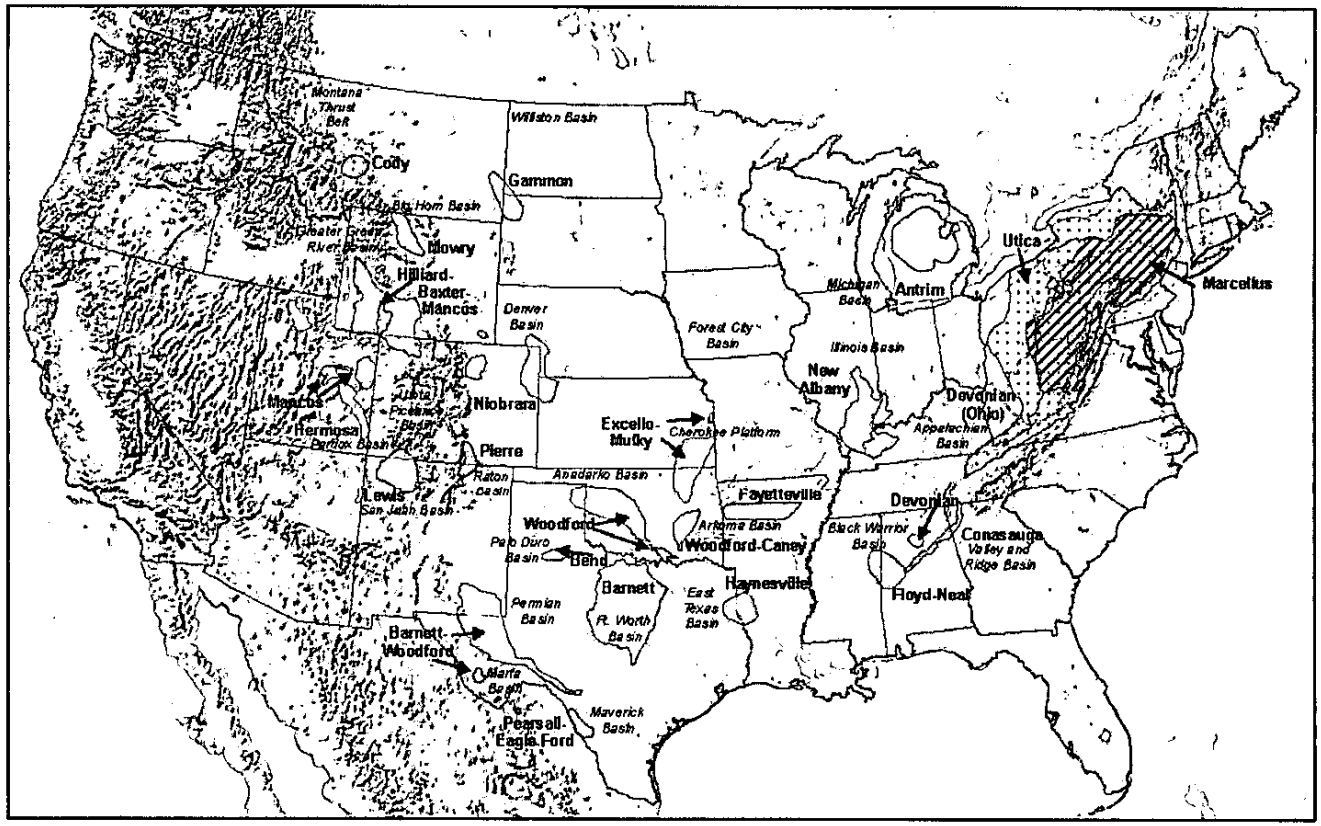
AGIA
The Alaska Gasline Inducement Act

Courtesy of USGS



Lower 48 Shale Gas Plays

AGIA
The Alaska Gasline Inducement Act



United States Shale Gas Plays

www.eia.doe.gov
Energy Information Administration
Office of Oil and Gas

Shale Gas Plays
Basins

Stacked Appalachian Plays
Marcellus
Utica
Devonian (OH shale)

November 2008
Miles
0 150 300 600

N

Estimated Break-Even Costs for Lower 48 Shale Gas and Alaska North Slope Onshore Gas

AGIA
The Alaska Gasline Inducement Act

- Onshore North Slope Gas (at AECO Hub)
  - $3.00 - $4.25
  - (USGS, AGIA Finding)
- Lower 48 Shale Gas (NYMEX)
  - Lowest - $4.20
  - Medium - $6.64
  - Highest - $11.50
  - (Bank of America)
- Today's lower drilling and steel costs and future technological development enhance economics of BOTH

15

Source: Bank of America, USGS and AGIA Finding

Arctic Alaska and Russia at the Top

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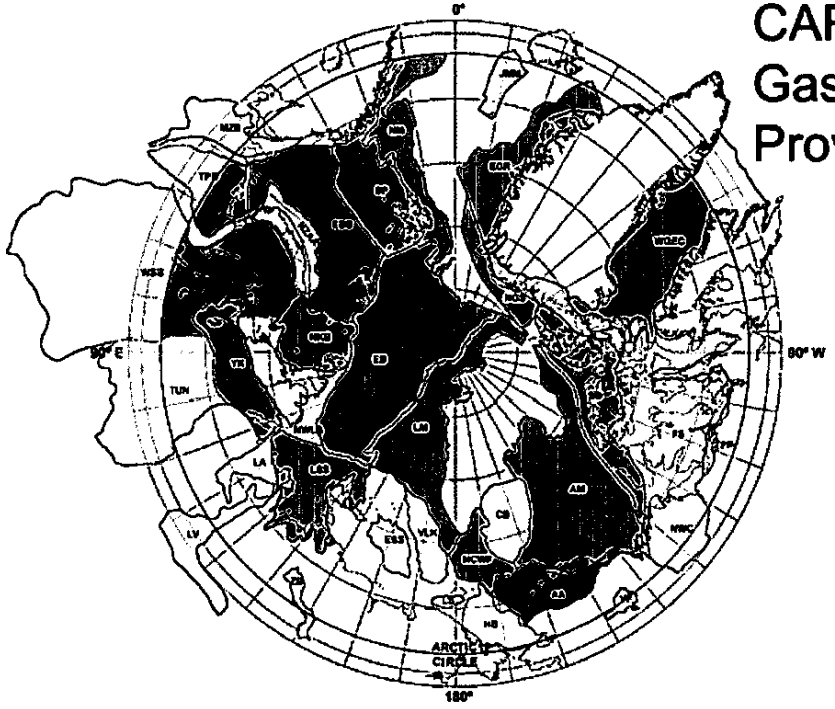
UNDISCOVERED GAS
(trillion cubic feet)

- >100
- 6–100
- <6
- Area not quantitatively assessed
- Area of low petroleum potential



CARA Gas Provinces

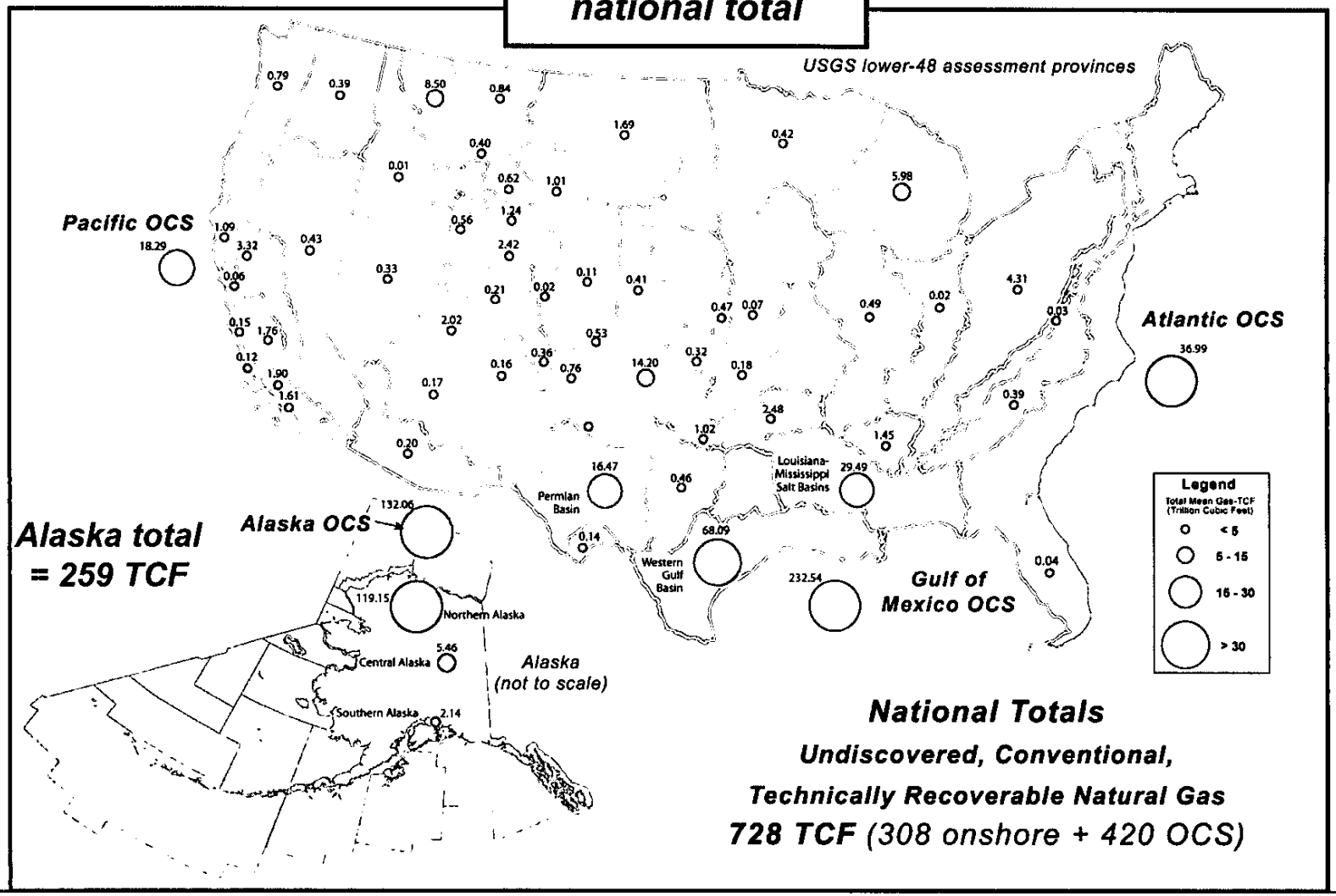
Province Code	Province	Oil (MMBO)	Total Gas (BCFG)	NGL (MMBNGL)	BOE (MMBOE)
WSB	West Siberian Basin	[illegible]	[illegible]	[illegible]	132,571.66
AA	Arctic Alaska	29,960.94	221,397.60	5,904.97	72,765.52
EBB	East Barents Basin	7,406.49	217,557.07	4,468.69	61,755.10
EGR	East Greenland Rift Basins	8,902.13	86,180.06	8,121.57	31,387.04
YK	Yenisey-Khatanga Basin	5,583.74	99,964.26	2,675.15	24,919.61
AM	Amerasia Basin	9,723.58	56,891.21	541.69	19,747.14
WGEC	West Greenland-East Canada	7,274.40	51,818.16	1,152.59	17,063.35
	[illegible]a Shelf	3,115.57	32,562.84	887.16	9,409.87
	[illegible]n Margin	1,437.29	32,281.01	504.73	7,322.19
	[illegible]latform	2,055.51	26,218.67	278.71	6,704.00
	[illegible]asin	1,342.15	19,475.43	520.26	5,108.31
	[illegible] Basins and Platforms	1,807.26	14,973.58	390.22	4,693.07
	[illegible]chora Basin	1,667.21	9,062.59	202.80	3,380.44
	[illegible]enland Sheared Margin	1,349.80	10,207.24	273.09	3,324.09
	[illegible]v-Makarov	1,106.78	7,156.25	191.55	2,491.04
	[illegible] Basin	851.11	8,596.36	191.20	2,475.04
	[illegible]bar Basin	1,912.89	2,106.75	56.41	2,320.43
	[illegible]ikchi-Wrangel Foreland	85.99	6,065.76	106.57	1,203.52
	[illegible]asin	98.03	5,741.87	101.63	1,156.63
	[illegible]t Laptev Sea Shelf	172.24	4,488.12	119.63	1,039.90
	[illegible]i Basin	376.86	1,335.20	35.66	635.06
	[illegible] Basin	47.82	1,505.99	40.14	338.95
	[illegible]ian Sea Basin	19.73	618.83	10.91	133.78
	[illegible]in	2.47	648.17	11.37	121.87
	[illegible]t Canada Interior Basins	23.34	305.34	15.24	89.47
	[illegible]ssin	NOA	NOA	NOA	NOA
	[illegible]imlya Basins and Admiralty	NOA	NOA	NOA	NOA
	[illegible] Basin	NOA	NOA	NOA	NOA
	[illegible]orderland	NOA	NOA	NOA	NOA
	[illegible]ts (part of Central Alaska [illegible]ce)	NOA	NOA	NOA	NOA
	[illegible]t	NOA	NOA	NOA	NOA
	[illegible]n Microcontinent	NOA	NOA	NOA	NOA
	[illegible]n Shelf	NOA	NOA	NOA	NOA
		89,983.21	1,668,657.84	44,064.24	412,157.09

Source: USGS Fact Sheet 2008-3049

Undiscovered, Conventional Gas Resources of the U.S.

Alaska resources = 36% of national total

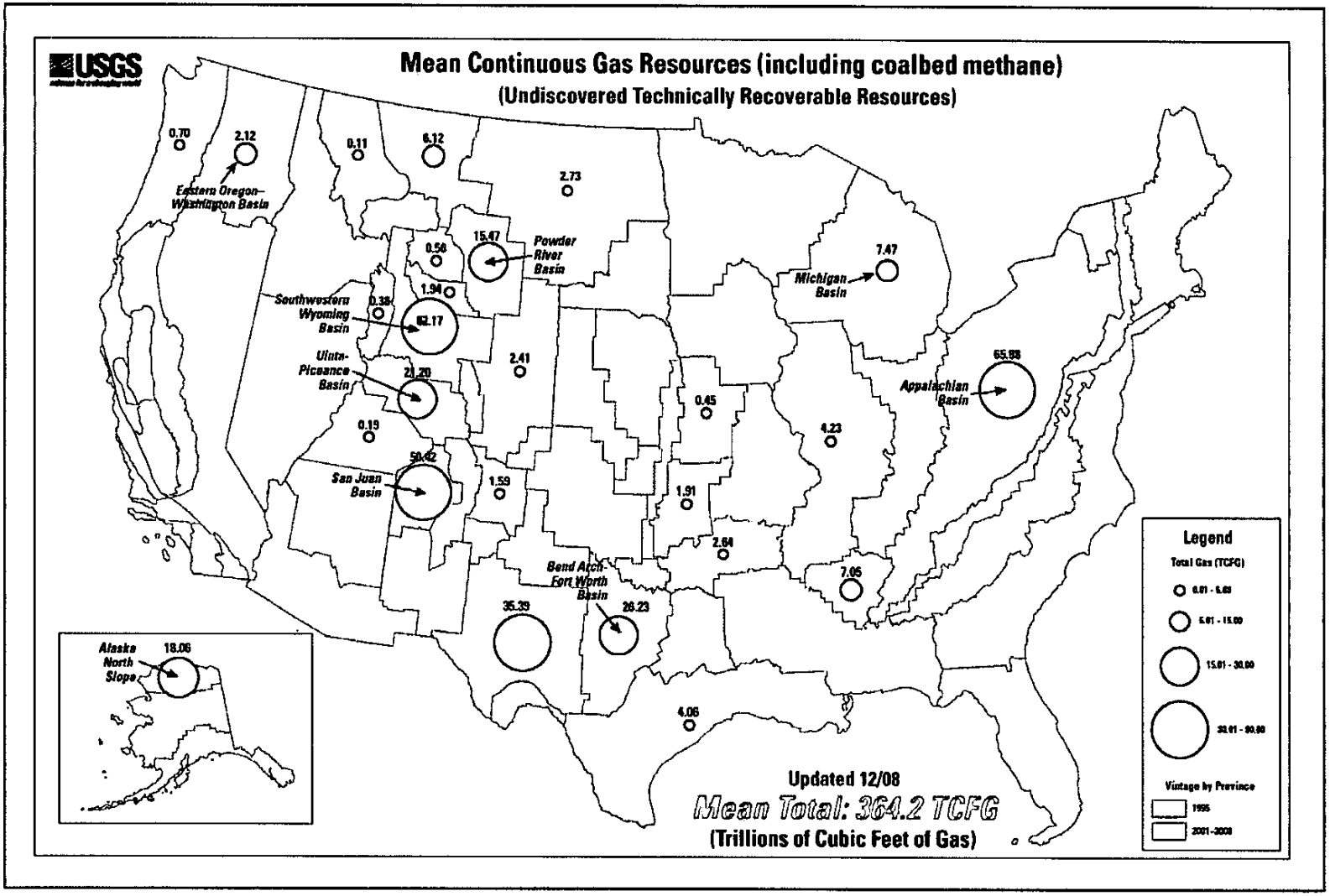
AGIA
The Alaska Gasline Inducement Act

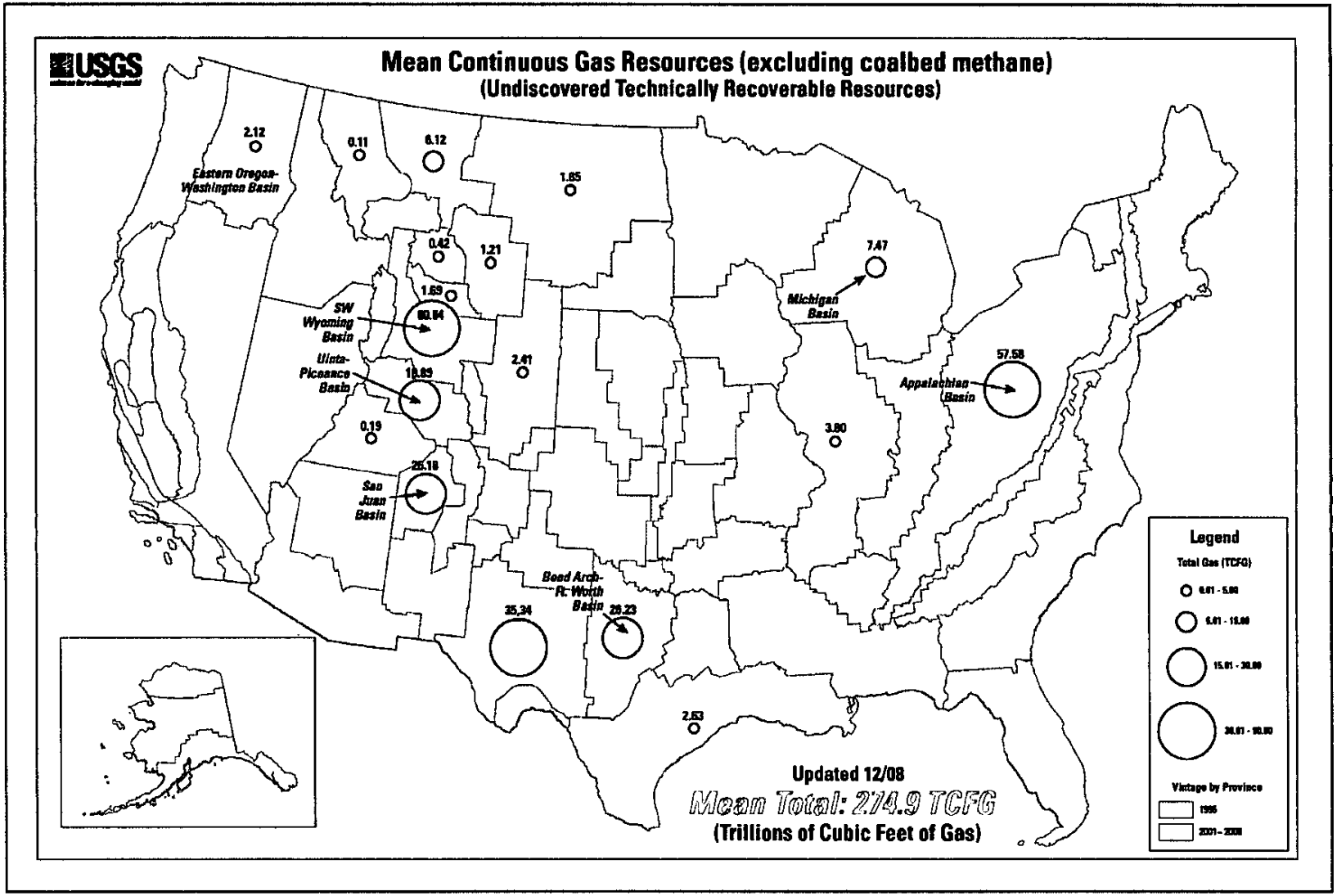


National Totals

Undiscovered, Conventional, Technically Recoverable Natural Gas

728 TCF *(308 onshore + 420 OCS)*


USGS
Mean Continuous Gas Resources (including coalbed methane)
(Undiscovered Technically Recoverable Resources)
0.70
2.12
Eastern Oregon–Washington Basin
0.11
6.12
2.73
15.47
Powder River Basin
0.56
7.47
Michigan Basin
1.94
Southwestern Wyoming Basin
0.38
52.17
Uinta-Piceance Basin
21.20
2.41
65.98
Appalachian Basin
0.45
0.15
4.23
50.42
San Juan Basin
1.59
1.91
2.64
7.05
Bend Arch-Fort Worth Basin
35.39
26.23
Alaska North Slope
18.06
4.06
Updated 12/08
Mean Total: 364.2 TCFG
(Trillions of Cubic Feet of Gas)
Legend
Total Gas (TCFG)
0.01 - 5.00
5.01 - 15.00
15.01 - 30.00
30.01 - 90.00
Vintage by Province
1995
2001-2008


USGS
Mean Continuous Gas Resources (excluding coalbed methane)
(Undiscovered Technically Recoverable Resources)
2.12
Eastern Oregon-Washington Basin
0.11
6.12
1.85
0.42
1.21
1.59
7.47
Michigan Basin
SW Wyoming Basin
80.84
Uinta-Piceance Basin
19.89
2.41
57.58
Appalachian Basin
0.19
3.80
28.18
San Juan Basin
Bend Arch-Ft. Worth Basin
35.34
26.23
2.53
Legend
Total Gas (TCFG)
Vintage by Province
1995
2001 - 2008
Updated 12/08
Mean Total: 274.9 TCFG
(Trillions of Cubic Feet of Gas)

Undiscovered Conventional Gas Potential

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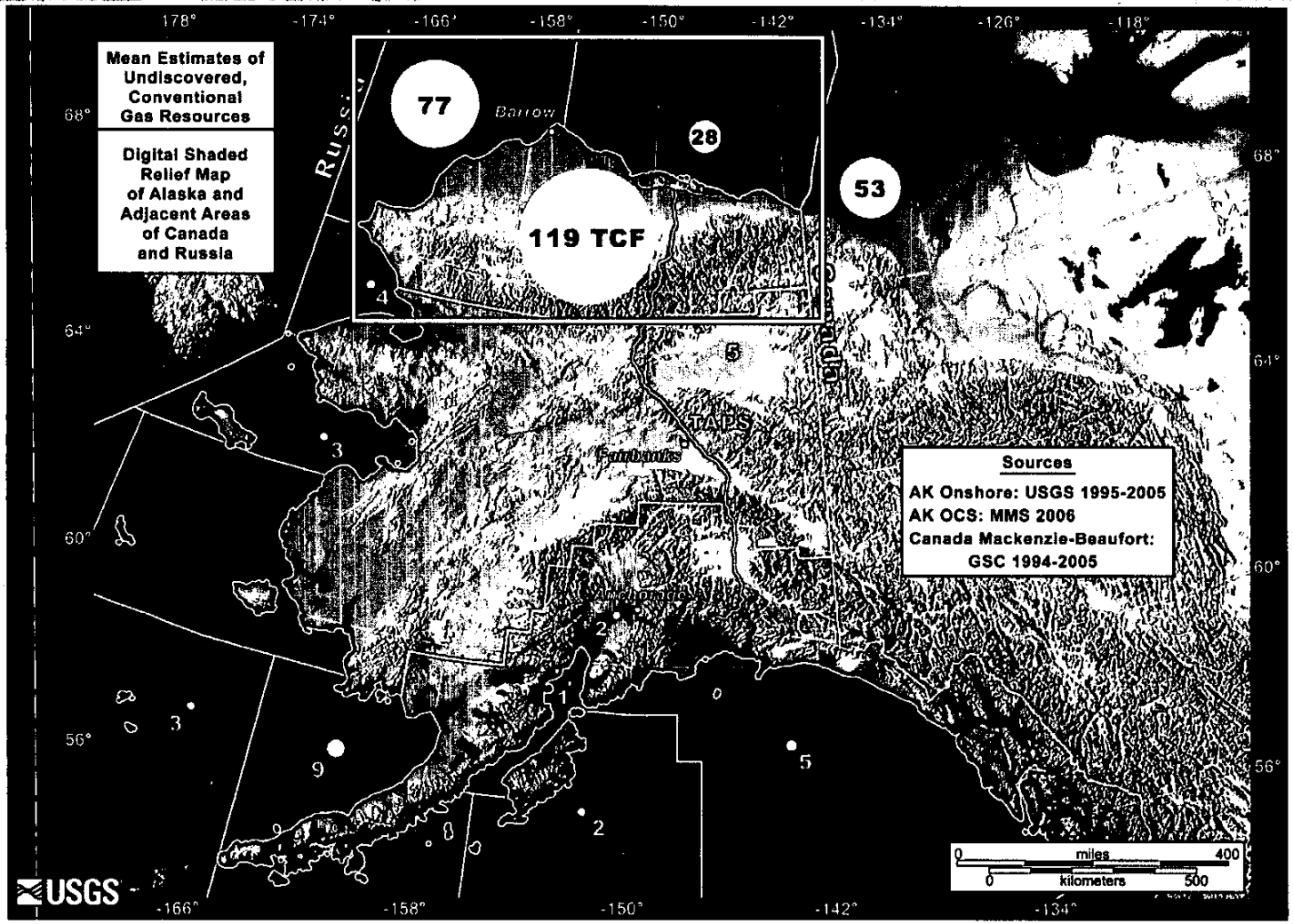
The Alaska Gasline Inducement Act



Potential for Undiscovered Petroleum in Arctic Alaska

USGS /MMS

AGIA
The Alaska Gasline Inducement Act

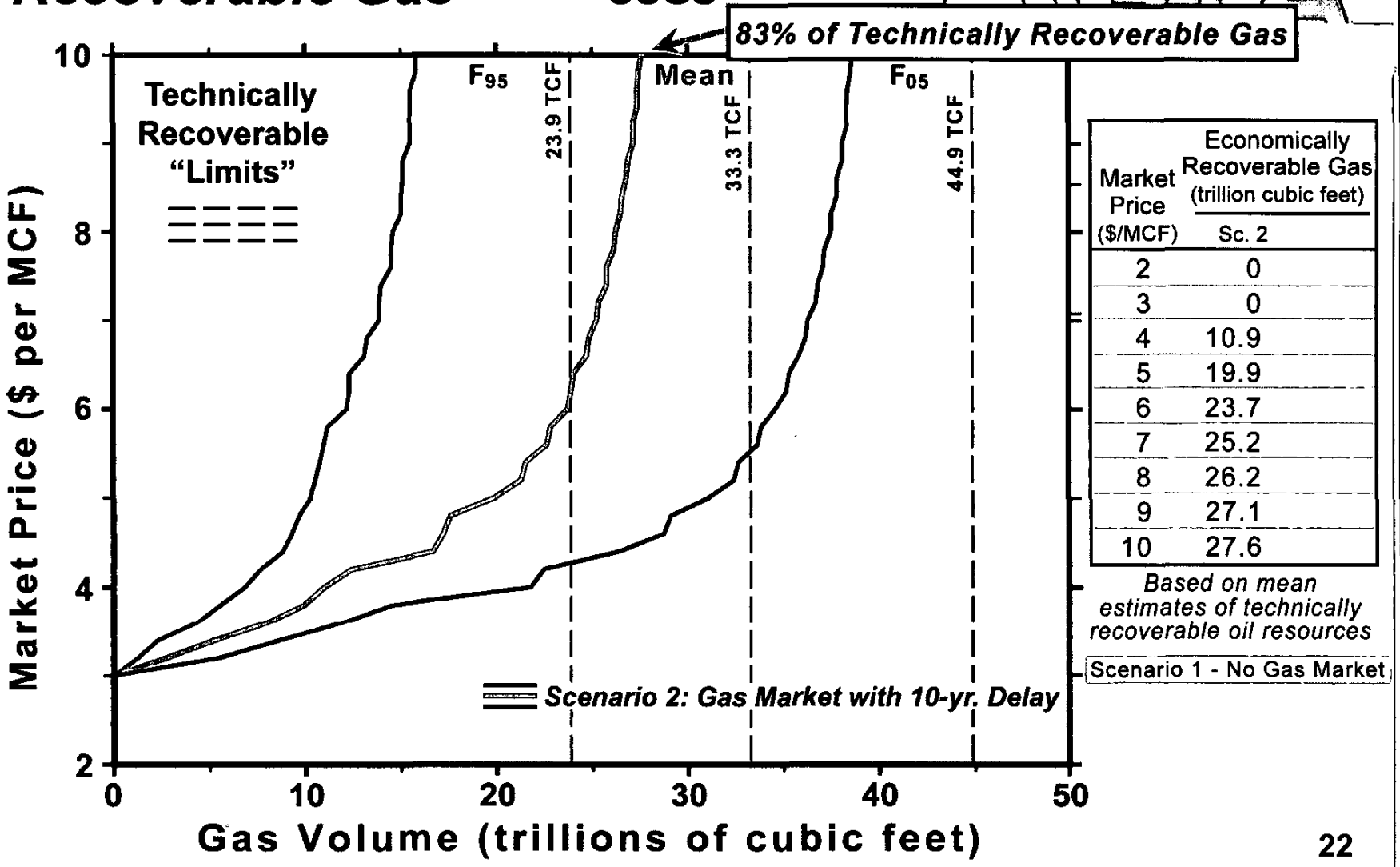
Mean Estimates of Undiscovered, *Conventional* Natural Gas in Arctic Alaska (trillion cubic feet)

	Non-Associated Gas	Associated Gas	Total Gas
Onshore & State Offshore Areas (USGS estimates)			
NPRA	61.35	11.68	73.03
Central North Slope	33.32	4.20	37.52
ANWR, 1002 Area	3.84	4.76	8.60
Subtotal	*98.51*	*20.64*	*119.15*
Federal Offshore Areas (MMS estimates)			
Chukchi Shelf	na	na	76.77
Beaufort Shelf	na	na	27.65
Hope Basin	na	na	3.77
Subtotal	na	na	*108.19*
TOTAL			*227.34*

Central North Slope Economically Recoverable Gas

USGS

AGIA



Market Price ($/MCF)	Economically Recoverable Gas (trillion cubic feet) Sc. 2
2	0
3	0
4	10.9
5	19.9
6	23.7
7	25.2
8	26.2
9	27.1
10	27.6

Based on mean estimates of technically recoverable oil resources

Scenario 1 - No Gas Market

22

North Slope Gas Potential

DOE

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Location	Estimate of undiscovered technically recoverable conventional natural gas (Trillion Cubic Feet) Mean	Estimate of economically recoverable* natural gas reserves (Trillion Cubic Feet) Mean
National Petroleum Reserve, Alaska	73.0	31.0
Central North Slope, State Lands	37.5	33.3
ANWR 1002 area	8.6	1.0
TOTAL Onshore Potential	119 TCF	66.3 TCF
Chukchi Sea	76.8	50.0
Beaufort Sea	27.7	21.0
Hope Basin ?	3.8	
TOTAL Offshore Potential	108 TCF	71.0 TCF
TOTAL TCF	227 TCF	137.3

Data Sources: Regional Resource Assessments from the U.S. Geological Survey, http://energy.usgs.gov/alaska/ and Minerals Management Service http://www.mms.gov/alaska/re/reports/2006Asmt/

*NETL This study did not include Hope Basin.

Alaska's North Slope is Very Under-Explored

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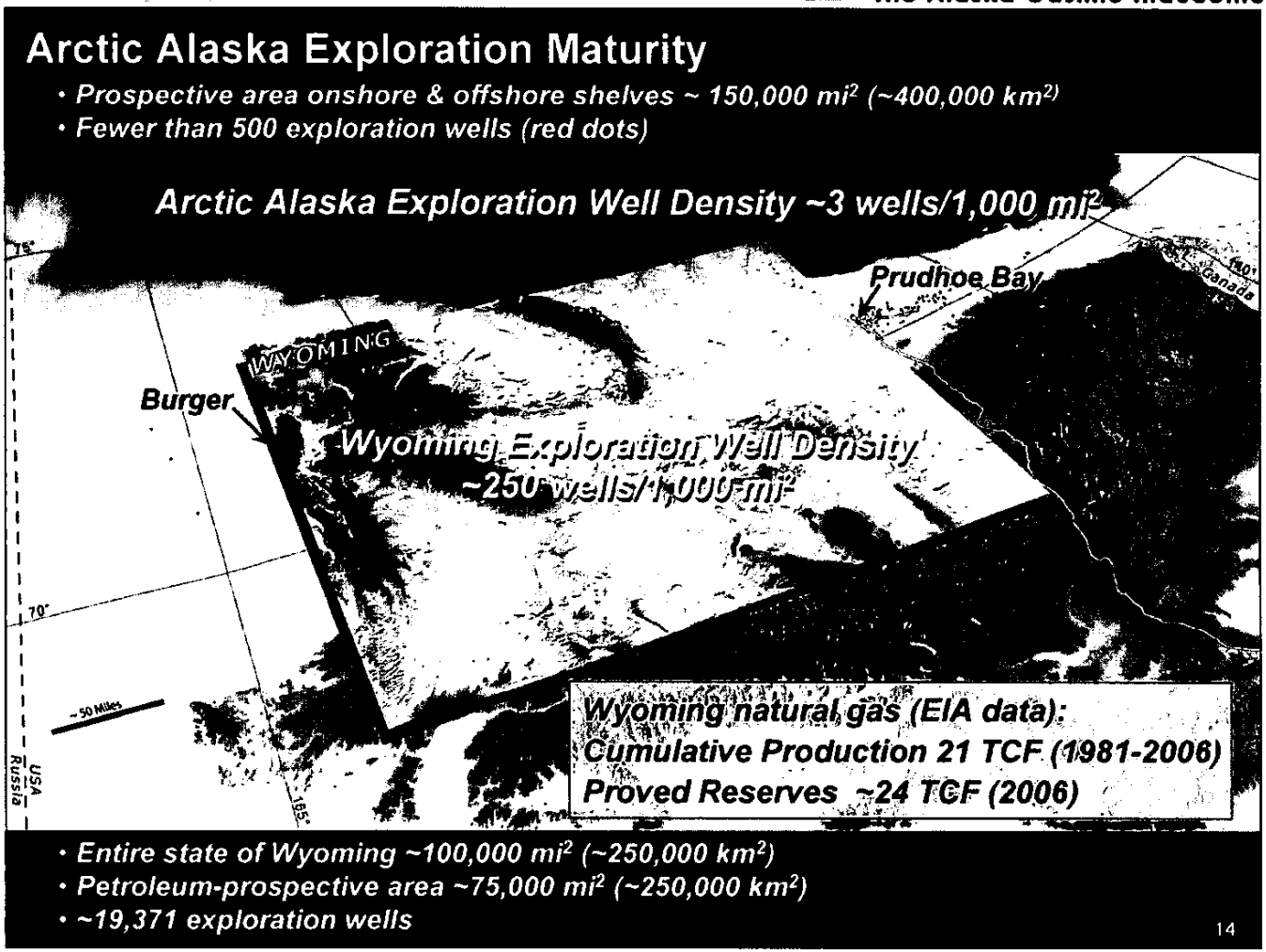
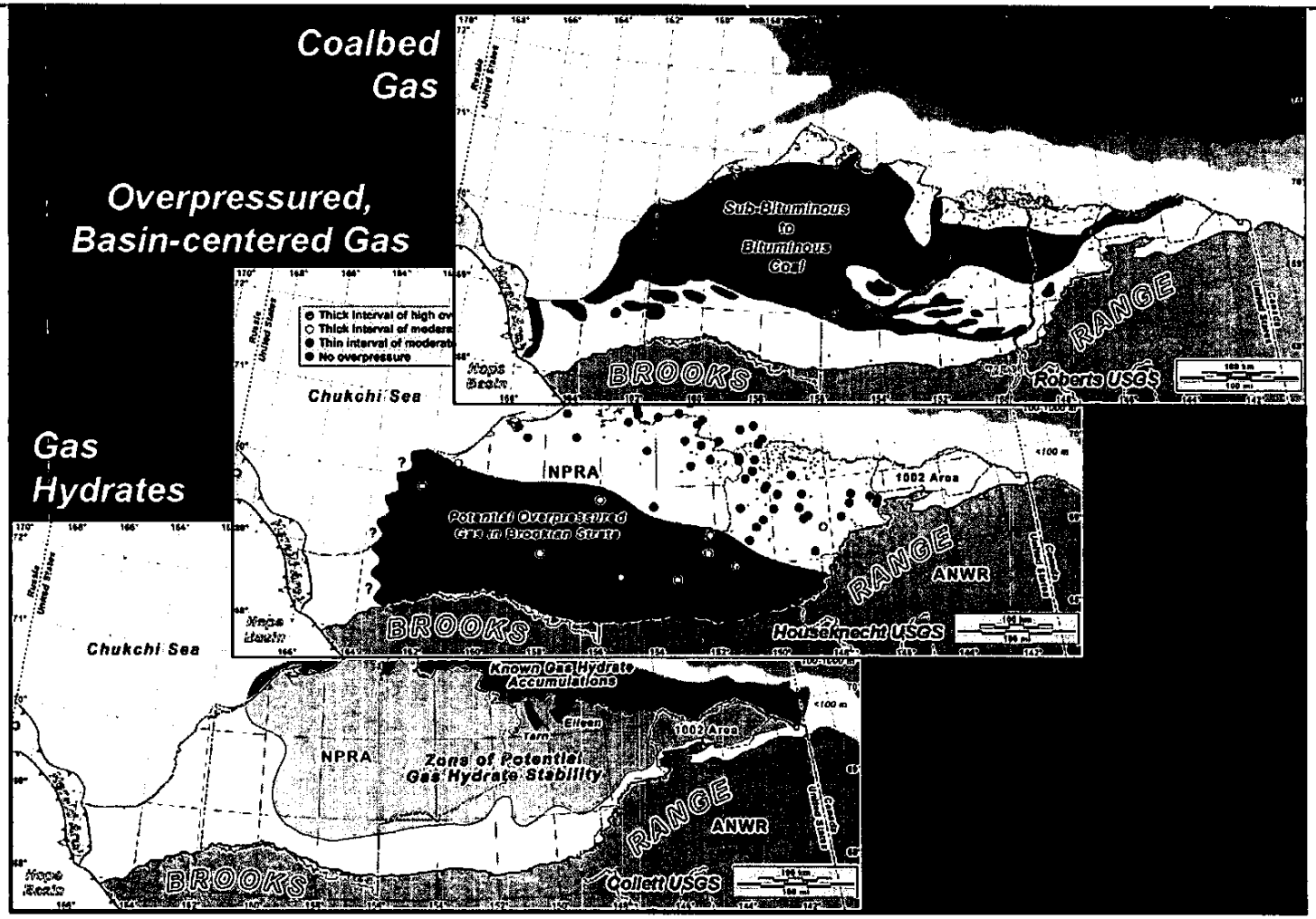
The Alaska Gasline Inducement Act



Courtesy of USGS

Unconventional Gas Resources (continuous resources)

AGIA
The Alaska Gasline Inducement Act



Alaska North Slope Natural Gas Hydrate Assessment Results

AGIA
The Alaska Gasline Inducement Act

[BCFG, billion cubic feet of gas. MMBNGL, million barrels of natural gas liquids. Results shown are fully risked estimates. F95 represents a 95-percent chance of at least the amount tabulated; other fractiles are defined similarly. Fractiles are additive, assuming perfect positive correlations. NGL, natural gas liquids; TPS, total petroleum system; AU, assessment unit.]

Total Petroleum System and Assessment Unit	Field Type	*Total Undiscovered Resources*							
		Gas (BCFG)				*NGL (MMBNGL)*			
		F95	F50	F5	Mean	F95	F50	F5	Mean
Northern Alaska Gas Hydrate TPS									
Sagavanirktok Formation Gas Hydrate AU	*Gas*	6,285	19,490	37,791	20,567	0	0	0	0
Tuluvak-Schrader Bluff-Prince Creek Formations Gas Hydrate AU	*Gas*	8,173	26,532	51,814	28,003	0	0	0	0
Nanushuk Formation Gas Hydrate AU	*Gas*	10,775	35,008	68,226	36,857	0	0	0	0
Total Undiscovered Resources		**25,233**	**81,030**	**157,831**	**85,427**	**0**	**0**	**0**	**0**

Source: USGS Fact Sheet 2008-3073

Alaska's Arctic Natural Gas: Critical Bridge to a Sustainable Future

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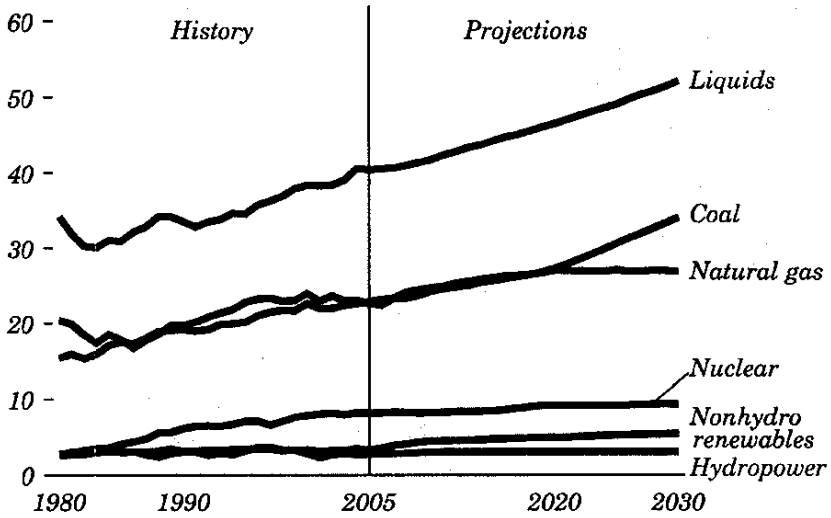
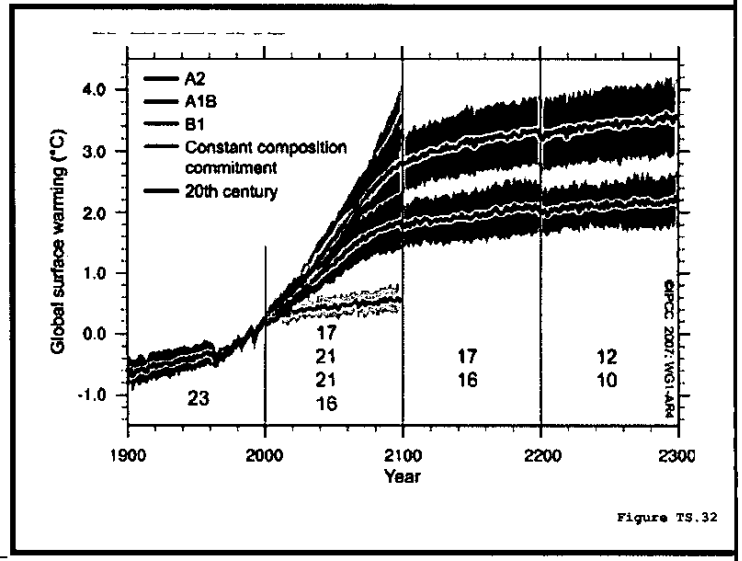
United States Energy Consumption by Fuel



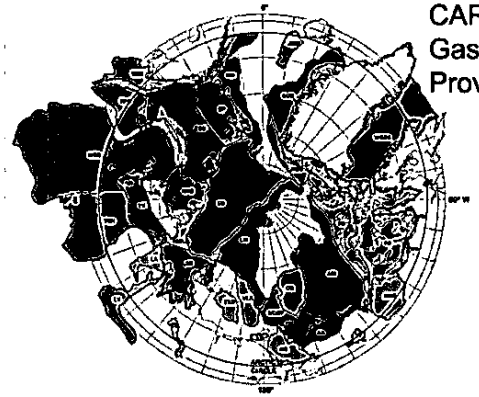
EIA

Carbon Emissions



USGS

IPCC 2007: WG1-AR4



CARA Gas Provinces

Impact of Carbon Regulation on Natural Gas Demand

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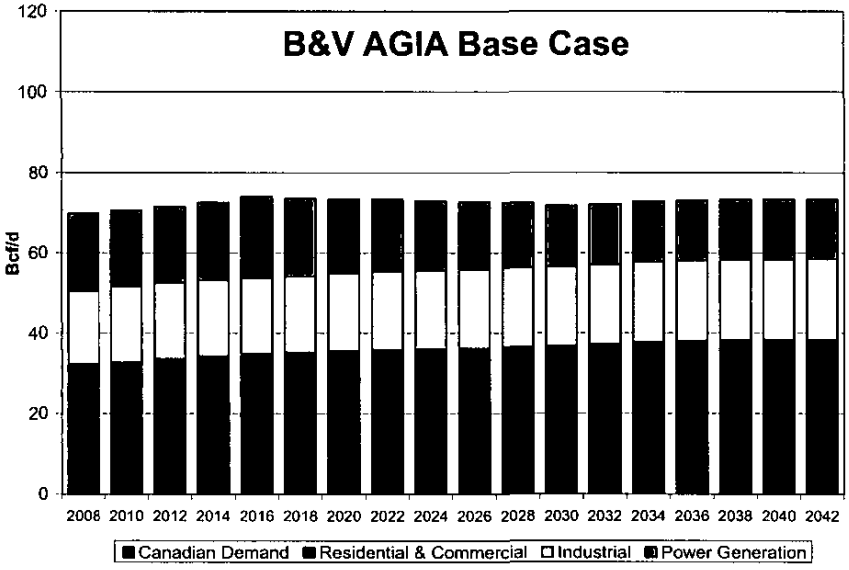
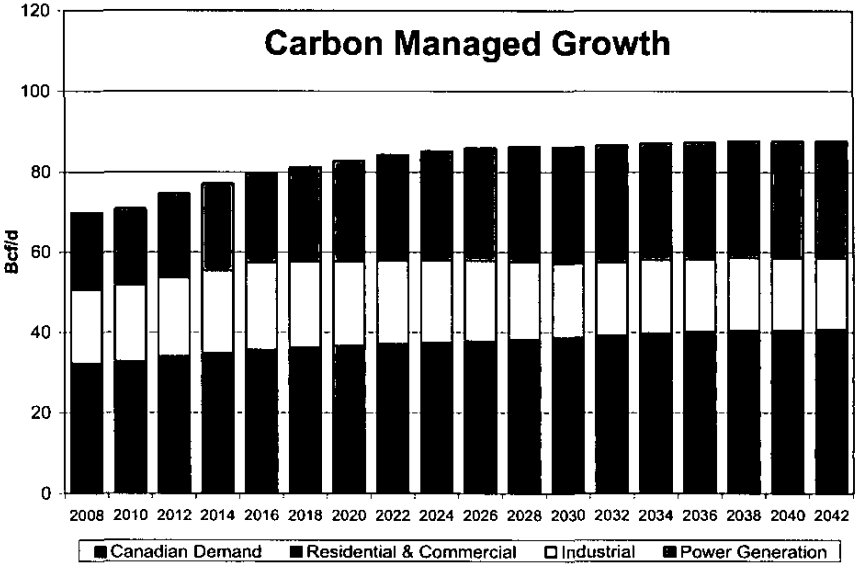
In a Carbon Managed Growth case, demand is 14 Bcf/d more than the B&V AGIA Base Case

- Policies and legislations designed to curb Green House Gas could reduce dispatch and construction of coal-fired generation facilities in favor of natural gas fired facilities, resulting in demand increase from the power sector in the US
- All resources, including renewables, nuclear and IGCC with CCS and gas fired combined cycles are all needed to meet electric demand growth. Gas demand from the power sector will grow from 19 Bcf/d in 2008 to 29 Bcf/d by 2030, with a CAGR of 2%
- Total demand in US lower 48 states is 12.1 Bcf/d higher than BV's AGIA Base Case by 2042. Canada demand is 2.3 Bcf/d higher in the Carbon Managed Growth case





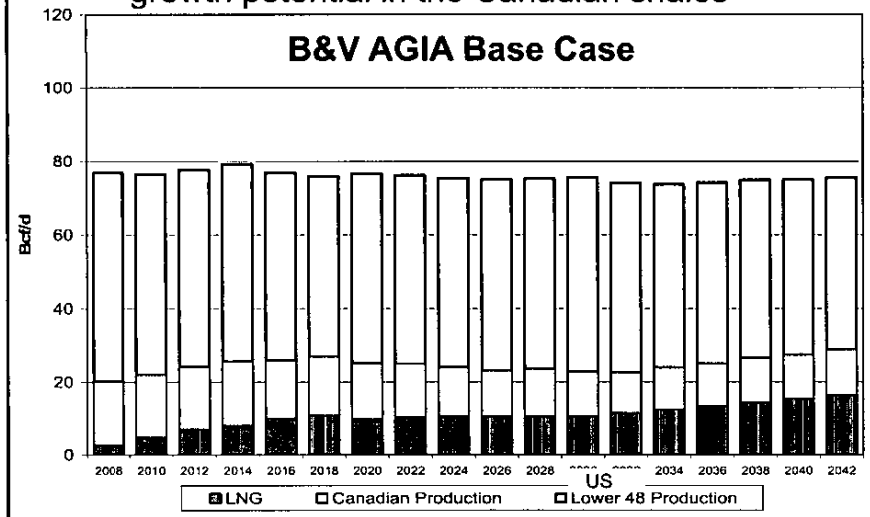
Source: Black & Veatch Analysis

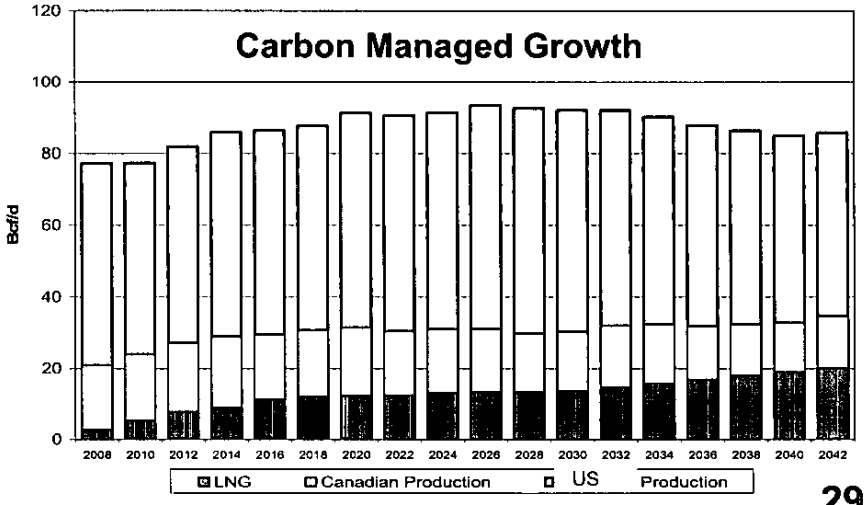
Multiple Different Sources of Natural Gas will be Needed to Meet Lower 48 Demand Growth

AGIA
The Alaska Gasline Inducement Act

Additional LNG imports and more unconventional productions from the US is necessary in order to meet the lower 48 demand growth

- Additional LNG imports will be needed to meet the demand growth; 6.4 Bcf/d by 2042 in the Carbon Managed Growth scenario
- US Production will average 58.3 Bcf/d from 2022-2042 in the Carbon Managed Growth case, which will be 7.8 Bcf/d higher than the B&V AGIA Base Case. Recent developments in shale discoveries in Haynesville and Marcellus indicate greater production potentials from these unconventional resources. The production growth can be considered as a proxy.
- Canadian production continues to decline in both cases. In the Carbon Managed Growth case, Canadian production is 3.7 Bcf/d higher than in the B&V AGIA Base Case, which may approximately reflect the growth potential in the Canadian shales



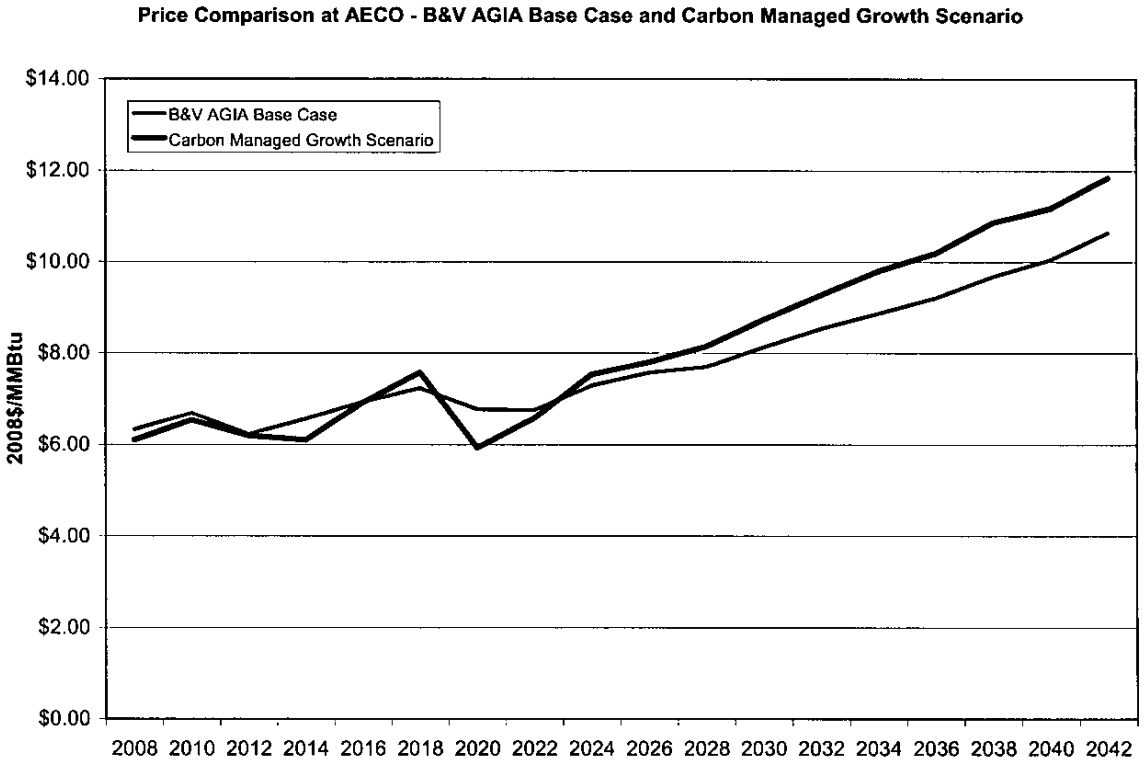


Source: Black & Veatch Analysis

Impact of Carbon Regulation on AECO Price Forecasts

AGIA
The Alaska Gasline Inducement Act

- The Carbon Managed Growth case has sufficient supplies from North America to meet the high demand from both unconventional production and slightly higher additional LNG volumes
- North American gas price is projected to have a higher price path than in the AGIA base case



Source: Black & Veatch Analysis

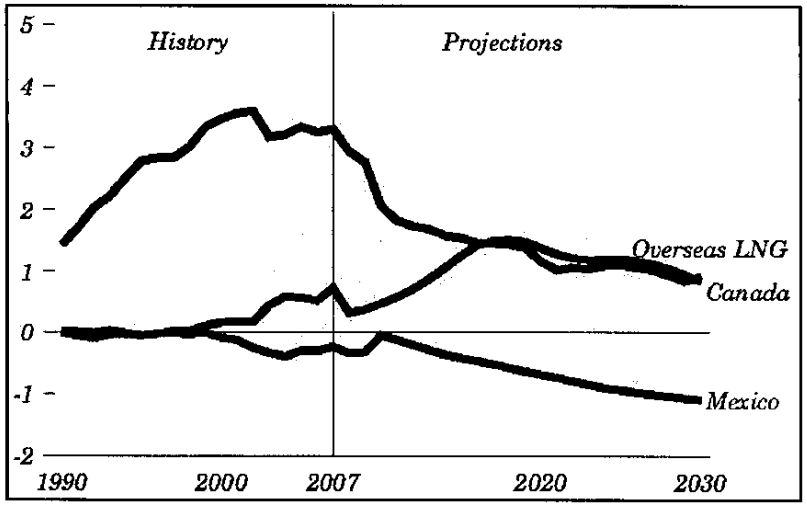
Liquid Natural Gas (LNG) Imports Current and Forecast Volumes

AGIA
The Alaska Gasline Inducement Act

LNG import volumes have experienced little net change since the legislature approved the AGIA license

Total US LNG Import Volumes

July 2008:	31,019 mmcf
December 2008:	30,708 mmcf



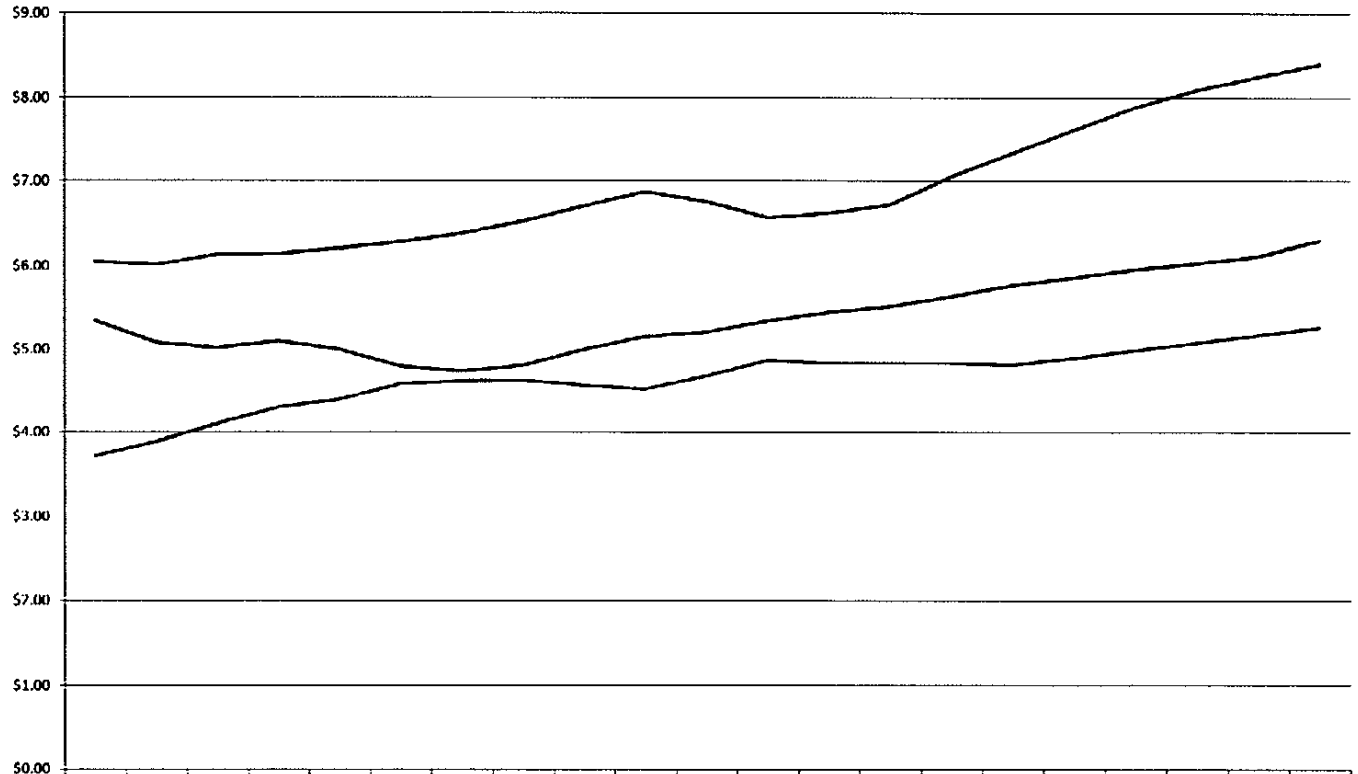
Net U.S. imports of natural gas by source, 1990-2030 (trillion cubic feet)

Source: EIA Annual Energy Outlook 2009

*More Recent EIA Price Forecasts for Gas Predict **Higher** Long-term Prices for Natural Gas in the U.S.*

AGIA
The Alaska Gasline Inducement Act

EIA FORECASTED NATURAL GAS PRICES



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
2004 EIA FORECAST (IN 2007 DOLLARS)	$3.72	$3.89	$4.10	$4.30	$4.39	$4.58	$4.62	$4.63	$4.56	$4.52	$4.68	$4.87	$4.84	$4.84	$4.84	$4.81	$4.90	$4.99	$5.08	$5.17	$5.26
2006 EIA FORECAST (IN 2007 DOLLARS)	$5.34	$5.08	$5.01	$5.10	$5.00	$4.80	$4.74	$4.81	$5.00	$5.15	$5.21	$5.34	$5.44	$5.51	$5.63	$5.77	$5.85	$5.96	$6.02	$6.11	$6.29
2009 EIA FORECAST (IN 2007 DOLLARS)	$6.05	$6.01	$6.13	$6.14	$6.20	$6.27	$6.37	$6.52	$6.70	$6.87	$6.75	$6.56	$6.62	$6.72	$7.05	$7.33	$7.61	$7.88	$8.09	$8.25	$8.40

YEAR

—2004 EIA FORECAST (IN 2007 DOLLARS) —2006 EIA FORECAST (IN 2007 DOLLARS) —2009 EIA FORECAST (IN 2007 DOLLARS)

32

Atigun Gorge North Slope Alaska – Along the Gasline Route

Photo taken by David Houseknecht USGS

AGIA

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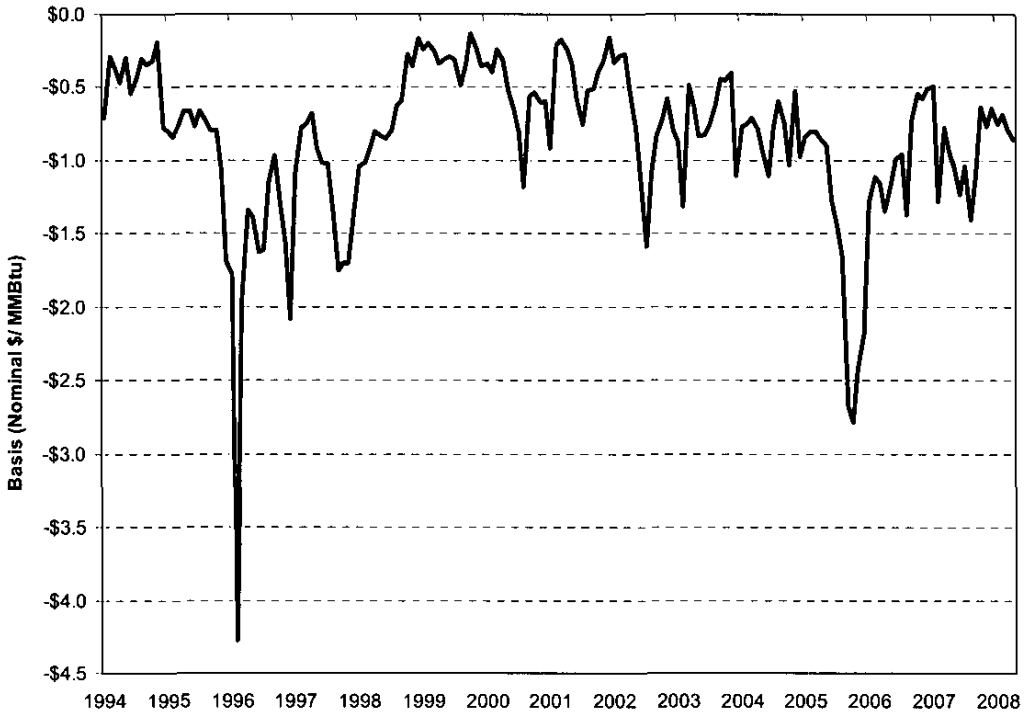
Historic AECO Basis to Henry Hub (Monthly Averages)

AGIA
The Alaska Gasline Inducement Act



Source: AGIA Finding

10-26-09 Presentation: Economic Impact of Native 8(A) Contracting

<target><bill></bill><subject>10-26-09 Presentation Economic Impact of Native 8(A) Contracting</subject><comm>HEDC26</comm></target>

Chair, House Judiciary
Chair, Economic Development, Trade & Tourism
Energy
Joint Armed Services
Labor & Commerce
Oil & Gas
Military & Veteran Affairs

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Fairbanks, Alaska 99701
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Fax: (907) 452-1146

Alaska State Legislature
House of Representatives

While in session
State Capitol, Room 118
Juneau, Alaska 99801-1182
(907) 465-3004
Fax: (907) 465-2070
Toll Free: (877) 465-3004

Representative Jay Ramras
District 10

December 29, 2009

Senator Lisa Murkowski
709 Hart Building
Washington, DC 20510-0202

Senator Mark Begich
825C Hart Building
Washington, DC 20510

Congressman Donald E. Young
2111 Rayburn Building
Washington, DC 20515-0201

Re: Economic Impact of Native 8(a) Contracting

Dear Alaska Congressional Delegation Members:

Due to recent congressional hearings and proposed regulatory changes focusing on preferences for Alaska Native 8(a) contracts, the Alaska State Senate Special Committee on World Trade, Technology and Innovation, and the House Special Committee on Economic Development, International Trade and Tourism, together with the Bush Caucus held a hearing to address the economic impact of Native 8(a) contracting in Alaska. The committees took testimony from the Small Business Administration, the Alaska Federation of Natives, the Native American Contractors Association, and Regional and Village Corporations.

Attached to this letter is a record of this hearing documenting testimony on the history and the legal and equitable basis for the 8(a) program, as well as the importance of the program to the Native people of Alaska and the state.

Representative_Jay_Ramras@legis.state.ak.us

As members of the Alaska State Legislature we thank you for your unwavering support for the Native 8(a) program. We are forwarding you a copy of the record of the October 26th hearing, hoping that it will assist you in your further support of this successful program.

Sincerely,

Representative Jay Ramras, Chair
Alaska State House Special Committee
on Economic Development, International Trade,
and Tourism

Enc. Committee Minutes
Alaska Federation of Natives Resolution 09-03
Afognak Native Corporation – Statement of Virginia Ward
Arctic Slope Regional Corporation letter of support
Bristol Bay Native Corporation letter of support
Doyon Limited letter of support
Sealaska statement

ALASKA FEDERATION OF NATIVES

2009 CONVENTION

RESOLUTION 09-03

TITLE: IN SUPPORT OF NATIVE AMERICANS' FULL PARTICIPATION IN THE SBA 8(a) BUSINESS DEVELOPMENT PROGRAM

WHEREAS: Congress has a legitimate interest in promoting the economic and political self-sufficiency of Native Americans as a way to fulfill the government's unique obligations toward Native Americans; and

WHEREAS: In hundreds of treaties with Indian tribes across the country, and through the Alaska Native Claims Settlement Act, the U.S. government committed to provide for the economic betterment of Native Americans and Alaska Natives, the majority of whom have been stripped of countless millions of acres of their Native lands; and

WHEREAS: Providing access to federal contracting opportunities to qualified Native companies provides critical incentives that stimulate economic growth in Native communities, provides economic opportunities for Native American enterprises, provides educational scholarships, and encourages a culture of entrepreneurship; and

WHEREAS: One of the most successful federal initiatives has been to include Native Americans (Indian tribes, Alaska Native Corporations and Native Hawaiian Organizations) in the Small Business Administration's 8(a) Business Development program; and

WHEREAS: Native American enterprises have struggled to break into the highly concentrated federal contracting marketplace, which is dominated by a handful of large companies, and only recently have some Native American enterprises become successful participants in the 8(a) program; and

WHEREAS: Alaska Native Corporations and tribal enterprises receive just over one percent (1%) of all federal contract awards, compared to the five largest federal contractors who received twenty (20%) of the contract dollars awarded in 2007; and

WHEREAS: Alaska Native Corporations and Tribal enterprises provide quality performance at cost efficient rates to federal customers, while they return significant benefits back to Native American communities, rendering the Native 8(a) program a rare example of a federal economic program that works; and

WHEREAS: Despite unwavering support from Alaska's Congressional delegation, there have been ongoing efforts by some members of Congress to repeal or significantly modify the Native 8(a) program based on biased information, and heedless of the federal government's unique obligations to Native Americans; and

WHEREAS: The Alaska Federation of Natives recognizes that the participation of Native Americans in the SBA 8(a) program has been an important tool in building a strong Native economy and continues to provide substantial benefits to their Native shareholders; and

NOW THEREFORE BE IT RESOLVED by the Delegates to the 2009 Annual Convention of the Alaska Federation of Natives that the Alaska Federation of Natives respectfully requests the continued support of Congress to maintain Alaska Native Corporations, Indian tribes and Native Hawaiian Organizations in the 8(a) program for the benefit of America's Native communities; and

BE IT FURTHER RESOLVED that the Alaska Federation of Natives strongly encourages the Small Business Administration to seek ways to promote and expand participation in the 8(a) program by Alaska Native village and regional corporations and tribally chartered businesses; and

BE IT FINALLY RESOLVED that the Alaska Federation of Natives strongly opposes any Congressional amendments, regulatory changes or other means to diminish, alter, denounce, or abolish the current provisions established in the federal procurement system allowing Native Americans to create economic development for the benefit of their respective Native communities.

SUBMITTED BY: BOARD OF DIRECTORS OF THE ALASKA FEDERATION OF NATIVES

CONVENTION ACTION: PASSED

Afognak Native Corporation
3909 Arctic Blvd., Suite 400
Anchorage, Alaska 99503
(907) 222-9500 • fax (907) 222-9501

November 20, 2009

Jane W. Pierson, Chief of Staff
Representative Jay Ramras
1292 Sadler Way, Ste. 324
Fairbanks, AK 99701

Dear Jane,

Attached please find testimony submitted by Virginia Ward, Chairwoman of the Board for Afognak Native Corporation, in support of the State Legislative Hearing that took place on October 26th regarding the SBA 8(a) Program.

If you need anything further, please do not hesitate to contact me at (907) 222-9594. Thanks to you and Representative Ramras for your support on this issue.

Sincerely,

Jana M. Turvey
Vice-President of Corporate Affairs

STATEMENT FOR THE
ALASKA STATE LEGISLATIVE HEARING JOINTLY HELD BETWEEN

HOUSE SPECIAL COMMITTEE on ECONOMIC DEVELOPMENT, TRADE & TOURISM;

SENATE SPECIAL COMMITTEE on WORLD TRADE, TECHNOLOGY & INNOVATION; and

BUSH CAUCUS

on 8(a) CONTRACTING

Statement of Virginia Ward

Chairwoman, Afognak Native Corporation

Submitted for the record on November 19, 2009

Chairman Representative Ramras, Chairwoman Senator McGuire, and honorable members of the House Special Committee on Economic Development, Trade & Tourism; Senate Special Committee on World Trade, Technology & Innovation; and Bush Caucus, *cama'i* (hello). My name is Virginia Ward and I serve as the Chairwoman for the Board of Directors of Afognak Native Corporation. Thank you for the opportunity to provide written testimony for the hearing record, particularly the opportunity to provide important background on Afognak Native Corporation, its business operations, and its participation in the Small Business Administration's 8(a) program.

I am a shareholder of Afognak Native Corporation and am originally from the Old Village of Afognak, which was located on Afognak Island in the Kodiak archipelago in Alaska. The Village of Afognak was destroyed as a result of the great 1964 tsunami and earthquake that traumatized much of southcentral Alaska, the Aleutian chain and the panhandle region of the state. Following the destruction of our home, my family and I relocated to the Village of Port Lions on Kodiak Island. Even though we no longer live in the Old Afognak Village we, as a people, still identify ourselves as Afognak People. We are *Aq'wanermuit* "People of Afognak." This is our identity, our community, which spans cities, oceans, and countries. But no matter where we go, our foundation is set by the Alutiiq core values of harmony, appreciation and respect, efficiency, communication, and trust. These values guided the Alutiiq people for generations before us and they have provided the framework around which we structure our Corporation, as they are embedded in our Code of Conduct.

History of Afognak Native Corporation

Afognak Native Corporation ("Afognak" or "Corporation") is a village corporation, organized under the principles of the Alaska Native Claims Settlement Act of 1971. Afognak was formed in 1977 through the merger of two Native Corporations, Port Lions Native Corporation and Natives of Afognak, Inc. Afognak is governed by a 9-member Native Board of Directors, all of whom are shareholders of the Corporation. Board members are elected by their fellow Native shareholders and serve 3-year staggered terms. As an Alaska Native Corporation, Afognak is responsible for meeting the economic, social, and cultural obligations to our approximately 750 shareholders, a congressional mandate we take very seriously. We are fulfilling this mandate by providing benefits to individual Shareholders and strengthening *Aq'wanermuit* "our community." It is vital that these two areas co-exist because by unifying *Aq'wanermuit*, we develop a collective strength and by providing benefits to our individual Shareholders, we empower every Shareholder, their families and their descendants.

Afognak owns 160,000 acres of land in the Kodiak Archipelago, primarily on Afognak Island. In addition, we are the managing partner of the Afognak Joint Venture ("AJV") which owns 130,000 acres of land also primarily on Afognak Island. The AJV is a partnership between Afognak and Koniag, Inc., and as managing partner, we are responsible for the use and care of these additional acres. Our lands represent our most valuable asset, and our Corporation and our Native people use our lands for culture, subsistence, and recreation activities as well as some limited opportunities for economic development. Prior to our involvement with the SBA 8(a) program, Afognak relied heavily on natural resource development, primarily the harvesting of timber on Afognak land. Over time, our Board of Directors recognized that the volatility of the international timber market, as well as the finite timber resources owned by Afognak, made timber harvesting an unsuitable long term economic development strategy for the Corporation. As the Board of Directors we hold a fiduciary responsibility to our shareholders to increase revenue and return profits and benefits back to our communities. To fulfill this responsibility, in 1998 and 1999 we began the due diligence process on government contracting and the opportunities for business development through the SBA 8(a) program. We were aware of a small number of other Native Corporations who were using the program to grow their businesses, and we believed we could model that success over time with the development of the Alutiiq family of companies.

As with many new business ventures, the creation of the Alutiiq companies had many challenges. Now, ten years after the first Alutiiq company was formed, we are both grateful and accountable for the blessings and responsibilities our success has bestowed upon our Corporation. We believe our unwavering commitment and a laser-like focus on measurable results and accountability has allowed our participation in the 8(a) program to prosper. As a result of our involvement, our Corporation was able to provide substantial benefits to our shareholders, descendants and the native community at-large during the period 2000-2009. Let

me say that again slightly differently –**as the result of the work Afognak performed under the 8(a) program over the past nine years, we were able to substantially impact and in many cases, change the owners' lives by providing a multitude of benefits.** I would like to provide a synopsis of the benefits we provided during the period 2000-2009.

Benefits

- Shareholder Equity: Afognak's Shareholders' equity, which is the total assets of the Corporation less the total liabilities of the Corporation, has **grown $67,381,000** over the last eight years. However, our shareholder's equity, like all Alaska Native Corporations' (ANC) shareholder equity, is substantially different from that of any other corporation. As mandated by ANCSA, ANC shareholder equity cannot be sold. It is not a liquid asset for our shareholders. However, continuing to grow the Corporation strengthens the foundation and sustains the benefits we currently provide while also supplying resources to support and enhance our culture and traditions that may have otherwise been lost for future generations.

- Shareholder Dividends: Over the past nine years, a shareholder that owned 100 shares of stock received $160,220 in dividends from the Corporation, which equated to Afognak paying out a total of over **$80 Million Dollars** in dividends to our shareholders from 2000-2009.

  A 2005 survey of Afognak Shareholders, which was commissioned by our Board of Directors, revealed that the average household income of our shareholders was estimated at $45,000 per year. This is only $19,180 above the 2007 U.S. poverty guideline of $25,820 for a family of four in Alaska. This data strongly suggests that the dividends paid to Afognak shareholders over the last several years have had a significant, measureable effect on moving our shareholders out of poverty. Without the support of the Corporation, many Afognak shareholders would be in poverty. Even with Afognak's substantial dividends, many of our shareholders still live very modestly in rural Alaska. Afognak's success in building its businesses has allowed us to make a dramatic effect on our shareholders lives and particularly those living in our home village of Port Lions. Port Lions has no grocery store so all staples must be ordered and flown in by small aircraft or barged, where a gallon of gas costs almost $5, a gallon of home heating fuel ranges between $4.55 and $4.69, and an airplane ticket to travel one-way into Kodiak or Anchorage, $50 and $180-$300 (depending on air carrier), respectively. The dividends are spent in much the same way other income sources are spent – housing, food, childcare, education and energy costs. For example, one Afognak shareholder relies on her dividend to help pay her mortgage so she can stay home and care for her elderly parents, while another is on disability and needs her dividend to offset her very limited income.

- Shareholder Hunting & Subsistence Program: This program was first developed in 2007 and provides Shareholders, their spouses and immediate descendants the opportunity to practice a subsistence lifestyle and provide for their families. The program aligns with Afognak Board policy which states, "[*Shareholders through the Corporation will own*] *a land base that is culturally secure, capable of providing subsistence, without loss of size or location, with opportunity of first use by Shareholders*". Afognak takes its mission seriously to improve the quality of life for all our shareholders, and this program supports those shareholders who choose to practice a subsistence lifestyle, providing for their families and communities.

    - In 2007, the program supported 22 shareholders and spouses in their subsistence practice, with 13 elk and 8 deer being harvested.

    - In 2008, the program provided 21 shareholders, descendents and spouses in their subsistence practice, with 17 elk, 16 deer and 1 bear being harvested.

- Lands Management Programs: The 5-Acre Lease, Land Permit, and Lands Patrol programs described below, enable Afognak to manage the lands owned on Afognak, Kodiak, Whale, Raspberry, and other small islands in the northern Kodiak archipelago to ensure that the Corporation provides a "culturally protected land base in perpetuity" for its Shareholders right to "first land use."

    - 5-Acre Lease Program: 5-acre parcels were made available to original Shareholders, or their descendants for 99-year leases. Those leases are transferable amongst Shareholders and cannot be alienated. Shareholders can have multiple 5-acre parcels if they choose and are responsible for paying taxes to the Kodiak Island Borough on the land. A few shareholders have utilized their 5-acre parcels to build successful businesses, such as lodges, which provide for their entire families.

    - Land Permit Program: A land permit system was implemented in 1999 to monitor and control public access to Afognak lands. Under the permit system the public is charged a fee to access Afognak property for fishing, hunting, or any commercial activity. Our shareholders as well as the shareholders of sister village corporations Ouzinkie Native Corporation and Natives of Kodiak, spouses and descendants are not charged a fee. In addition, shareholders of our regional corporation, Koniag, Inc., are not charged a fee. These systems help to ensure that lands are protected for Shareholders first use and that subsistence foods are maintained for future generations.

- Lands Patrol Program: Afognak maintains a Lands Patrol Program to monitor activity on lands owned by Afognak, implement the permit system, and protect the lands owned by the Corporation and those lands leased to its Shareholders.

- Donations, community contributions, and sponsorships: Each year, Afognak supports programs and organizations that promote Alutiiq culture, traditional language revitalization, and community unity. From 2000 to 2008, Afognak provided $661,576 in donations, community contributions, and sponsorships. Some of Afognak's prominent donations during this time include: an annual donation to support the Alutiiq Museum; annual donations to our tribal affiliations – the Native Village of Port Lions and the Native Village of Afognak; sponsorship to support the National Congress of American Indians mid-year conference in Anchorage, Alaska in 2007; donations to support the Esgarlluku Taquka'aq Alutiiq education and cultural gathering from 2002 to 2007; support for Dig Afognak, which is a cultural camp for youth residing in the Kodiak archipelago; and continued support for the Special Olympics.

- Shareholder Death Benefit: The Shareholder Death Benefit is a program for Afognak Shareholders to assist with funeral related expenses. A one-time payout of $2,500 is available to the family of a Shareholder who passes away. The family can either request direct payment to a funeral home to help offset the expenses or they can submit receipts after expenses have been incurred and be reimbursed up to the $2,500. The Shareholder Death Benefit Program is an amazing program that helps Shareholder families at one of the most difficult times.

- Shareholder Employment: Afognak is committed to our shareholders and shareholder hire within our Corporation. We make great efforts, and have committed significant resources, to employ our shareholders within the lines of business we have chosen to pursue. It is our goal to hire as many qualified members of the Alaska Native community as we can to help grow the success of our Corporation. As a result of this commitment, we fund our scholarship and shareholder development programs (described below) thanks to the profits generated through the 8(a) program, with the intent of growing and developing shareholders into future leaders.

  However, as a contractor for the federal government, like all other contractors, we go to where the work is. We do not control or influence where the Federal Government spends its dollars and we have no meaningful way (yet) to bring work to our shareholders. Therefore, when operating outside of Alaska, Afognak strives to support local communities in the states where we have active contracts by hiring local, qualified individuals and contributing to the local economy. As of November 1, 2009, Afognak

and the Alutiiq Family of Companies employed a total of 6,408 individuals residing in 46 states but working throughout all 50 states, Puerto Rico, Virgin Islands, Japan, United Kingdom and Guam.

- Scholarships: Afognak is committed to developing the future generations of Alaska Native leaders. As such, our Corporation offers two scholarship programs for Shareholders and their descendants who want to attend traditional universities, vocational education, or other training programs: the Higher Education Program (HEP) and the Career Enhancement Opportunities (CEO) Program.

    - Higher Education Program: The Higher Education Program (HEP) provides financial support to students who are pursuing higher education through traditional university or vocational education. From 2000 to 2008, Afognak awarded over $876,000 in 300 scholarships to its shareholders and their descendants under the HEP.

    - Career Enhancement Opportunities Program: The Career Enhancement Opportunities (CEO) Program is designed to recognize and provide financial support to Shareholders and descendants who are seeking additional education to increase their career opportunities through means other than full-time traditional college or university attendance. From 2000 to 2008, Afognak awarded nearly $118,000 in 133 scholarships to its shareholders and their descendants under the CEO Program.

These scholarship programs provide the means and opportunities to further our shareholders educations which otherwise might not have been available. We are beginning to see the fruits of our efforts as many of our scholarship recipients and other education benefits recipients are graduating and putting those skills to work, both for Afognak and elsewhere. This work also benefits the entire state, as it educates Alaskans and reduces the "brain drain," as our scholarship recipients are very likely to return or remain in the State.

Afognak is committed to developing our native shareholders for leadership positions within our Corporation but we realize that growing these native professionals takes time. Today's generation is the first to receive financial and social assistance to achieve collegiate-level education and we are proud that we have 2 shareholders and one other Alaska Native as members of our executive team, and 14 shareholders and other Alaska Natives/American Indians in mid-level management positions or above. Our goal is to one day see a Native management team that has learned from the very best in the industry and has received the education and training necessary to succeed.

- Shareholder Development Programs: Afognak makes great efforts and has committed significant resources to employ our shareholders within the lines of business we have chosen to pursue. In particular, Afognak's Shareholder Development Department was funded by the Board of Directors in 2008 in an effort to *improve Shareholder's quality of life through increased employment opportunities*. Through the myriad of initiatives progressing under this Department, our Corporation will continue to progress in its efforts to not just hire shareholders, but develop, hire and promote shareholders at all levels within the Corporation. These initiatives include:

    - Shareholder Employment Supports: Shareholder Development provides shareholders and descendants with assistance in resume writing, completing employment applications, career counseling and conducting mock interviews.

    - Shareholder Talent Bank: Afognak also developed and distributed a Talent Bank Form to Shareholders and descendants. The information gathered from the Talent Bank Form was placed in a custom database module within the Afognak Shareholder Database to track Shareholders and descendants education and work history. This database is used by Shareholder Development to link qualified Shareholders and descendants up with employment opportunities within and outside the Corporation. Since its inception, 241 shareholders have submitted their information to be included in the Talent Bank.

    - Shareholder Employee Training Program: This program helps Shareholders that are currently employed by Afognak Native Corporation or one of its subsidiaries accomplish their career goals by receiving the training they need to excel in the workplace. Such trainings include computer skills, business classes, accounting, and leadership, just to name a few. Afognak allocates $500 in training funds for each individual Shareholder/descendant employee each year under this program.

    - Year-Round College Intern Program: Afognak's Intern Program is designed to build the next generation of Native leaders. Internships are currently offered in Accounting, Construction, Information Technology, Human Resources, Legal, and Operations and Maintenance. Under the program, interns attending school with a minimum of 12 credits and working 20 hours per week received supplemental pay for 20 hours, a competitive internship wage and a full benefits package, including vision, medical, dental and retirement. Three internships were funded in 2008, the first year of the program.

    - Apprentice Program: The goal of the Apprentice Program is to provide intensive on-the-job training to two highly motivated Shareholders or descendants that are

interested in working in pre-mid level positions in one of the areas that Afognak/Alutiiq does business. It is anticipated that through concentrated training and mentoring, the Apprentices will be qualified to enter their chosen fields after one year of on-the-job training.

Two Shareholders who were hired as Apprentices in 2008 graduated this year! Both shareholders were offered employment with the Corporation after graduation. In addition, two new Apprentices were hired in 2009 – one in the Payroll department and the other in the Legal and Bid and Proposals departments.

- Ataku Manager Program: Afognak Native Corporation's Ataku (Later On) Manager Program is a two year full-time program designed to provide Afognak Native Corporation shareholders and descendants with the skills and knowledge base necessary to secure managerial level positions within an Alaska Native Corporation or other business environment. Although employment with Afognak or its subsidiaries is not guaranteed after graduation from the program, it is anticipated that through concentrated training and mentoring, the Ataku Manager will be prepared to assume a managerial level position within the Corporation or another organization after successfully completing the program.

- Shareholder Business Supports: The Shareholder Owned Small Business and Service Directory helps promote Shareholder owned businesses and services by encouraging Afognak Shareholders, vendors, business partners, and staff to utilize Shareholder owned businesses and services. A total of 16 Shareholder businesses were listed in the online directory in 2008.

- Statewide Partnerships: Afognak partnered with Bristol Industries, a subsidiary of Bristol Bay Native Corporation, to form the Shareholder Development Action Group. The purpose of the group is to build partnerships between Corporations and organizations that practice Shareholder and Alaska Native hire. Currently 39 individuals representing 19 organizations participate in this statewide group. Organizations participating range from Alaska Native Corporations to ANC subsidiaries and other Alaskan companies that embrace Alaska Native hire.

In addition, Shareholder Development staff are available to provide Shareholders with basic small business development counseling and referral services. For instance, one Shareholder received assistance competing in the 2008 Alaska Federation of Natives Alaska Marketplace competition.

Afognak is proud of the collective benefits we are able to provide our Shareholders, their descendents and families, and the native community at large as a result of participating in the 8(a) program. We believe it is exclusively the role and responsibility of our Board of Directors to evaluate the needs of our shareholders and to implement the appropriate methods to best meet those needs. This practice is consistent with the overarching federal Indian policy of economic self-determination.

History of ANCSA and the Link to the 8(a) Program

I consider it important to provide a brief overview, a history lesson if you will, as to why Alaska Native Corporations are granted the opportunity to participate in the SBA 8(a) Program. In 1971, in exchange for the extinguishment of our aboriginal rights and claims and to open land for the State's oil development projects like Prudhoe Bay, the federal government and Alaska Natives agreed to terms in the Alaska Native Claims Settlement Act ("ANCSA" or the "Act"). In the settlement, Alaska Natives relinquished claim to 89% of Alaska, receiving title to 44 million acres of land and $962.5 million to establish 13 regional and over 200 village corporations. In addition, as part of the settlement, ANCSA created and Alaska Natives received an entitlement to the benefits outlined in the Act. The legislative history of ANCSA is very clear that the goal was to provide a mechanism in which Alaska Natives could participate in the capitalist economy while the federal government fulfilled a contractual duty to assist in achieving that goal.

As the ANCSA settlement was unraveled and the corporate structure established, it became increasingly evident that Alaska Natives were not receiving all the benefits intended by Congress and to which Alaska Natives were entitled as a result of our negotiation. Being an Alaska Native Corporation proved inefficient and cost prohibitive as the geographic and economic barriers of our rural homes proved difficult to overcome. It was apparent that ANCSA Corporations would not be able to fulfill their social responsibilities to their shareholders and begin to achieve economic potential without some adjustments to the Act.

Congress amended ANCSA in 1988 and again in 1992, establishing Alaska Native Corporations as minority and economically disadvantaged businesses for purposes of government procurement programs. By these amendments, Congress made clear that favoring Alaska Native Corporations for government contracts was an integral and intentional part of ANCSA's economic settlement. With these clarifying amendments, it is without question that the ANCSA Native American-owned corporations' eligibility for government contracting preferences is bargained for consideration in exchange for the extinguishment and settlement of Alaska Natives aboriginal claims to Alaska.

Award of Federal Contracts

However, being eligible to participate in the 8(a) Program does not mean that contracts are automatically awarded to Alaska Native Corporations. The 8(a) program does not permit awards

to be made to participants who are not qualified to complete the scope of work. SBA regulations dictate that federal contracting officers must determine if an 8(a) contract can be made at fair market value.[1] Contracts awarded under the 8(a) program are negotiated contacts and the discussions between contracting officers and Afognak typically include detailed proposals as to scope of work, budget, subcontractor usage, equipment and materials estimates, and negotiation over profit margin. Large sole source awards are regularly subjected to a pre-award and post-awards audits by the Defense Contract Audit Agency, and in no uncertain terms, the Truth in Negotiations Act applies in all circumstances. Contracting officers must certify that the Government is receiving "best value" when contracts are awarded through this program. ANC's participating in the 8(a) program are held to the same financial, performance, and legal standards as all other federal contractors. Afognak is proud of our companies' abilities to negotiate these contracts fairly while providing great value and service to the U.S. Government. In addition, the work our companies perform is consistently complimented by our customer for its quality and cost effectiveness. We are proud of our excellent track record of performance.

Support for Other 8(a) Companies

Many Afognak companies have developed and supported great working relationships with other small businesses participating in the 8(a) program. Alutiiq runs an informal "Micro-Business Initiative," in Huntsville, Alabama, under which we identify opportunities to subcontract to new and developing small businesses. In many cases, this initiative allows firms to gain security clearances, past performances, banking credentials, expanded capabilities, and business growth that they could not obtain on their own. As one of our partners recently wrote,

> "It is a unique program that clearly establishes Alutiiq LLC as a strong supporter and mentor of newly formed, local small businesses. This is not a DoD-funded mentor-protégé plan and Alutiiq LLC gains no subcontracting plan credits from the government for having this program. Alutiiq LLC recognized the necessity for a program that helps micro-businesses grow to the next level of success, and they stepped in to fill the need with the establishment of this program."[2]

Another wrote:

> "Noteworthy of mentioning also is that INSUVI's experience working with the Alutiiq management staff has truly been outstanding. Your corporate staff continually goes out of their way to provide answers to questions we have in the areas of contracts, accounting, payroll, security and more."[3]

[1] See 13 CFR 124.511.
[2] Letter from Elisa Krupa, President, Knowledge Vortex, dated July 2, 2009
[3] Letter from Earnestine Caudle, INSUVI, dated July 2, 2009

We have many of these letters, all of which express appreciation and gratitude for the opportunities Alutiiq has provided to other small businesses. We will continue to foster these relationships and develop others to support other small businesses as they grow through the 8(a) program. We believe it is important to be good stewards in the communities where we are located and working with locally-owned small businesses is just one way to contribute locally. I have attached the referenced letters at the end of my testimony.

The long term future of ANC Participation in 8(a)

The path to success for Native Corporations has been long and slow, as many obstacles have been faced over the last thirty-plus years. Many Native Corporations were either on the verge of bankruptcy or financial ruin just over a decade ago. Participation in the 8(a) program has provided the vehicle to steer around these disasters. The success enjoyed by Alaska Native Corporations in the 8(a) program could and should serve as a model to other economically and socially disadvantaged groups.

Native participation in the program has increased over the past decade and the amount of federal contracting being allocated to native participants in the program is a reflection that **the program is working!** However, although native participation in the program has risen, of the entire federal contracting budget Native 8(a)'s represent less than .8% of those organizations under contract with the federal government. Native organizations represent communities of individuals and collective groups of peoples. ANCs represent over 130,000 Alaska Native owners, and that number does not reflect the descendants and other family members of those shareholders. ANCs and Tribes should receive a large percentage of the 8(a) contracting dollars available, as we represent the largest percentage of 8(a) owners. Participation in the 8(a) program provides a tool to our Corporations so that we can continue our efforts to lift the real social and economic disadvantages experienced by our shareholders every day, as Alaska Natives represent one of the poorest segments of the American economy. Initiatives such as the 8(a) program honor the Government's promise to bring economic self-sufficiency to our people. ANCs must continue to grow and give back to reverse this trend and improve our people's quality of life.

Conclusion

In closing, I would like to reiterate my overall message – the 8(a) program is working and working well! This program has enabled Afognak to provide financial support and economic opportunities to those who previously had little hope of gaining an education, starting a business or joining the professional workforce. The 8(a) program enables ANCs like Afognak to deliver critical support in the form of shareholder dividends and community services to revitalize economically-challenged Alaska Native communities and at the same time, provide great value and service to the federal government. This is a successful model, one that should be replicated and the stories of accomplishment told – a federal program that works!

Quyanaasinaq – (thank you very much) for the opportunity to tell the Afognak story.

Knowledge Vortex

...focused energy, powerful solutions

July 2, 2009

I am writing this letter to describe how Alutiiq LLC in Huntsville, Alabama has been instrumental in the early success of my company, Knowledge Vortex. My name is Elisa Krupa, and I am the owner and President of Knowledge Vortex, a small, woman-owned, service-disabled, veteran-owned business that delivers Information Technology services and professional administrative services to the federal government and DoD Prime contractors.

Since Knowledge Vortex's incorporation in 2007, I have done what most small government consulting business owners do – spend every possible hour marketing my company to federal Prime contractors and trying to network with key decision makers.

I joined every networking organization I thought would be beneficial, including the Chamber, Huntsville Aerospace Marketing Association (HAMA), the Huntsville Association of Small Businesses in Advanced Technology (HASBAT), the Air Force Association, AUSA, Women in Defense, NDIA, etc. I took classes at the Woman's Business Center and the Huntsville Chamber of Commerce.

In the first 10 months, I met with over 20 large businesses, over 25 small businesses, and a multitude of government/DoD Small Business Liaison Officers (SBLO's), Procurement Technical Assistance Program (PTAC) counselors, Department of Veteran's Affairs officers, and Small Businesses Administration Officers. I made no measurable progress as a subcontractor, mainly because my company had no corporate past performance to cite, only strong capabilities.

Then on June 18, 2008, I had my first meeting with Alutiiq LLC. Greg Hambright, Senior Vice President of Technical Services, told me about their micro-business initiative aimed at helping local small businesses gain their first quality past performance. It is a unique program that clearly establishes Alutiiq LLC as a strong supporter and mentor of newly formed, local small businesses. This is not a DoD-funded mentor-protégé plan and Alutiiq LLC gains no subcontracting plan credits from the government for having this program. But Alutiiq LLC recognized the necessity for a program that helps micro-businesses grow to the next level of success, and they stepped in to fill the need with the establishment of this program.

I asked to be admitted to the program, and after a vetting process, Knowledge Vortex became a subcontractor to Alutiiq LLC. We now support Alutiiq LLC and the Redstone Garrison DOIM on the Redstone IT Services (RITS) contract. Alutiiq LLC also sponsored Knowledge Vortex's Facility Clearance, because a DoD SECRET clearance was required for all personnel supporting RITS. In every instance, Alutiiq LLC has been straight forward and ethical.

Now that Knowledge Vortex has established citable past performance as a subcontractor to Alutiiq LLC on RITS, we have been invited to join the following Teams as a subcontractor: AMCOM EXPRESS (all domains) which supports Army Aviation and PEO Missiles and Space; SETAC, which supports the Army Space and Missile Defense Command/US Army Forces Strategic Command; Encore II, which supports DISA; and numerous Teams for upcoming procurements, including NASA NICS and MIDAESS for the Missile Defense Agency.

Alutiiq LLC has been more than helpful in Knowledge Vortex's success – they have been instrumental, and I am proud to be associated with this Alaskan Native Corporation.

Sincerely,

Elisa Krupa

Elisa Krupa, President
Knowledge Vortex
A Service-Disabled Veteran-Owned
& Woman-Owned Small Business
(256) 541-2744

INSUVI

Information Services Unique Value, Inc.

July 02, 2009

Subject: INSUVI Growth and Expansion Update

Dear Mr. Hambright,

On behalf of Information Services Unique Value, Inc. (hereinafter "INSUVI"), I want to convey my sincere appreciation for the opportunity to work with Alutiiq on the RITS, OMEMS, and Kwajalein projects at this time. As you are aware, INSUVI was primarily concentrated in commercial work prior to working on these projects. That was until you shared with us Alutiiq's Micro-Business initiative and encouraged INSUVI to participate. It was so exciting to learn that this company sponsored program seeks opportunities to subcontract to small businesses allowing, in many cases, firms to gain security clearances, past performance, banking credentials, expanded capabilities, and grow one's business to the next levels of success.

A year later, I can honestly say that INSUVI is experiencing all the objectives that the Micro-Business initiative offers its subcontractors. For instance, INSUVI is now developing competencies in Information Technology as a subcontractor to Alutiiq International Solutions, LLC, and in Training as a subcontractor to Alutiiq Business Services, LLC. INSUVI has also expanded its support internationally to Kwajalein Atoll where it is providing Security Guard and Patrol services as a subcontractor to Alutiiq Global Solutions, LLC. The total growth from these contractual efforts comes to 95% with personnel having increased from 1 to 7 employees. An undeniable benefit of this growth is that INSUVI marketing is increasing as customers now have a level of comfort with the past performance gained. Contributing to their comfort level is the fact that Alutiiq fully supports and oversee that all its subcontractors are successful.

INSUVI's most recent accomplishment is acceptance by the Small Business Administration to participate in the 8(a) Business Development Program. The past performance and revenue gained from the Alutiiq subcontracts greatly contributed to our obtaining this certification. Noteworthy of mentioning also is that INSUVI's experience working with the Alutiiq management staff has truly been outstanding. Your corporate staff continually goes out of their way to provide answers to questions we have in the areas of contracts, accounting, payroll, security, and more. This in my strong opinion is nothing short of the type of quality mentoring that INSUVI and small businesses alike require at this stage of the game.

In closing, words cannot express how grateful I am for your believing in INSUVI and encouraging us to give the Micro-Business initiative a try. We are so very proud to be working with a prime contractor who has a proven reputation for being fair, ethical, honest, and committed to doing the right thing by its subcontractors at all times.

Sincerely,

Earnestine Caudle

Earnestine Caudle
CEO

Cc: Corporate File

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arctic slope
regional corp.

November 2, 2009

Chairman Jay Ramras
House Special Committee on Economic,
Trade, and Tourism
Alaska State Legislature
State Capitol Building
Juneau, AK 99801-1182

Chairwoman Lesil McGuire
Senate World, Trade, Technology,
and Innovations Committee
Alaska State Legislature
State Capitol Building
Juneau, AK 99801-1182

Dear Chairman Ramras and Chairwoman McGuire:

On behalf of Arctic Slope Regional Corporation, I submit the following letter to the Alaska State House of Representatives joint hearing by the House Special Committee on Economic, Trade and Tourism, and the Senate Word, Trade, Technology and Innovations Committee for inclusion in the October 15, 2009 hearing record concerning the Economic Impact of Native 8(a) contracting.

The SBA 8(a) Business Development Program is an example of a federal policy that successfully promotes Native American participation in the federal marketplace. Government contracting is complex and Alaska Native corporations are learning to compete with well-established firms within this sector. The amount and number of benefits provided to shareholders of Alaska Native Corporations indicates that this program is working. For example, the 8(a) program provides money which is donated to educational scholarship funds – in a very real sense the 8(a) program funds educational opportunities.

The nature of Alaska Native corporations, as defined by Congress through the passage of the Alaska Native Claims Settlement Act of 1971, was to build economic self-sufficiency while addressing the social and cultural needs of Alaska's Native people. The 8(a) program has helped Alaska Native corporations provide jobs, education, services and community-wide benefits to populations of disadvantaged Americans. The 8(a) program has been particularly helpful to Alaska Native corporations in the more remote regions of our country, located far from major markets or industrial centers.

We are proud of our increased business capabilities. We know we are building stronger organizations, creating a generation of business savvy Native leaders and strengthening our communities for future generations. Congress should preserve the benefits afforded to Native Americans, especially Alaska Native corporations, within the SBA 8(A) Business Development Program.

Corporate Headquarters • P.O. Box 129 • Barrow • Alaska • 99723-0129 • (907) 852-8533 or (907) 852-8633 • FAX (907) 852-5733

Arctic Slope Regional Corporation appreciates the joint leadership demonstrated by your Committees on such an important issue not only for Alaska Natives, but for the Alaska economy as a whole. Thank you for your continued support of Native American participation in the Small Business Administration's 8(a) Business Development Program. If I can be of further assistance, please contact me directly at (907) 339-6031.

Sincerely,
ARCTIC SLOPE REGIONAL CORPORATION

Tara Sweeney
Vice President of External Affairs

Cc: Julie Kitka, President, Alaska Federation of Natives

Bristol Bay
Native Corporation
Enriching Our Native Way of Life

111 West 16th Avenue, Suite 400 / Anchorage, Alaska 99501 / (907) 278-3602 / Fax (907) 276-3924

October 26, 2009

ALASKA STATE HOUSE OF REPRESENTATIVES
Representative Jay Ramras, Chair
1292 Sadler Way, Suite 323
Fairbanks, Alaska 99701

House Special Committee on Economic Development, Trade & Tourism

Dear Representative Ramras,

I wish to extend my appreciation on behalf of Bristol Bay Native Corporation (BBNC) to you for hosting a hearing to discuss the participation of Alaska Native Corporations in the Small Business Administration's 8(a) program. I believe this program has greatly benefited Alaska through its unique capacity building initiatives. It provides a mechanism whereby small business can break into the rough and tumble world of contracting under the oversight and mentorship of the Small Business Administration.

The benefits created by this program go beyond profits realized on a contract; they include the acquisition of skills that can be replicated in a market environment, jobs created for Alaskans, education and training. Profits made are brought back to the state of Alaska and invested in its citizens. This program is a natural extension of the promises that were made during passage of the Alaska Native Land Claims Settlement Act.

In part a result of participation in the Small Business 8(a) program, BBNC has been able to distribute, from the years 2000 to 2008, approximately $40 million dollars in dividends to shareholders. Since the first dividend distribution in 1978, BBNC has paid $70 million in dividends to its shareholders. This figure represents approximately 40% of our historic operating earnings. These dividends for the most part are dollars that stay in state and are invested in local communities and businesses.

BBNC invests in shareholder development through scholarship awards, through job internships and job shadowing, through leadership training and continuing employee development. BBNC believes in leadership development and spent over $246,861 during

the years 2000-2008 on hosting annual Village Leadership Workshops (VLW). The VLW is an innovative program that reaches out to the wide variety of leadership in the Bristol Bay region with the intention of increasing communication between communities, facilitating project development, building organizational capacity, and educating shareholders on a wide variety of current issues, including 8(a) contracting.

In furtherance of that same objective BBNC also has developed a unique management training program called Training Without Walls intended to enrich management skills and expand career opportunities for up and coming executives. BBNC spent more than $242,067 dollars on the TWOW program between the years 2000 and 2008.

In order to ensure that shareholder employees are groomed for responsibility and are knowledgeable in performance of their duties, BBNC and its subsidiary companies spent upwards of $893,480 in tuition and continuing education costs between the years of 2000-2008.

BBNC has contributed over $2 million dollars to the Education Foundation's scholarship endowment fund since 1992. The Foundation has independently raised over $1 million. Since 1986, the Foundation has awarded over 1,900 higher and vocational education scholarships worth more than $1,960,000. BBNC scholarship recipients have graduated with degrees in everything from Veterinary Science, Engineering, Law, Medicine, and Education to Business Management.

The BBNC Educational Foundation recognizes the value of building job skills through vocational education, associate decrees, and specialized certificates. The Education Foundation awards scholarships that enable shareholders to work in fields ranging from dental therapy, culinary arts, commercial aviation, occupational safety and medical assistant training, non-destructive testing technicians, accounting clerks as well as obtaining commercial drivers licenses.

BBNC believes in giving back to the community and has contributed in excess of $1,407,996 in the communities that it performs work in throughout the United States. BBNC has contributed to organizations as varied as Red Cross, Food Bank of Alaska, Boys and Girls Club, NAACP, the United Way and The Nature Conservancy

Due to many reasons including transportation costs, BBNC started a Memorial Donation Fund to assist shareholders with burial costs. This program was recently initiated and BBNC has distributed over $20,876 dollars to more than 29 families of the deceased.

Excluding shareholder dividends which are a stable, reliable and obvious benefit, BBNC contributes in many intangible and meaningful ways to our shareholders. For example, BBNC maintains a land program which oversees the development and preservation of over 3 million acres for which it is the custodian. BBNC has developed a shareholder data base for its 8,400 shareholders that may someday serve as a genealogical record of the people of the Bristol Bay region. BBNC advocates on behalf of the economic vitality of the region and many times serves in a representative capacity for issues of importance to people of the region. Adding up the educational scholarships, the leadership training investments, the donations to local communities, the costs of responsible advocacy, BBNC has spent over $7,366,435 in benefits to shareholders during the years 2000-2008 in addition to that of simply paying dividends.

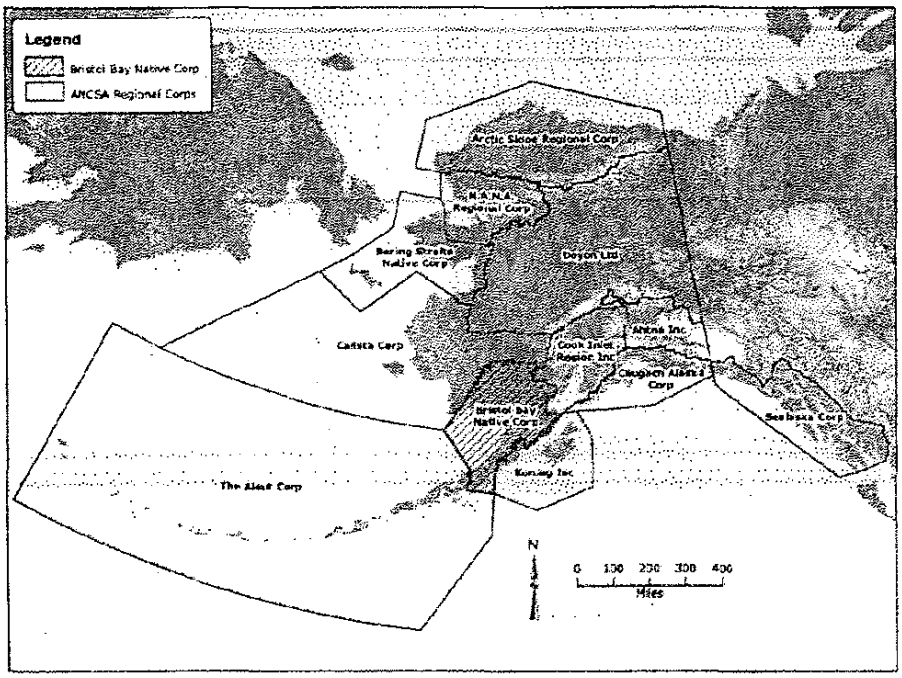
BBNC employs over 500 hundred Alaskans within the state of which 10% are Alaska Natives or shareholders. We are a member of the extended Alaskan community and our success is critical to the economic health of our state. We need our State legislature to understand the economic benefit that this program provides both to our Native peoples and to the state and to help us protect the SBA 8(a) program. I have attached to this letter a short background on our Bristol Bay corporate history. Please do not hesitate to contact me with any questions you or your committee members may have. I know that you have met firsthand the people of the Bristol Bay region and I thank you for spending time with the people of rural Alaska.

Respectfully,

Jason Metrokin
President and CEO
Bristol Bay Native Corporation

Background Information

Bristol Bay Native Corporation was formed after passage of the Alaska Native Claims Settlement Act of December 18, 1971 (ANCSA). Passed to resolve outstanding land claims of Alaska's Native people, the provisions of ANCSA offered an alternative to the Indian reservation system of the Lower 48. The concept was simple. Rather than relying on the Bureau of Indian Affairs, Congress placed its trust in Alaska Natives to manage their own future. Alaska was divided into 12 geographical regions. Regional, for-profit corporations were formed to represent the regions and to foster economic development. Approximately 40 million acres of land and $962 million were distributed to the corporations. Each Alaska Native alive on December 18, 1971 was eligible to enroll as a shareholder in one of the corporations.



The most fundamental attribute of the Alaska Native Claims Settlement Act was Congress' promise to the Native people of Alaska, that through the creation of a corporate business structure rather than tribal reservations, the settlement would allow them to pursue a sustainable economic future. It was this promise that persuaded the Native people of the Bristol Bay region to relinquish our claim to more than 300 million acres of aboriginal lands.

The 40 million acres of land distributed to the regional corporations represents only 12% of the State of Alaska. The $962 million paid in compensation for the aboriginal homelands the Alaska Native people relinquished was not a lump-sum payment; rather it was paid out over a 10-year period. Further, the corporate model was a new concept for many Alaska Natives. Many corporations struggled to survive and to become profitable.

Bristol Bay was designated as the region representing southwest Alaska. Bristol Bay Native Corporation was incorporated in 1972 and became entitled to receive approximately 3 million acres of land, primarily subsurface estate. We received only $32.7 million of the

monetary portion of the ANCSA settlement. Approximately 5,400 Alaska Natives of primarily Yupik Eskimo, Athabascan Indian, and Aleut descent with hereditary and cultural ties to the Bristol Bay region received 100 shares of stock in Bristol Bay Native Corporation.

For over thirty-seven years we have worked diligently to keep Congress apprised of our growth and development, our successes and our failures. Congress, in recognition of the organic nature of ANCSA, has amended it repeatedly in order to correct deficiencies and to continually pursue achievement of its most basic purpose – developing sustainable and healthy economies for our Native people.

Mission Statement

Bristol Bay Native Corporation's mission statement is "Enriching our Native way of life." Foremost in the minds of those who crafted the original and the present Bristol Bay Native Corporation mission statement was protecting the Native way of life – cultural traditions, the lands, and resource harvesting. It also states, "We will be successful as we move ahead, we cannot be afraid of what the future holds because we are going to be a part of shaping the future."

Subsistence hunting, fishing, and food gathering continue to be ingrained into our cultural identity and traditions. Honoring the elders – the keepers of our heritage – the corporation blends old wisdom with current exploration of business opportunities. Our corporate structure and philosophy strongly supports the maintenance of this connection.

Corporate History

Bristol Bay Native Corporation's first successful investment was the purchase of Peter Pan Seafoods, Inc. during the late 1970s. The profit from the 1979 sale of Peter Pan Seafoods, Inc. became the core of Bristol Bay Native Corporation's investment portfolio. In 1977, the corporation purchased a hotel in Anchorage and contracted with Hilton Hotels Corporation to manage it. 1979 was an important turning point for Bristol Bay Native Corporation, when the board of directors decided to invest in a professionally-managed portfolio, realizing the importance of diversified investments.

In 1986, Congress enacted legislation allowing Alaska Native corporations to participate in the Small Business Administration's (SBA) 8(a) Business Development Program which assists the development of companies owned and operated by individuals who are socially and economically disadvantaged. During the 1990s, Congress modified the provisions affecting Indian Tribes and Alaska Native corporations certified under Section 8(a) of the Small Business Act, increasing opportunities for Alaska Native corporations to learn how to effectively compete in the federal marketplace.

The inclusion of Alaska Native corporations as participants in government procurement in the aboriginal settlement provisions of ANCSA, allows our corporations to benefit from the business development programs that have long been available to other minority groups and to

strive for entrepreneurial success that will allow us to fulfill our obligation to our shareholders, which is to advance the economic and social well-being of our shareholder-owners.

Many of Bristol Bay Native Corporation's shareholders and the communities they inhabit experience levels of poverty and unemployment more typical of third-world countries. Natural resource development on ANCSA lands has helped to ameliorate some of the hardship, and jobs have been created, but for long-term sustainability, diversification into other financial and business endeavors is the only route to securing the economic promise of the settlement act.

Bristol Bay Native Corporation began building its current set of subsidiary companies in 1993 with the formation of Bristol Bay Corporate Services. Shortly thereafter, Bristol Environmental Services Corporation, organized in 1994, became our first SBA 8(a) certified entity. Its first federal contracts were for work in the Bristol Bay region – at the Air Force Base in King Salmon and in Iliamna. Many Bristol BayNative Corporation shareholders were employed. However, not all of Bristol Environmental Services Corporation's growth came from 8(a) sources. Significant work came from the oil industry and other private sources. It became profitable in 1997 and graduated successfully from the 8(a) program in 2004.

During the 1990s, the Anchorage Hilton Hotel prospered and the property value increased dramatically. With the sale of the hotel in 1997, BBNC issued a $30 per share dividend to the shareholders and more than doubled our investment portfolio, increasing its value to over $70 million.

Bristol Bay Native Corporation continued to make significant capital and equity investments in business operations, growing the company, both organically and through acquisitions. Acquired companies include PetroCard Systems, Inc., CCI, Inc., and SpecPro, Inc. Vista International Operations was a 1998 start-up operation that has continued to grow and expand.

Over the years, the sale of sand, rock, and gravel has provided important revenue. Another important source of income has been through the revenue sharing provisions of Section 7(i) of ANCSA, which requires the sharing of profits from earnings on natural resource development among the regional corporations.

The founders of Bristol Bay Native Corporation took their knowledge of the land and culture and built a diversified corporation with more than $1 billion in annual revenue. This revenue has been shared with our 8,400 shareholders, who have received more than $70 million in dividends since our inception. We first reported a profit from operations in 1977 and have recorded net losses only twice since that time. Today, we are a diversified holding company with investments that include a substantial stock portfolio and operating companies that provide architectural design, cardlock fueling, administrative and management services, nondestructive testing and inspections, construction management, environmental engineering and remediation, oilfield services, surveying, facilities management, and operations and maintenance services. We have been and will continue to be a significant contributor to the statewide economy of Alaska.

At the same time, many of our shareholders face extraordinary

economic and employment challenges in rural Alaska. Rising energy costs have hit rural Alaska very hard, creating a crisis never before experienced in our villages.

From the beginning, our promise to our shareholders has been to provide consistent and growing dividends, invest for the future, encourage educational opportunities, and support our shareholder communities. We will continue to strive toward fulfilling the promise of the Alaska Native Claims Settlement Act to the shareholders of Bristol Bay Native Corporation.

Salmon is the lifeblood of the Bristol Bay region

DOYON
Limited

Norman L. Phillips, Jr.
President and CEO
E-mail: phillipsn@doyon.com
Direct Dial: (907) 459-2004
Fax: (907) 459-2060

November 30, 2009

Via E-mai

Representative Jay Ramras
1292 Sadler Way, Suite 324
Fairbanks, Alaska 99701
Representative_Jay_Ramras@legis.state.ak.us

RE: House Committee on Economic Development, Trade & Tourism Request for 8(a) Information

Dear Representative Ramras:

I am the President and CEO of Doyon, Limited, one of thirteen Alaska Native Claims Settlement Act regional corporations. We are headquartered in Fairbanks and have more than 17,500 shareholders. Our land entitlement of 12.5 million acres in Interior Alaska makes us the largest private landowner in Alaska, and one of the largest in North America.

As an Alaska Native Corporation, Doyon is able to participate in the United States Small Business Administration's 8(a) Business Development Program. We have done so since 2001. The 8(a) program has been very beneficial to Doyon. Between 2001 and 2008, we grew from no federal revenue in our fiscal year 2001 to about $93 million in annual revenue derived from federal contracts in fiscal year 2008. Our growth in federal contracting in our fiscal year 2009, which closed September 30, 2009, was also impressive and income from federal contracting is now a major financial contributor to Doyon, Limited. Through our growth in federal contracting Doyon now employees approximately 1,500 people throughout the United States, from Florida to Alaska to Hawaii and in at least eleven states in between.

We have structured our federal contracting program to be cost-competitive. In each area of our federal contracting program, including security, construction, engineering and technical consulting, we also provide the same services in the commercial market on a similar scale.

I have attached a copy of the letter we sent to the United States Senate's Subcommittee on Contracting Oversight on May 29, 2009. This letter provides more detail on our participation in the SBA's 8(a) program.

Thank you for the opportunity to provide written comments to your Committee regarding a program that has and will continue to be very valuable to Doyon and other Alaska Native Corporations.

Respectfully,

Norman L. Phillips, Jr.
President and CEO
Doyon, Limited

STATEMENT FOR THE

HEARING RECORD

OCTOBER 26, 2009 JOINT HEARING ON THE ECONOMIC IMPACT OF NATIVE 8(a) CONTRACTING

ALASKA STATE HOUSE OF REPRESENTATIVES HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & TOURISM

Sealaska Corporation
Chris E. McNeil, Jr.
President & CEO

One Sealaska Plaza, Suite 400
Juneau, AK 99801
907-586-1800

My name is Chris McNeil, Jr., and I am the President and CEO of Sealaska Corporation. I respectfully request that my statement be entered into the record for the October 26, 2009 hearing on the economic impact of Alaska Native Corporation 8(a) contracting. I apologize for not being present at the hearing in person, but I, along with other executives of Sealaska, was attending the annual National Minority Supplier Development Council Conference and Business Opportunity Fair. As a Native Corporation that benefits from the 8(a) program and that provides an economic impact in Alaska, we hope that you will strongly consider the following statement.

BACKGROUND ON SEALASKA CORPORATION

Sealaska Corporation is one of 13 Regional Corporations established under the authority of the Alaska Native Claims Settlement Act of 1971 (ANCSA). Sealaska is owned by approximately 20,000 Tlingit, Haida and Tsimshian tribal member shareholders and our lands are situated in Southeast Alaska. Like our culture, language and heritage, Sealaska is grounded in our lands, waters and homeland. In our management of our lands and resources, Sealaska is guided by our traditional Native value of "Haa Shagoon," which recognizes our obligations to our past and future generations.

Our shareholders know who they are as Native people with a culture and traditions that are a rich and invaluable part of the social fabric of our region and which strengthens the cultural diversity of our nation. It is this strength and pride of culture that inspires our tribal member shareholders' confidence and perseverance. Our culture enables our employees and companies to build upon Native traditional values and enables us to be a unique provider of quality and competitively priced products and services, by virtue of our Native ownership.

Through ANCSA, Congress directed that Native corporations should implement ANCSA "in conformity with the real economic and social needs of Natives . . . .". The Congressional directive is consistent with our traditional values which require that Sealaska develop sustainable economies and address the needs of our Native communities. From our headquarters in Juneau, Alaska, we have built a strong economic presence in Southeast Alaska and are also extending our business beyond our traditional homeland as a way of creating even greater economic benefit and employment opportunities for our shareholders. This global outreach is consistent with our history. Our people have been traders for thousands of years. We will continue to broaden and diversify our businesses to assure perpetual benefits for our tribal member shareholders and their descendants.

ANCSA is a living document that has been amended many times over, in part because it was a congressional experiment to complete a Native land settlement. By using a statutory framework for the land claims settlement, Congress structured ANCSA to accommodate substantive amendments that would achieve its purpose of developing a sustainable and healthy economy for Alaska Natives. The legislative amendments authorizing Alaska Native participation in the Small Business Act's (SBA) 8(a) program provide federal procurement opportunities for business development that contribute to the development of sustainable Alaska Native economies and are now embedded in ANCSA as part of our settlement with the United States. This action by Congress was an exercise of the federal trust responsibility toward tribes. This is an Indian policy that is both relevant and necessary to allow Alaska Natives and Tribes to participate in federal procurement opportunities. The program is rationally tied to the government's trust responsibility towards its Native people.

SEALASKA'S CONTRIBUTION TO THE SOUTHEAST ALASKA ECONOMY

Sealaska's home region, Southeast Alaska, is an archipelago and mainland geographic unit that is bisected by major marine waterways and rivers; with the mainland dominated by extreme geography consisting of glaciers, major ice fields, hostile weather conditions and severe topography. This geography isolates many of our communities from each other and from the rest of the world. This isolation limits access to energy and transportation infrastructure, and significantly increases the cost for delivery of goods and services. The overall effect is that the cost of doing business in our own region is extremely high. Accordingly, it is a challenge to diversify and grow the region's economy. This requires us to think globally in our economic development initiatives, to ensure a source of income and other economic opportunities that benefit our shareholders.

The loss of fishing and timber jobs in our region has hurt our rural economies tremendously. Many of the jobs that are available are seasonal in nature, and, therefore, not reliable sources of income. The result is very high levels of unemployment – in some communities as high as 80 to 90 percent. This contributes to the ongoing and very significant risk of out-migration from rural to urban areas. This high unemployment and out-migration is a particularly pressing problem in our Alaska Native villages.

Despite these challenges, Sealaska makes significant contributions to the economy of Southeast. According to studies conducted by the McDowell Group, a regional economic consulting group, Sealaska continues to be the largest private employer in Southeast Alaska. Sealaska is also one of the largest contributors to the other Regional Corporations throughout the state under the ANCSA 7(i) revenue sharing program, having contributed approximately $314 million since ANCSA was passed. In some of the poorest rural communities, Sealaska provides between thirty and fifty percent of the annual disposable income of the total community. The Corporation recognizes the dire condition of the Native communities in our region and has adopted a strategic and operating plan for the development of new jobs and economic opportunities in the region.

SIGNIFICANCE OF THE 8(a) PROGRAM FOR SEALASKA

Most of the revenues of Sealaska from 2000 – 2008 are from its timber resources and its investment portfolio. Sealaska's finite land and resource base alone is not sufficient to maintain a sustainable shareholder jobs and benefits program. In addition to land, Congress has provided authority for additional economic programs to promote economic sustainability of Alaska Native Corporations (ANCs). The inclusion of ANCs in government procurement programs as an additional component of the aboriginal settlement provisions of ANCSA enables ANCs to build upon the proven success of individual minority entrepreneurs and to apply that model to the ANCs in a manner that benefits all tribal member shareholders. The SBA 8(a) Business Development Program encourages ANCs to strive for corporate entrepreneurship that will help Native corporations meet their federally-defined obligations to further the economic, cultural and social well-being of the entire tribal member shareholder population. Without the 8(a) program, the barriers to entry for ANCs and Tribes would be too high to compete with multi-billion dollar federal contractors.

Currently, just over thirteen percent of Sealaska's revenue is derived from 8(a) contracting. Sealaska has only been involved in 8(a) or other government contracting since 2004. Sealaska currently owns five SBA 8(a) certified companies: Sealaska Environmental Services, Inc.; Synergy Systems, Inc.; Olympic Fabrication, LLC; Managed Business Solutions, LLC; and Alaska Coastal Aggregates, LLC. Olympic Fabrication, LLC only recently received its certification in early 2008. Two of Sealaska's newly-established companies, Sealaska Global Logistics, LLC, and Sealaska Constructors, LLC, have 8(a) applications pending with the SBA. The 8(a) certification has certainly opened some doors and provided increased business opportunities to Sealaska. We hope to continue to utilize the benefits of the 8(a) program to provide benefits to our tribal member shareholders, including dividend distributions, employment opportunities, internships, and scholarships.

ALASKA NATIVES CONTINUE TO BE ECONOMICALLY DISADVANTAGED

Despite the corporate structure and corporate names, Alaska Native Corporations are not the typical American Corporation. While some of our Native Corporations have become successful in certain areas of business, we still have a long ways to go to truly meet the economic, social and cultural needs of our tribal member shareholders. Our shareholders and the communities that we represent continue to be economically and socially disadvantaged. Investigators, internal auditors and others continue to use data to somehow conclude that Alaska Native Corporations are big, successful corporations that do not meet the definition for economically or socially disadvantaged. This ignores the real situation that these Native Corporations are continuing to try to address - widespread poverty, minimal economic opportunities in our rural communities, social distress, infrastructures needs, and the like.

In Sealaska's rural communities, there are significantly high unemployment levels. Many residents of these Native villages are moving to the urban centers to try to find employment. Many of our rural communities are not connected to an electricity grid, and continue to rely on diesel fuel for energy, resulting in 50 – 60 cents per kilowatt hour in costs. This results in thousands of dollars to heat an average home per month. This is the reality that we are trying to address; and we are certainly not attempting to fleece America and rob taxpayers. We are simply trying to make progress in the fight to put our Native people on equal footing with the rest of America.

BENEFITS TO SHAREHOLDERS THROUGH 8(a) PROGRAM

The contracts secured by Sealaska companies through the 8(a) program contribute to the profits of Sealaska Corporation, and allow us to provide increased benefits to our tribal member shareholders. It is one important portion of our economic portfolio. Sealaska's data submission to the Subcommittee outlines in significant detail the benefits provided to our tribal member shareholders, including:

- Scholarships
- Internships
- Employment Opportunities

- Management of ANCSA lands and other assets
- Financial and Political support for Native organizations
- Legislative monitoring and advocacy at the State and Federal level
- Biennial "Celebrations" featuring Native culture, songs and dances
- Southeast Alaska regional economic support and development activities
- Donations for social and cultural purposes

We would like to elaborate on a few of the benefits below.

Scholarships

Sealaska Corporation has a vested interest in the education and careers of its tribal member shareholders. As a result of its corporate emphasis on shareholder employment, Sealaska monitors the progress of its Native youth. One method employed by Sealaska has been to track those shareholders and shareholder descendants who have received scholarships through Sealaska Heritage Institute (SHI). The scholarship program administered by SHI is wholly funded by Sealaska Corporation. Sealaska has awarded thousands of scholarships in the time period reviewed by the subcommittee, totaling more than $5.7 million from 2000 – 2008. The number of scholarship recipients per year ranges from 300 – 400 students. Sealaska actively recruits from among the individuals in the scholarship database, and has recently secured former scholarship recipients for the positions of VP & Chief Financial Officer; VP, Corporate Secretary & Human Resources; VP & Chief Investment Officer; and VP & General Counsel. The ability to access this database ensures increased shareholder hire, including for positions in executive management at Corporate and at our subsidiaries.

Internships

Since 1981, more than 200 students have participated in the Sealaska internship program. The intern program provides current college students with real world job experience, as well as a salary and travel expenses. The program has been highly successful for both the students and for Sealaska. Sealaska's benefit is a network of capable prospective employees who meet the requirements and policies for shareholder hire. Interns are placed both at corporate headquarters and at Sealaska's subsidiaries or projects in and outside of Alaska. For example, in 2009, Sealaska placed interns at Sealaska Environmental Services in Washington State and at Nypro Kanaak-Alabama.

Sealaska and its subsidiaries currently employ 23 former interns. Sealaska Corporation employs 12 former interns, including officers. Sealaska Heritage Institute employs 4 former interns. Sealaska Environmental Services employs 3 former interns, one of whom is the General Manager. Finally, the General Manager for Synergy Systems is a former intern. Many of our interns are now also employees at other Native entities in Alaska, as well. Sealaska expects this trend of hiring interns at corporate and at the subsidiaries to continue and is proud of its long and successful history of managing a shareholder intern program.

Employment Opportunities

The Sealaska Board of Directors has established specific policies and procedures for the hiring of tribal member shareholders and has repeatedly defended its right of preferential hiring

of shareholders under the provisions of ANCSA. In addition to specific hire policies, the board compensates management for meeting specific shareholder hire goals and percentages. Sealaska's goal is to position shareholders to assume executive management positions at our corporate headquarters and within our subsidiaries. We have placed our shareholders in positions at 8(a) subsidiaries, including senior management at Sealaska Environmental Services, Managed Business Solutions and Synergy Systems.

Sealaska Heritage Institute

A significant portion of the benefits provided to Sealaska shareholders are administered through the Sealaska Heritage Institute (SHI). SHI is a 501(c)(3) organization established by Sealaska Corporation. Sealaska contributes funds on an annual basis to SHI for general administration, as well as for the scholarship programs. Sealaska contributed anywhere from $1.2 million to $2 million to SHI, annually, from 2000 - 2008. Through SHI, Sealaska provides the following benefits to shareholders:

- Scholarships
- Curriculum development and programs in Native culture and language
- Culture and Language camps
- The biennial "Celebration", a celebration of Native art, song and dance
- The support and perpetuation of Native Arts
- The creation and distribution of publications and videos about Native culture

SHAREHOLDER HIRE

The Sealaska Board of Directors has established specific policies and procedures for the hiring of tribal member shareholders and has repeatedly defended its right of preferential hiring of tribal member shareholders under the provisions of ANCSA. In addition to specific hire policies, the board compensates management for meeting specific shareholder hire goals and percentages. A key strategic goal of Sealaska is to build professional and managerial capacity among its tribal member shareholders, in order that they might assume executive management and other positions at headquarters and within our subsidiaries. This is made possible through our commitment to education through scholarships and internships.

Shareholder employment in Alaska generally averages around 80 percent. Shareholder employment becomes more challenging as Sealaska expands the geographic reach of its business operations. If you look at its domestic-only employment, Sealaska has approximately 21% shareholder hire overall. Sealaska makes every effort to seek out qualified shareholder candidates for placement in our various subsidiaries. We have been successful in placing shareholders or shareholder descendants in positions at our subsidiaries outside Alaska. For example, shareholder Derik Frederiksen is the General Manager at Sealaska Environmental Service, LLC – a company that also employs seven additional shareholders in Washington State (23% shareholder hire). Shareholder Jon Duncan is a Vice-President at Managed Business Solutions, LLC, and shareholder Bob Wysocki is the General Manager at Synergy Systems.

The Subcommittee must note that in most of our communities our younger shareholders or shareholder descendants are the first-generation to earn college degrees. To see second-

generation college degree recipients in our communities is a rarity. We are working very hard to build the capacity for business management. Our continued commitment to the internship and scholarship program is now the foundation of our ability to place skilled tribal member shareholders in management positions throughout our organization. The long-term trends of employment at Sealaska companies prove that our early investments in young tribal member shareholders and shareholder descendants are paying off. We expect to see continuing growth in the placement of tribal member shareholders in our companies well into the future.

CONCLUSION

Sealaska continues to represent a large number of socially and economically disadvantaged tribal member shareholders and communities. We will continue to work towards addressing the needs of our tribal member shareholders and communities, and the SBA's 8(a) program is one program that has proven successful in helping us reach some of our goals. Thank you for the opportunity to submit a written statement on behalf of Sealaska Corporation regarding the SBA's 8(a) Business Development Program.

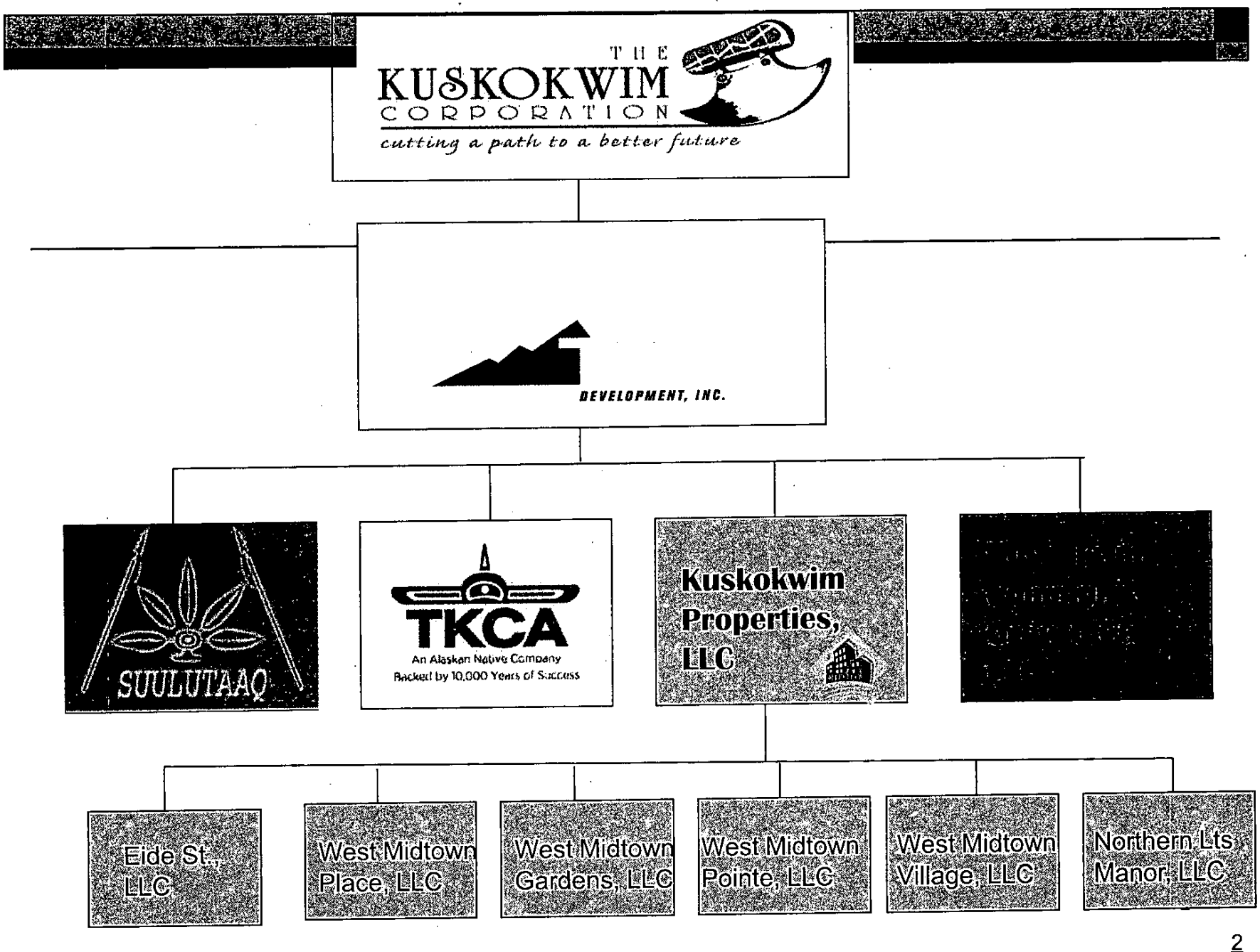
The Kuskokwim Corporation

THE KUSKOKWIM CORPORATION

cutting a path to a better future

Maver Carey

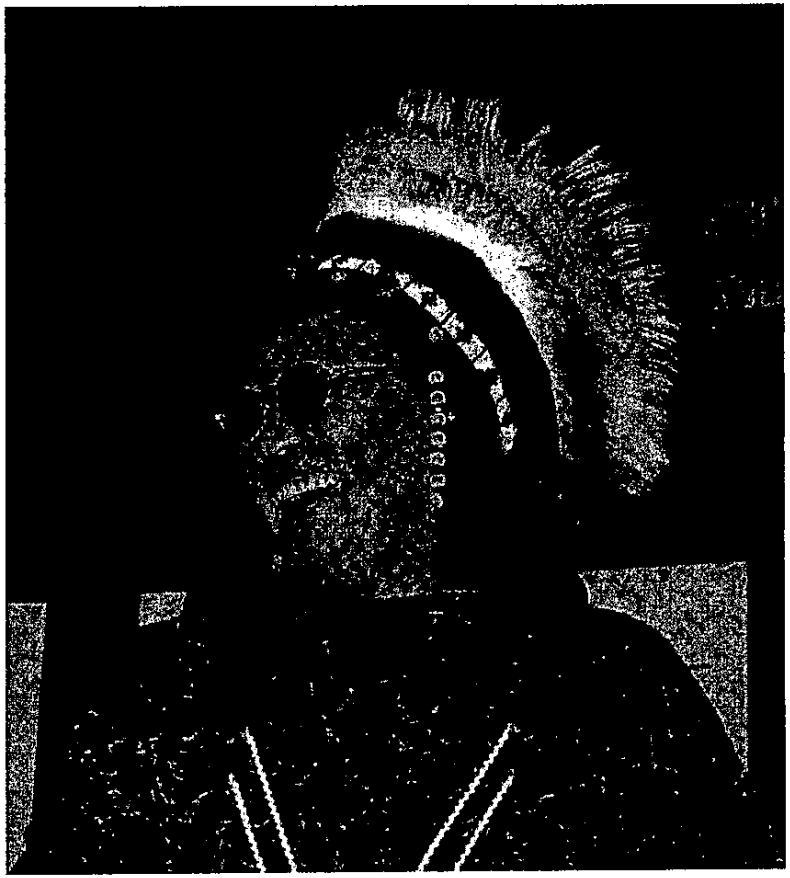
President/CEO


THE KUSKOKWIM CORPORATION
cutting a path to a better future
DEVELOPMENT, INC.
SUULUTAAQ
TKCA
An Alaskan Native Company
Backed by 10,000 Years of Success
Kuskokwim Properties, LLC
Eide St., LLC
West Midtown Place, LLC
West Midtown Gardens, LLC
West Midtown Pointe, LLC
West Midtown Village, LLC
Northern Lts. Manor, LLC

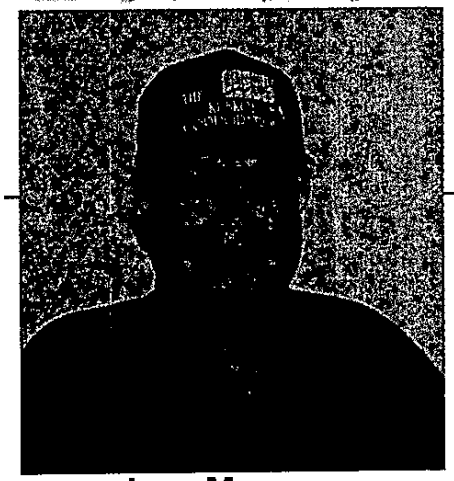
Who We Are

THE KUSKOKWIM CORPORATION
cutting a path to a better future

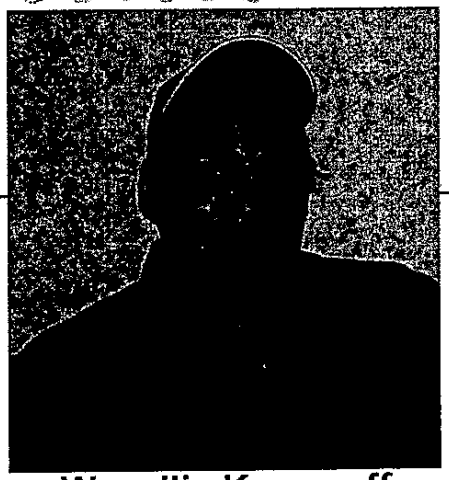
- Alaska Native Claims Settlement Act Village Corporation (ANCSA)
- Managed by a 12 member Board
- Ten Village Corporation's merged together in 1977
- Money and Resources Pooled Together



Board of Directors

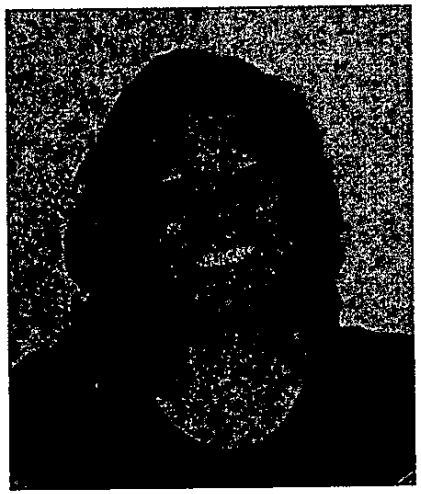


Leo Morgan
Chairman



Wassilie Kameroff
Vice Chairman

Kathleen Hoffman
Secretary/Treasurer



Mona Morrow
Seat A

Herman Morgan
Seat B

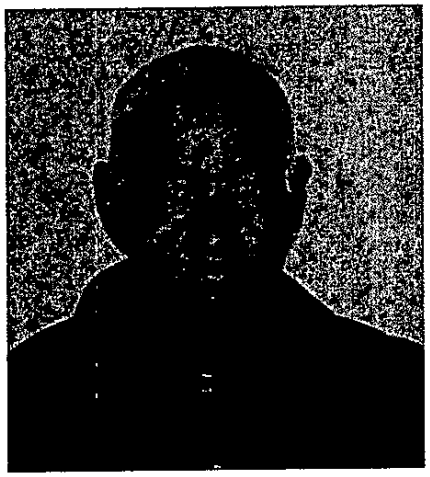
Angela Morgan
Seat C

Board of Directors

Jaylene Peterson-Nyren
Seat D

Jeff Nelson
Seat F

Lorraine Egnaty
Seat G



Iyana Gusty
Seat I

Marce Simeon
Seat K

Dunia Morgan
Seat L

Anchorage Office Staff

Maver Carey
President/CEO

Rachel Klein
COO/Land Manager

Sally Hoffman
Aniak Office Manager

Renee Fredericks
VP of Suulutaaq

Tara-Jo Brown
Controller/HR

Marie Yako
Executive Administrator

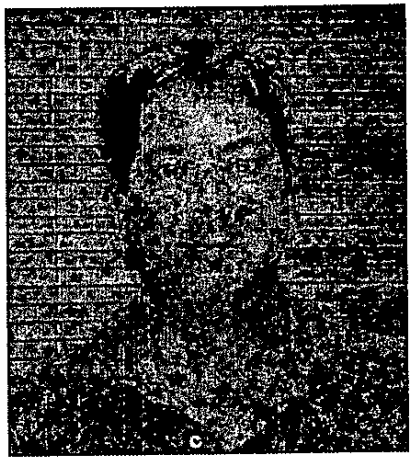
Anchorage Office Staff

Kimberly Gregory
Shareholder Rel./Admin Assist

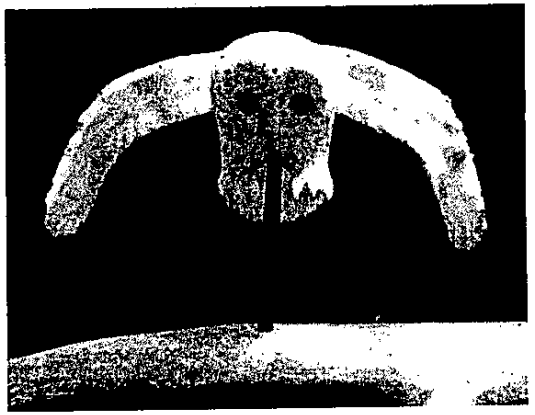
Daisy Phillips
Receptionist/Admin Assist.

Ember Steadman
Land/Admin Assist.

Cheryl Tanner
Accounting Assistant



Sam Boyle
President of Suulutaaq
CEO of TKC Aerospace



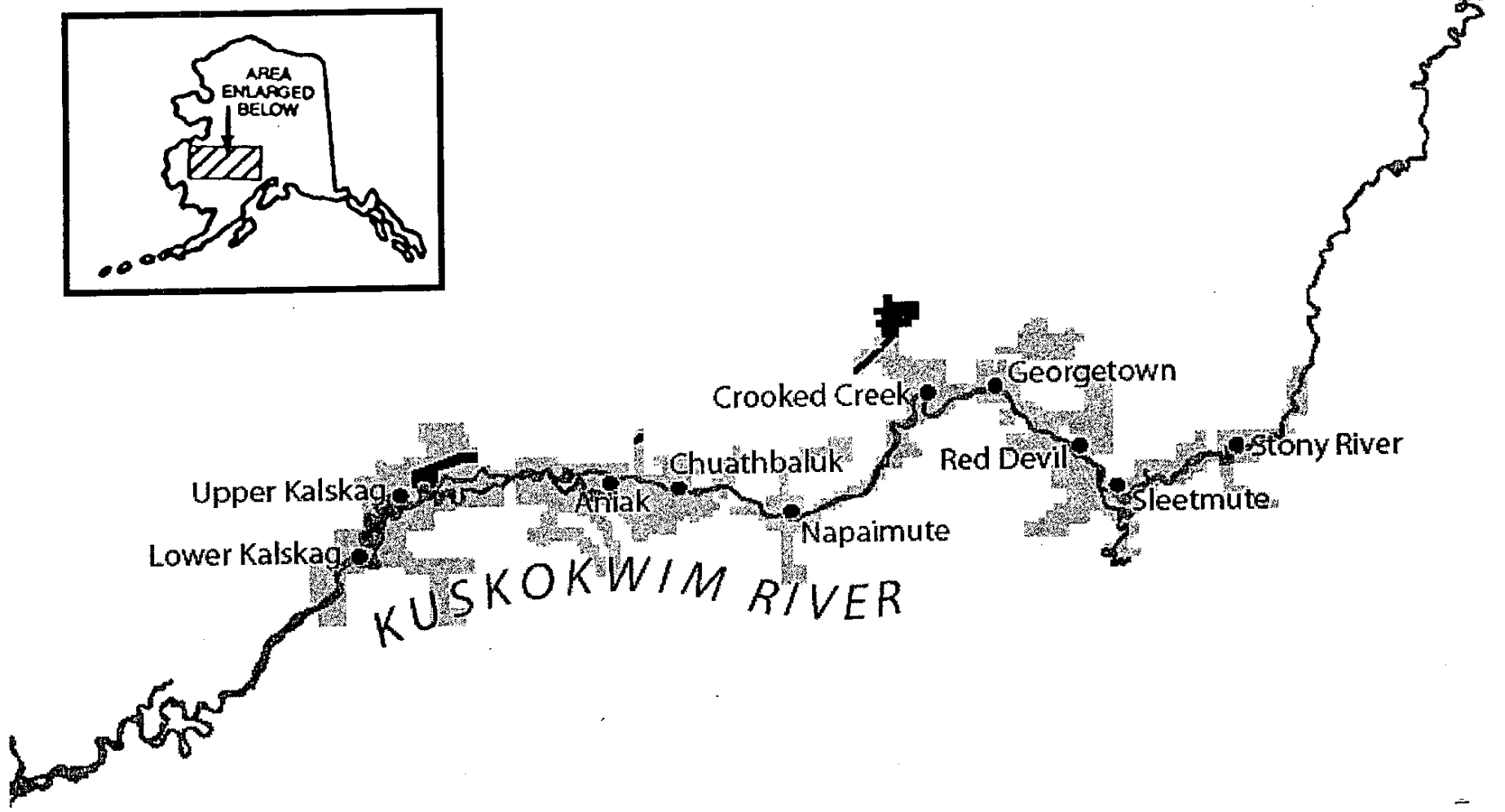
10 Village Corporations Merged to form TKC

- Aniak
- Upper Kalskag
- Lower Kalskag
- Chuathbaluk
- Napaimute,
- Crooked Creek,
- Red Devil,
- Georgetown,
- Sleetmute, and
- Stony River

April 25, 1977

The Kuskokwim Corporation

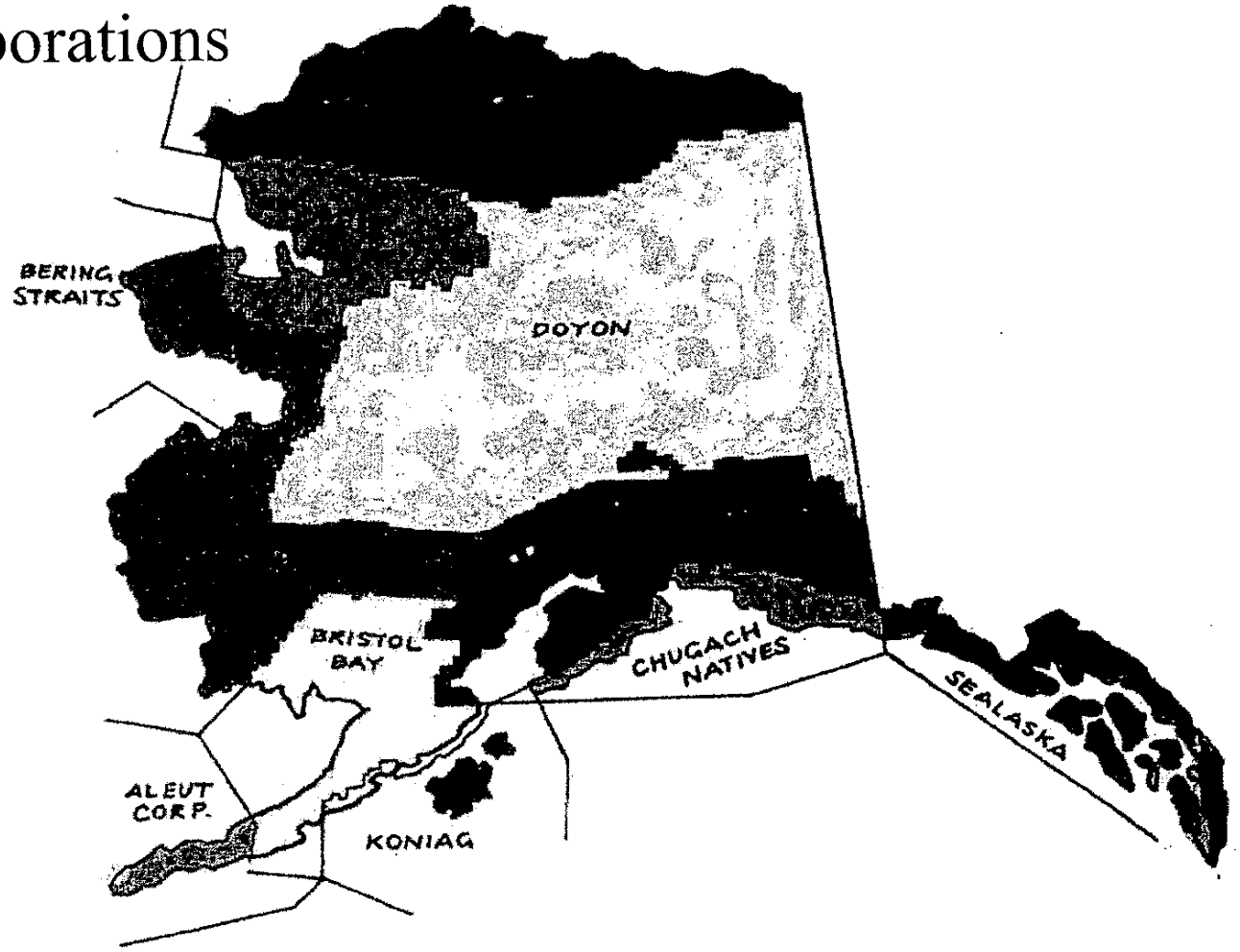
10 Villages, Located along the Middle Kuskokwim River



ANCSA Corporations 1971

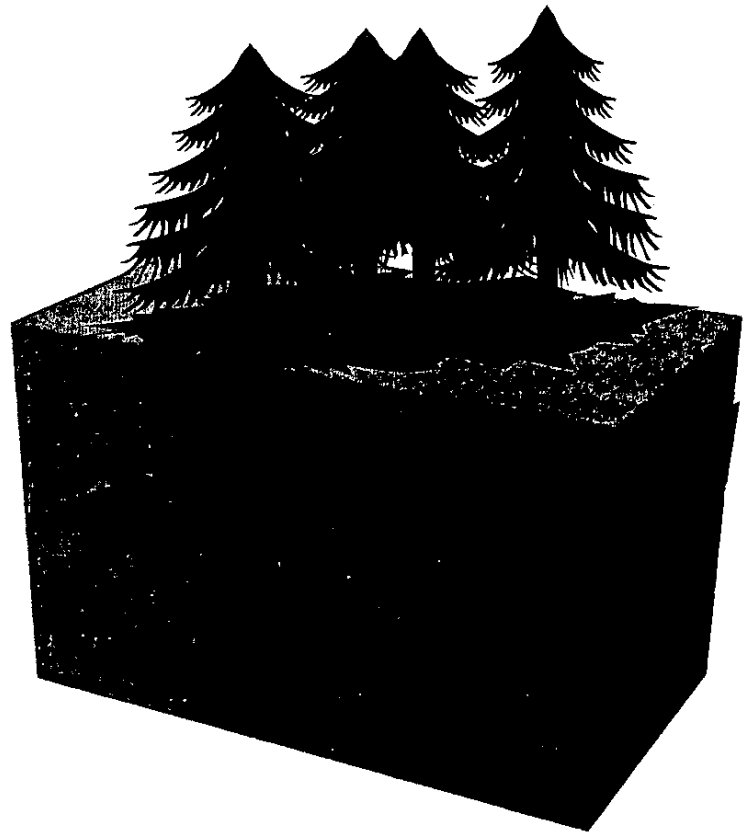
13 Regional Corporations

200+ Village Corporations



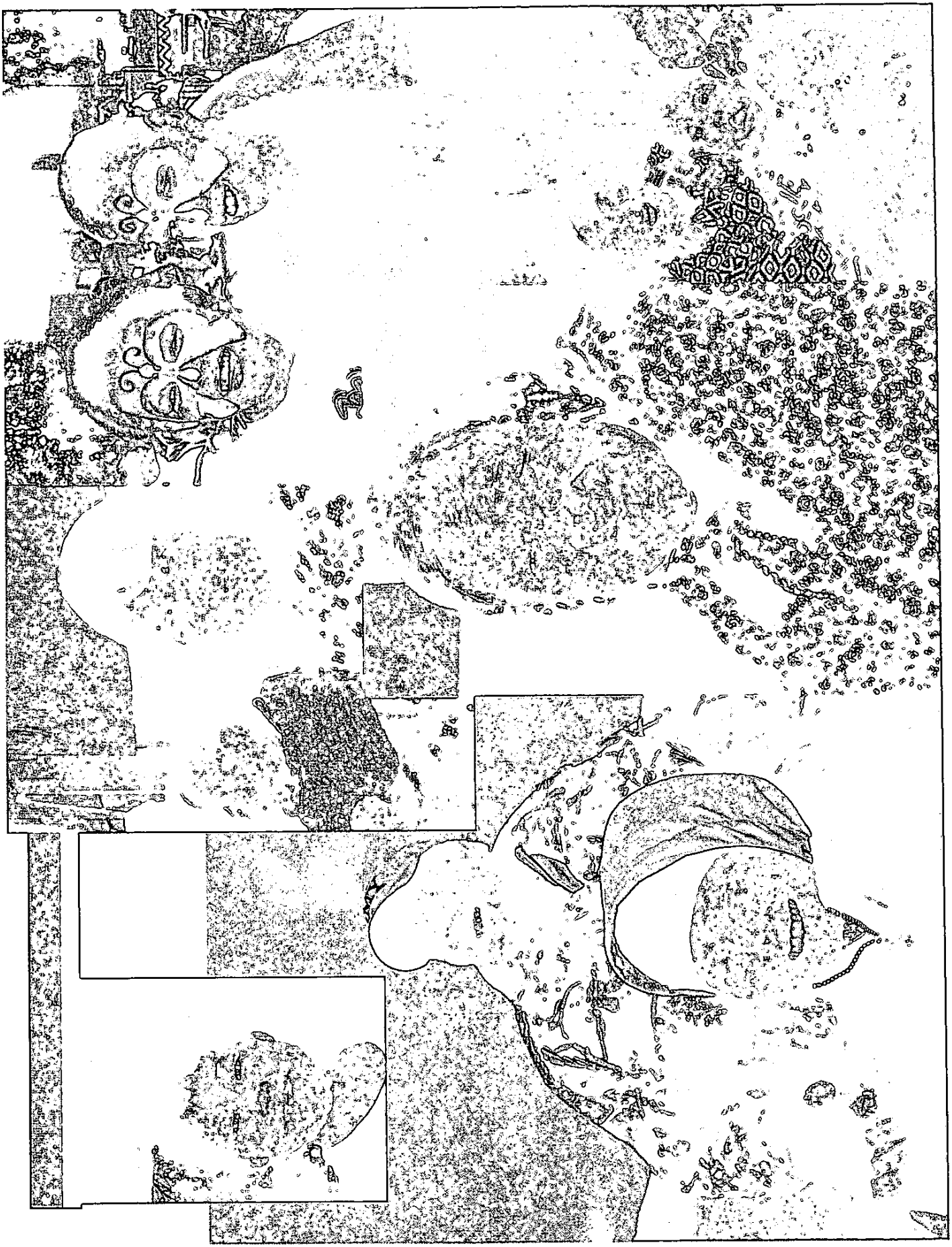
TKC Surface Estate Land Owners (own over 950,000 acres)

- TKC
- Calista



Over 3,100 Shareholders

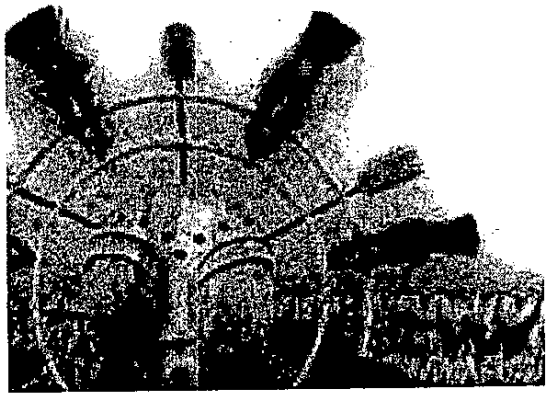
- Yupik Eskimo/Athabascan Indian Descent
- Initially had 1,100 original shareholders
- Began enrolling our children in 1994



Our Vision

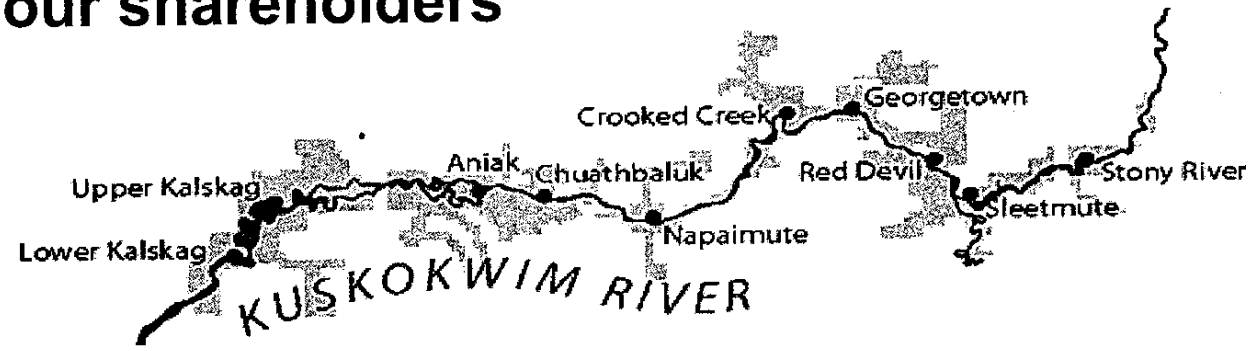
By 2015, TKC is shareholder-managed $100 million asset value Alaska Village Corporation

- We will support the goals of our shareholders through scholarships, education/training opportunities, dividends and employment
- We will develop successful businesses in and out of our region
- We will responsibly develop our land for both modern and traditional uses
- We will strengthen ties with our shareholders

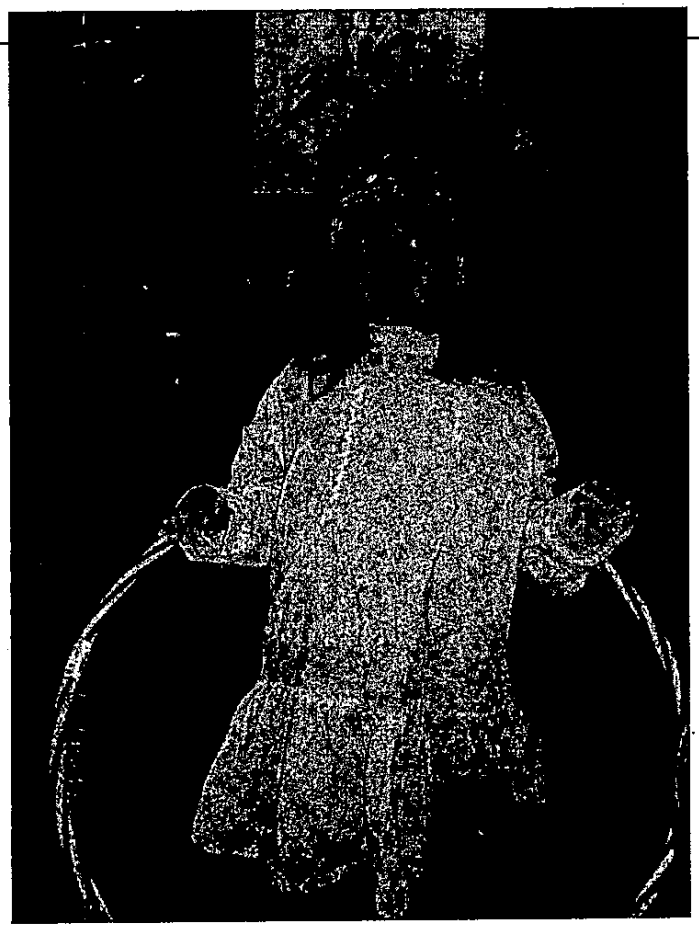


Our Purpose

- To enhance our land, culture and the lives of our people
- To successfully grow the company financially
- To provide educational awareness and support to our shareholders



Culture/Economy

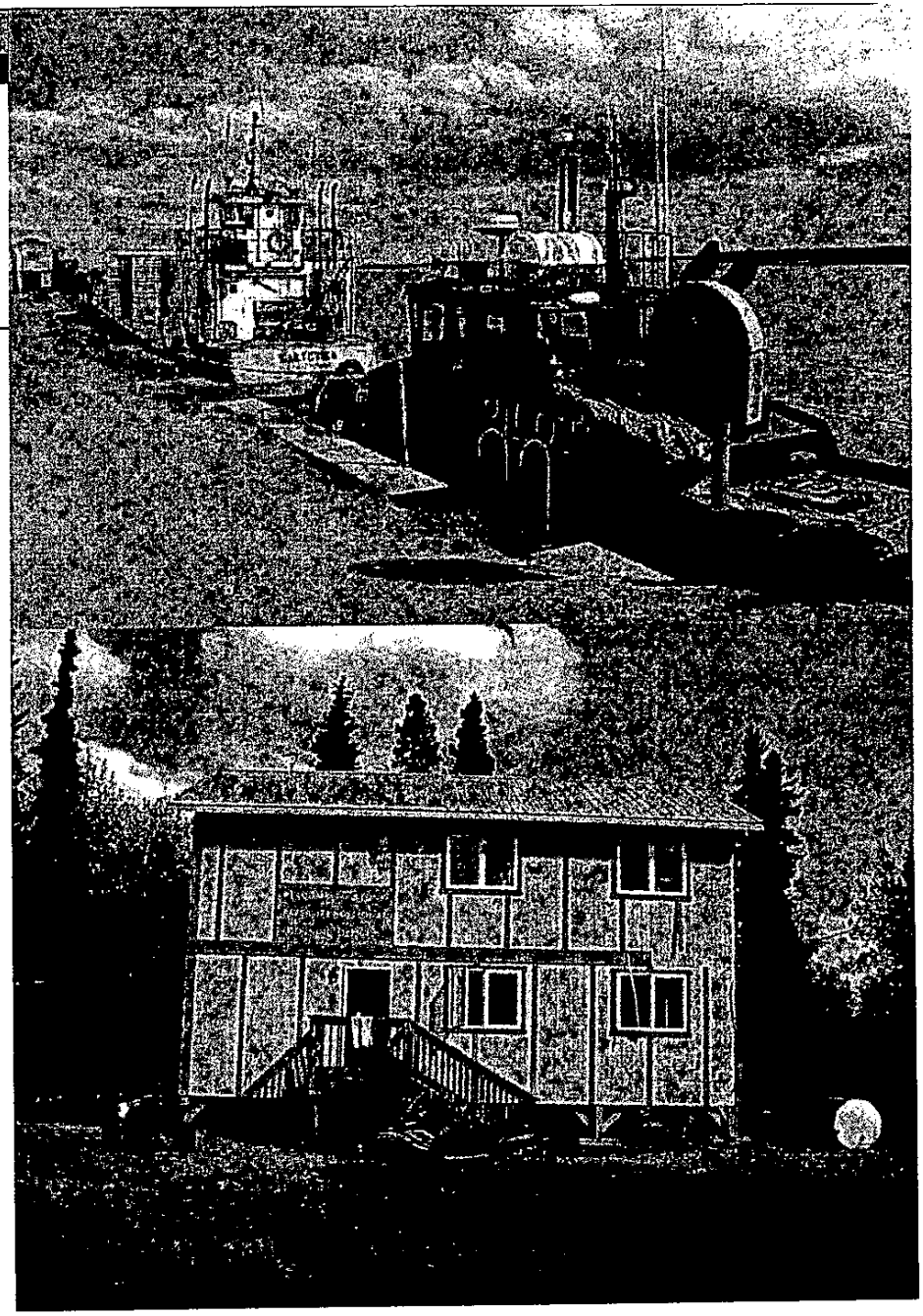


- Getting ready for the fishing season in Stony River, AK

* Data taken from the State of Alaska Community Database/Bethel Census Area

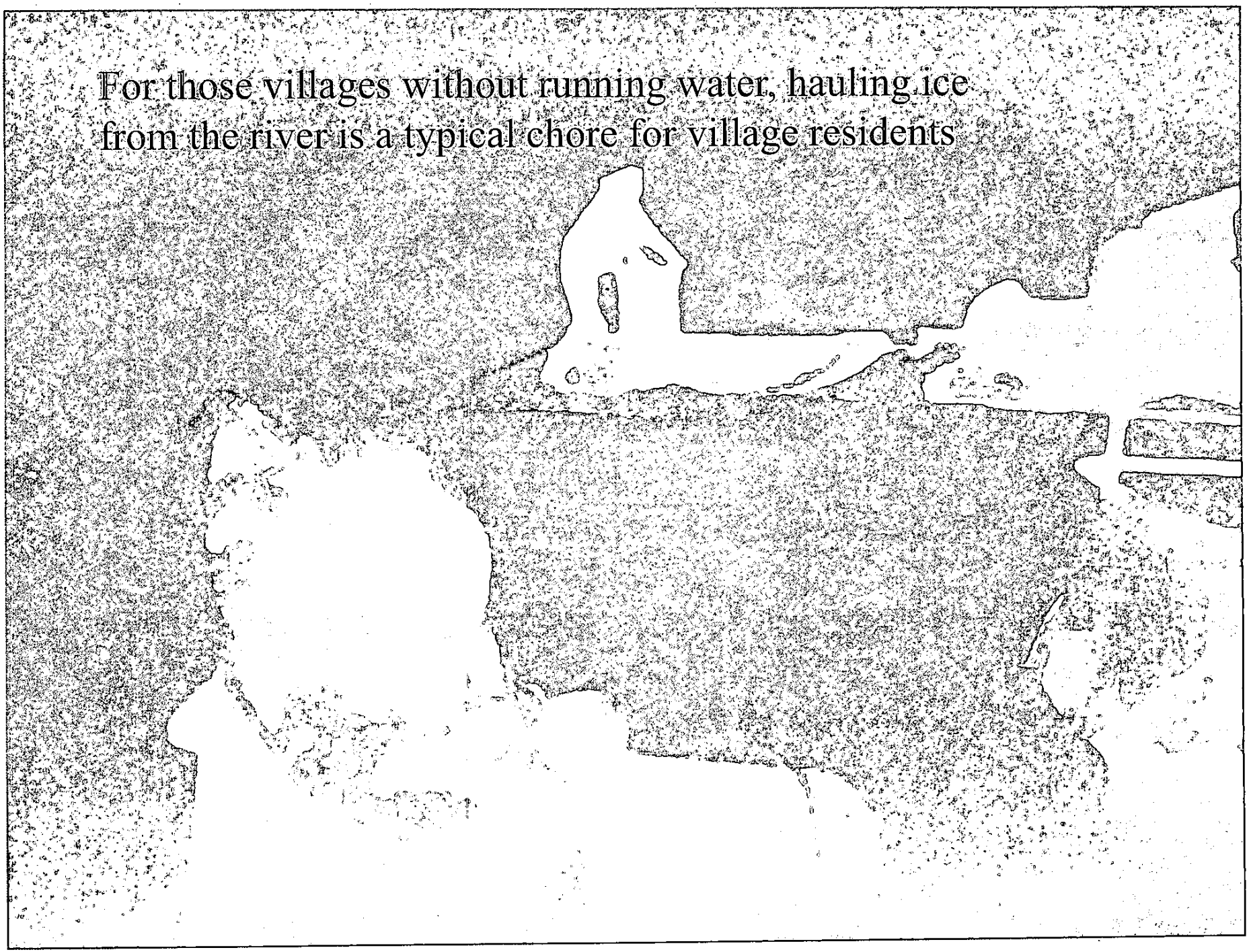
Economy/ Transportation

- Barges deliver cargo and bulk fuel
- Few income opportunities
- Firefighting can provide seasonal income
- Employment Opportunities are limited to the School, Store, Tribal Council office,

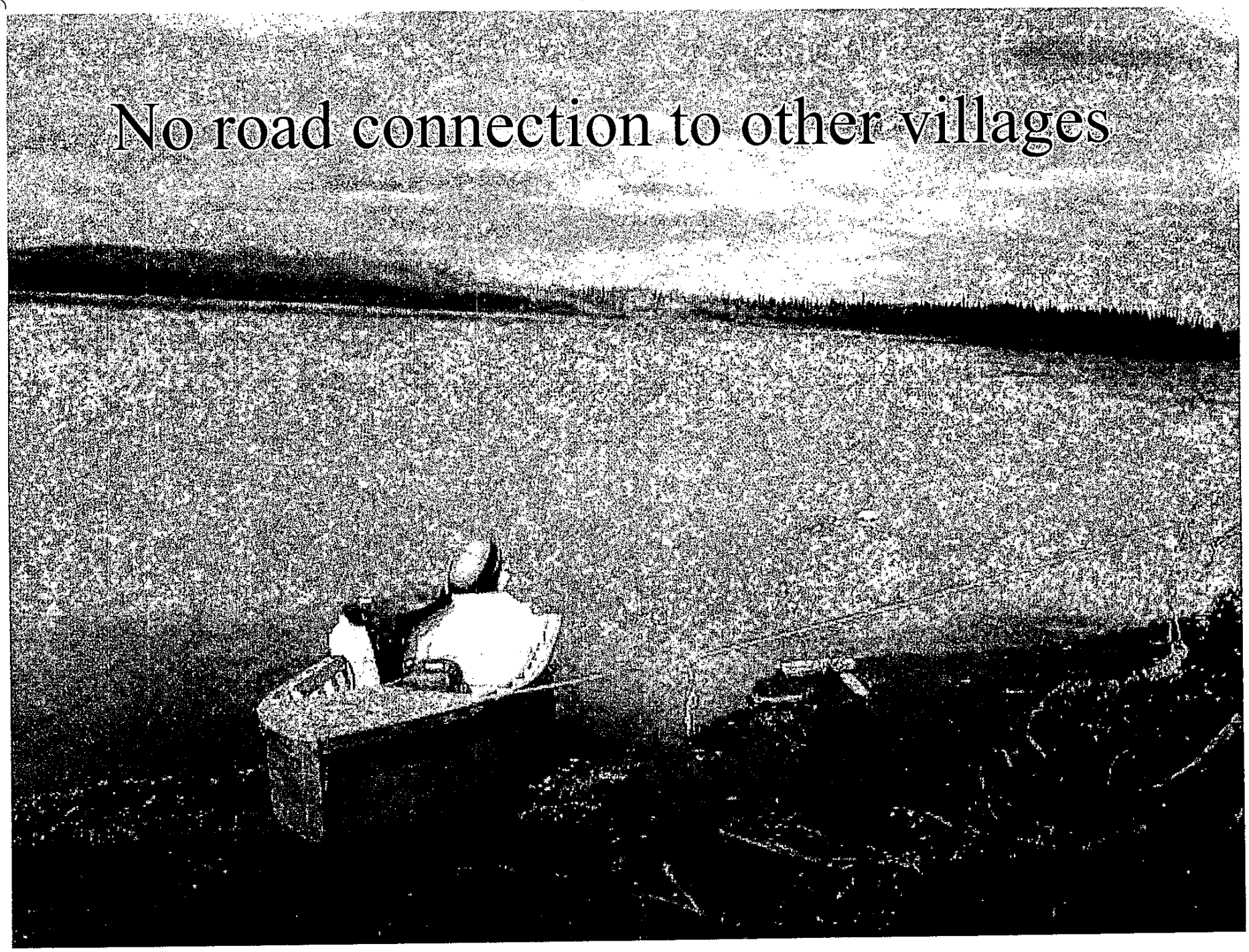


Access limited to air and water

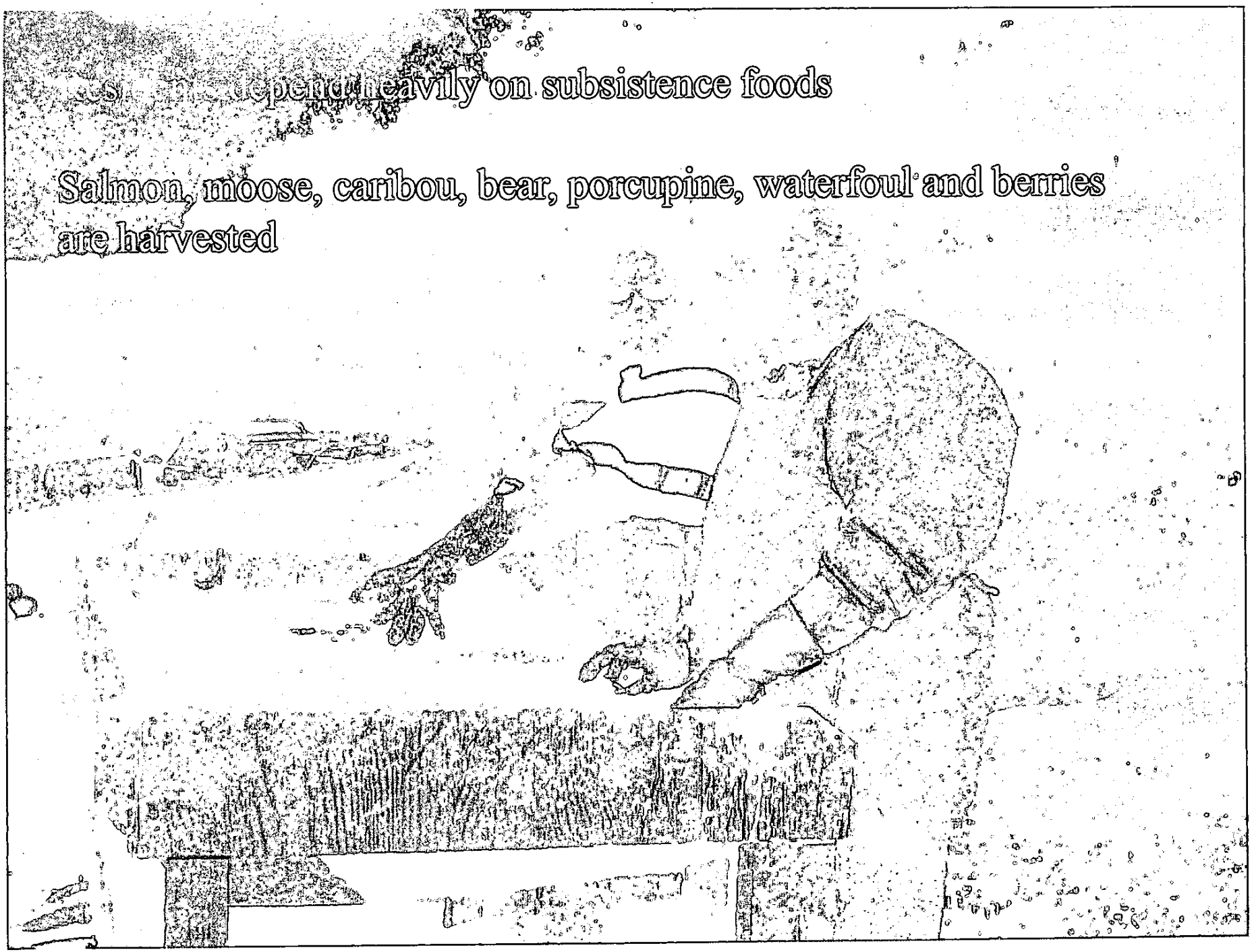
Regional Village Transportation
(-45 degrees also)

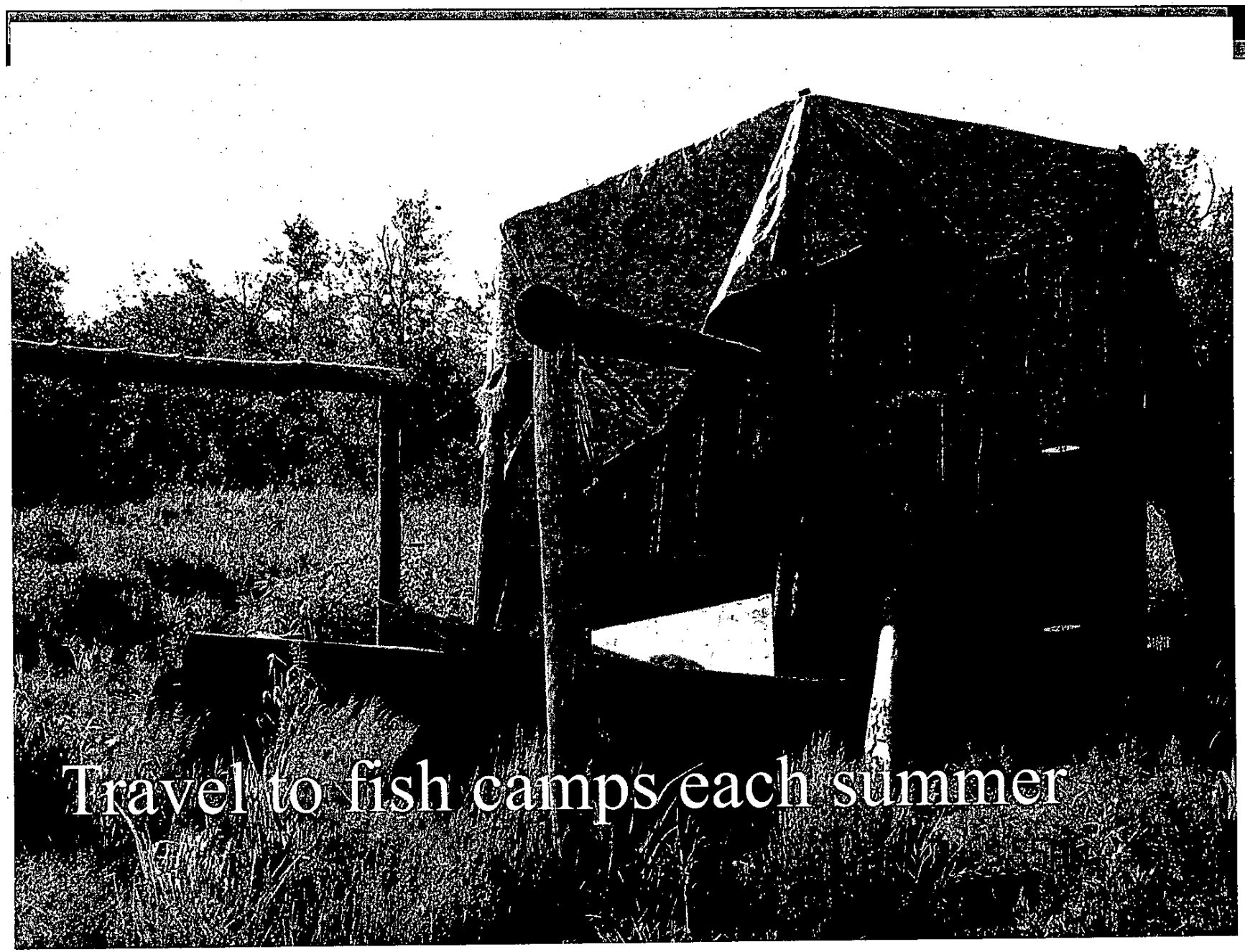


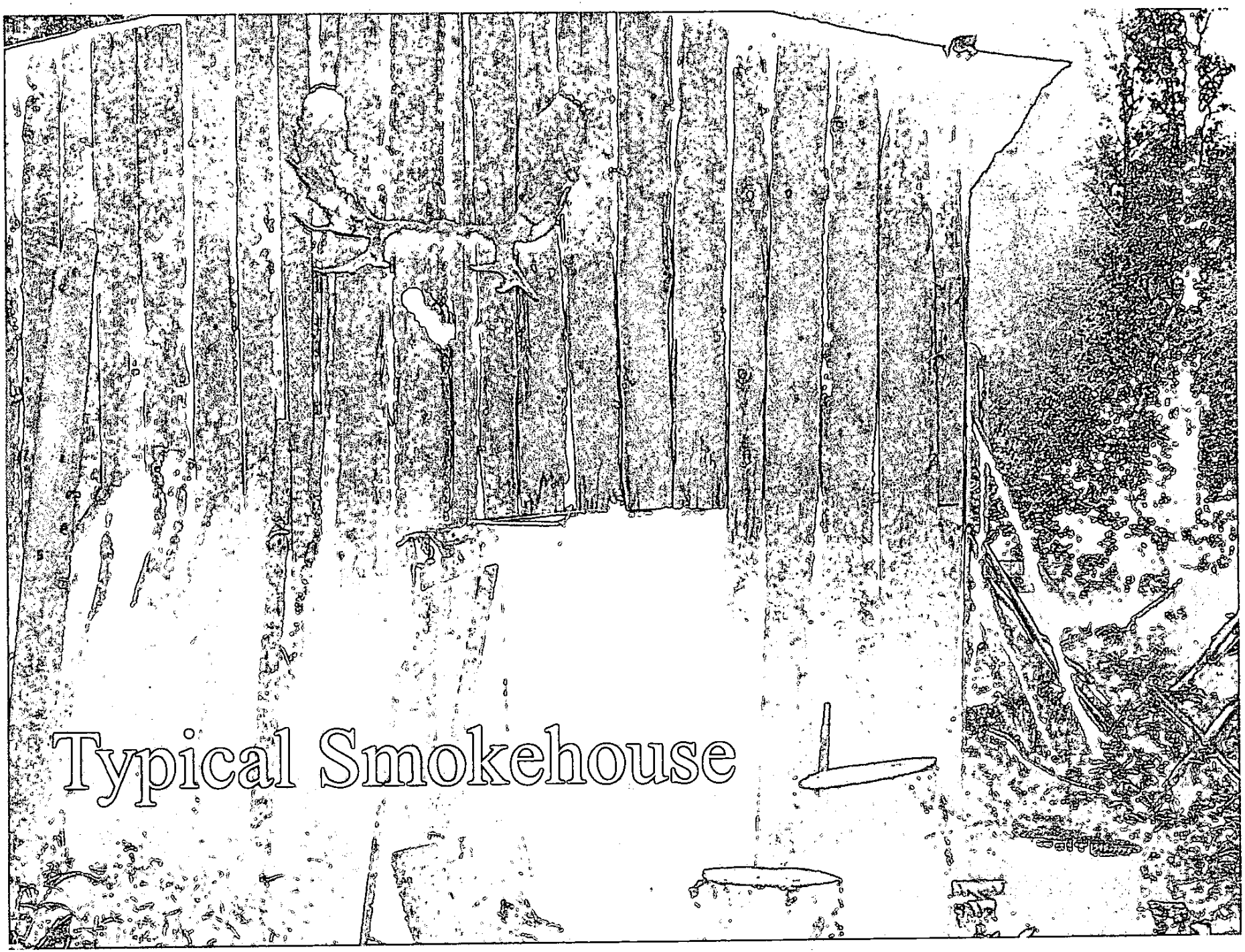
For those villages without running water, hauling ice from the river is a typical chore for village residents


No road connection to other villages

Subsistence activities supplement part-time w
earnings


depend heavily on subsistence foods
Salmon, moose, caribou, bear, porcupine, waterfoul and berries are harvested


Travel to fish camps each summer

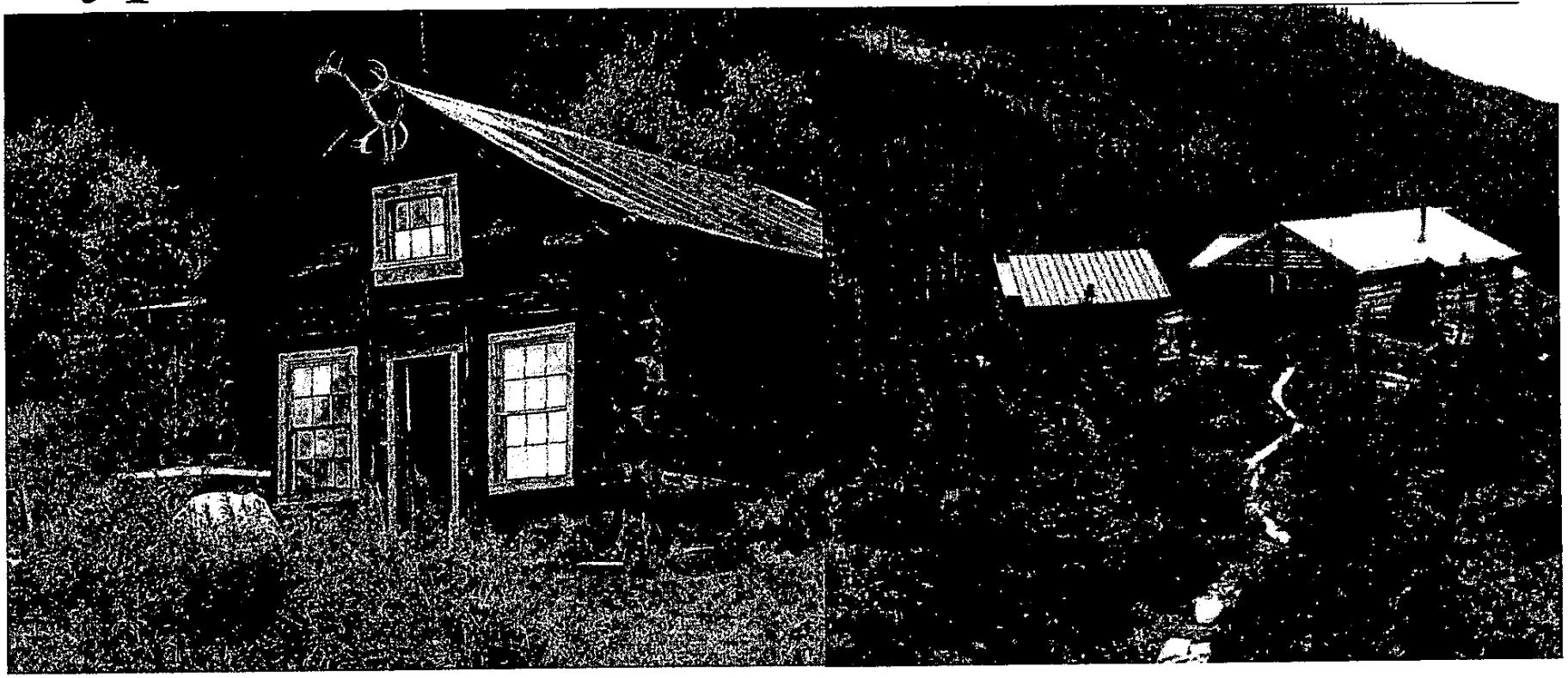


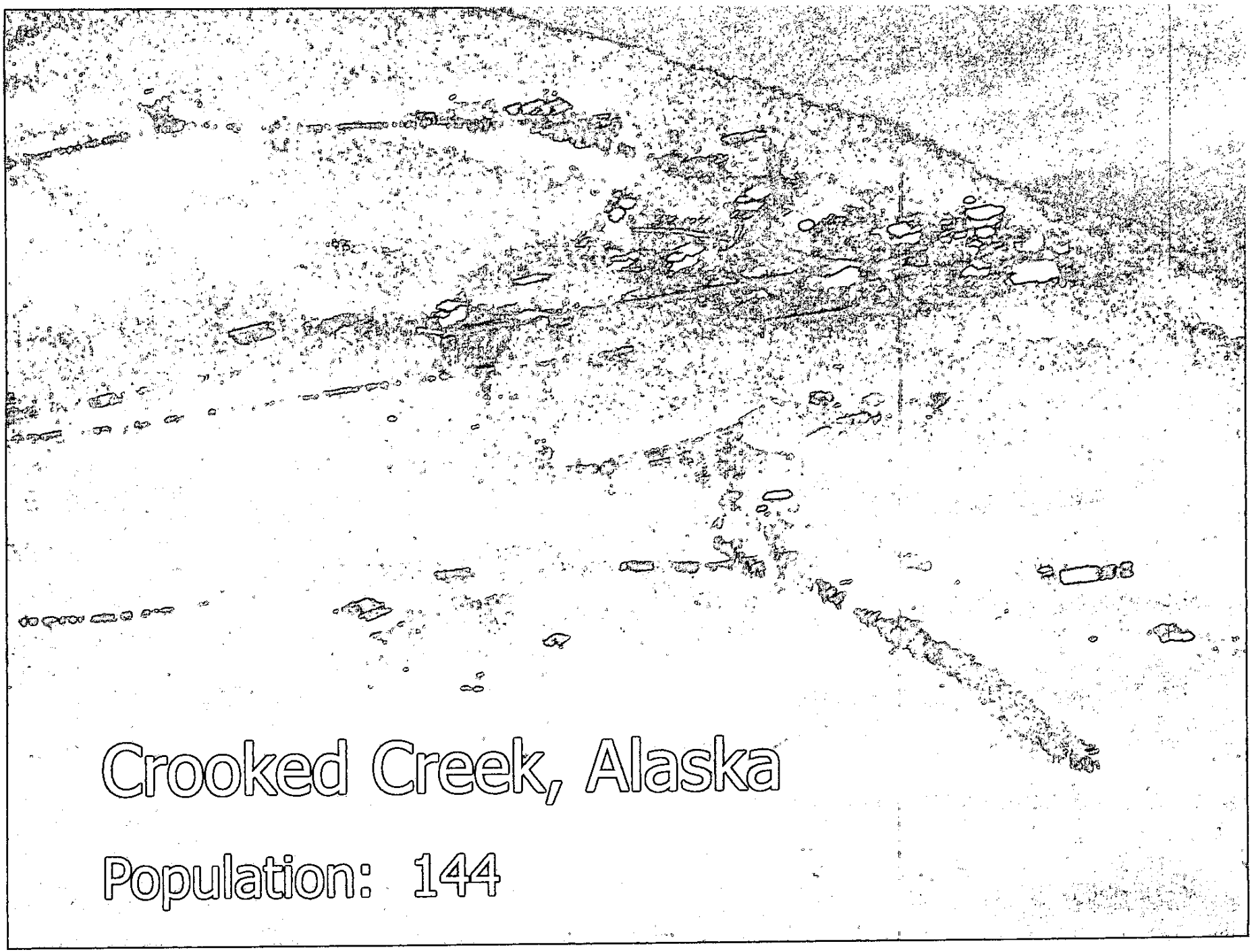
Typical Smokehouse

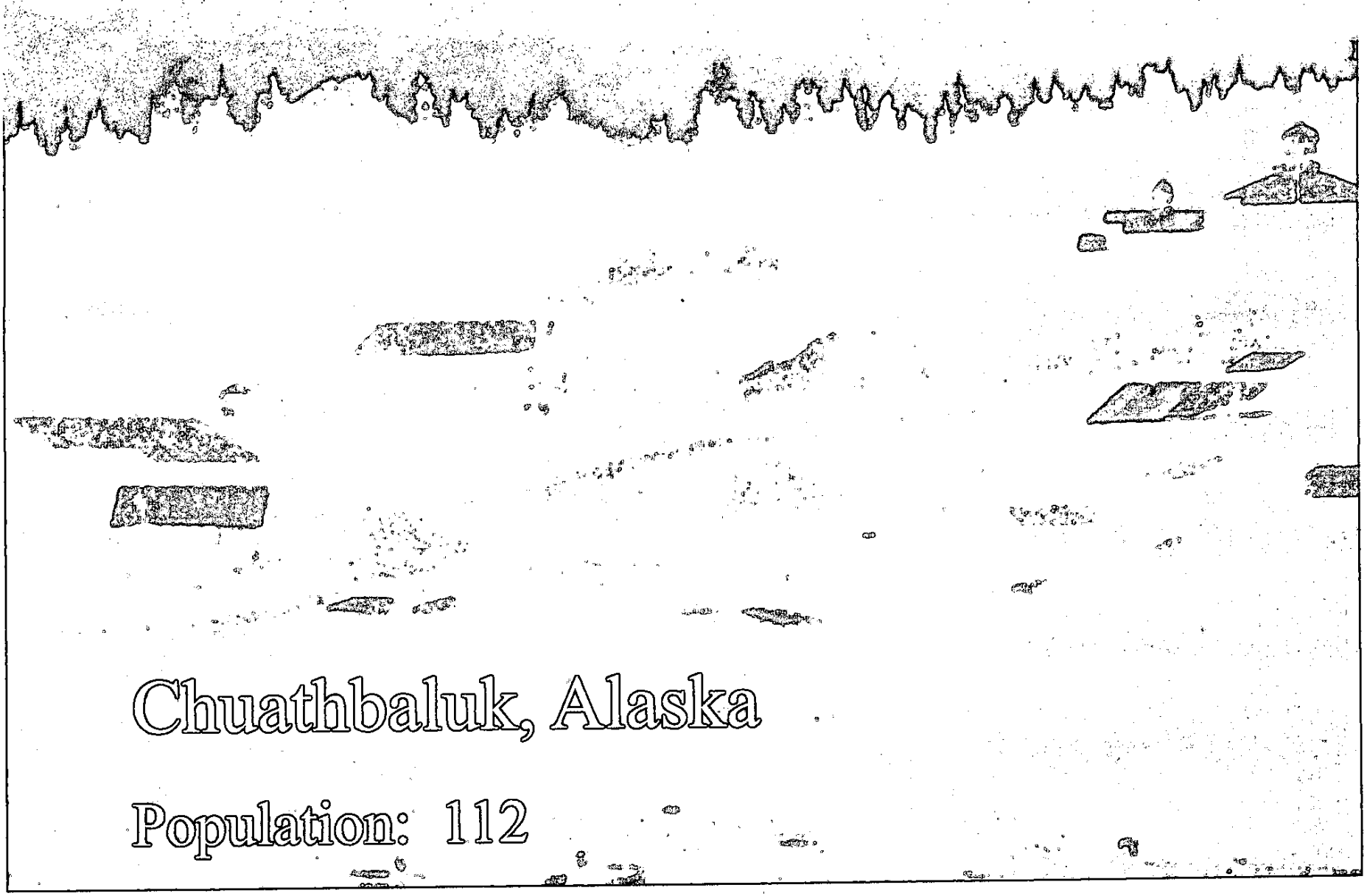
Stony River, Alaska

- Population 56
- Only 2 homes have running water
- 1 home has a flush toilet

Typical Home Rural Alaska

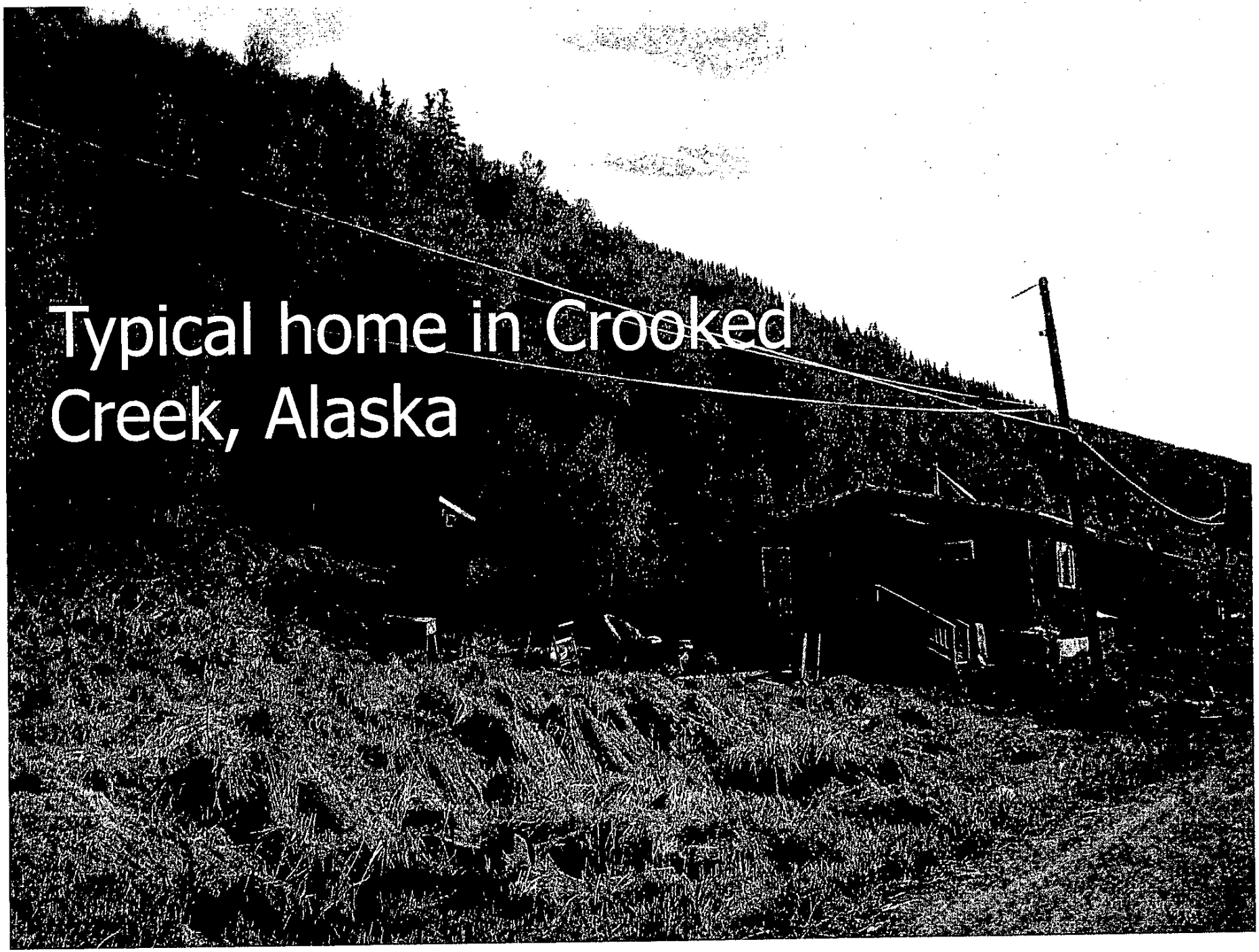



Crooked Creek, Alaska
Population: 144



Chuathbaluk, Alaska

Population: 112

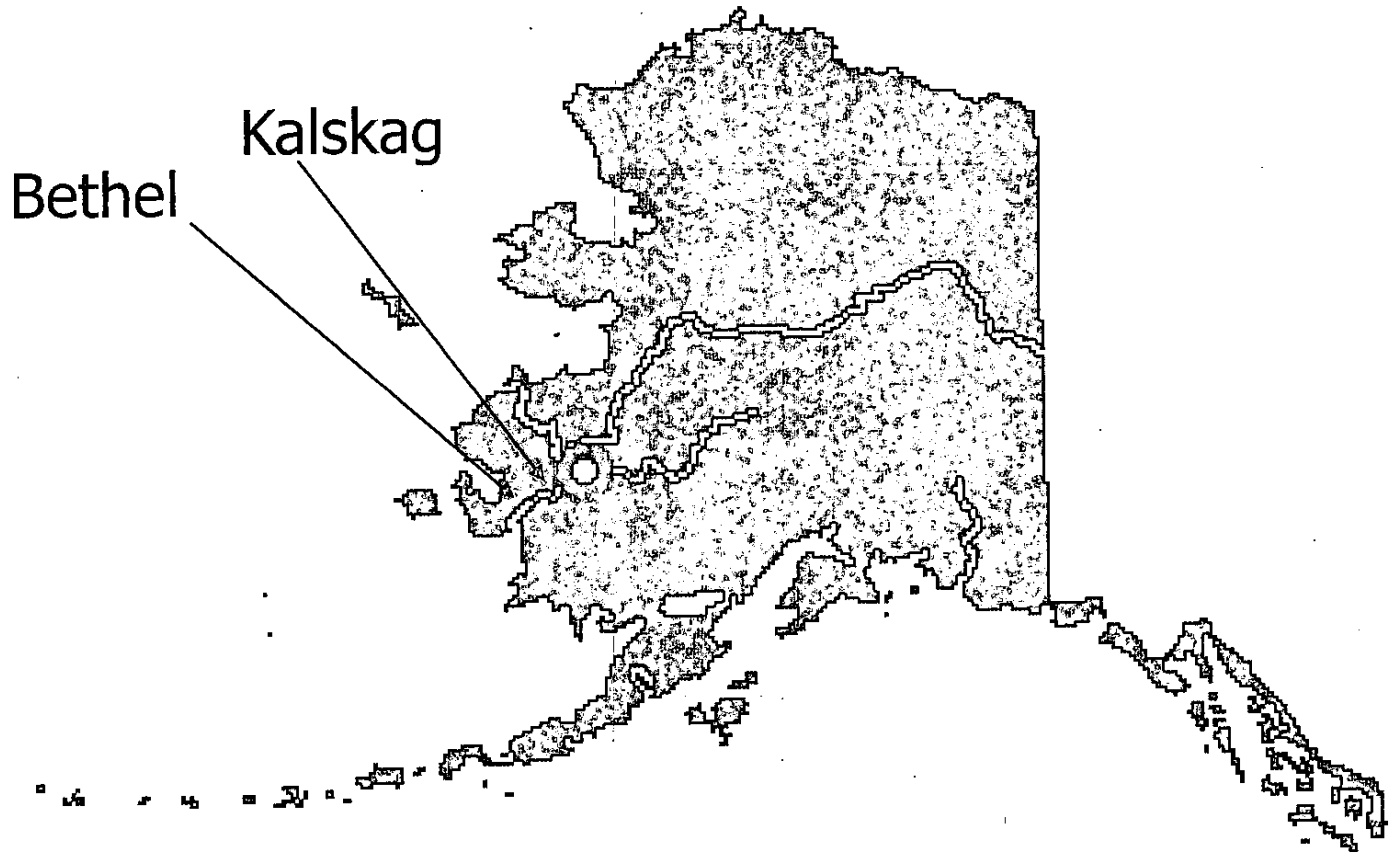

Typical home in Crooked Creek, Alaska

Crooked Creek, Alaska

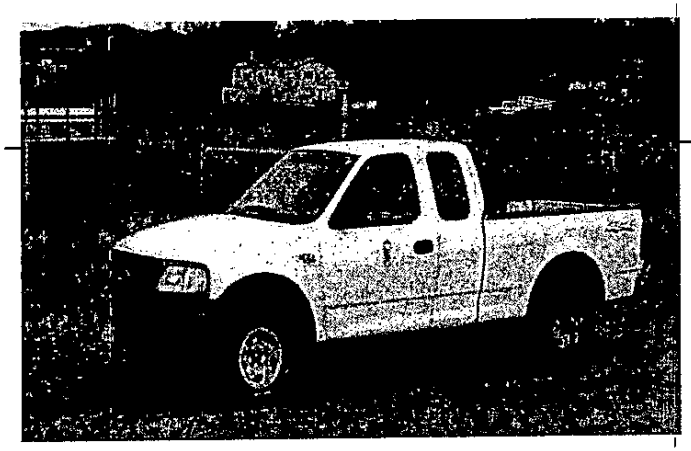
Cost of Living

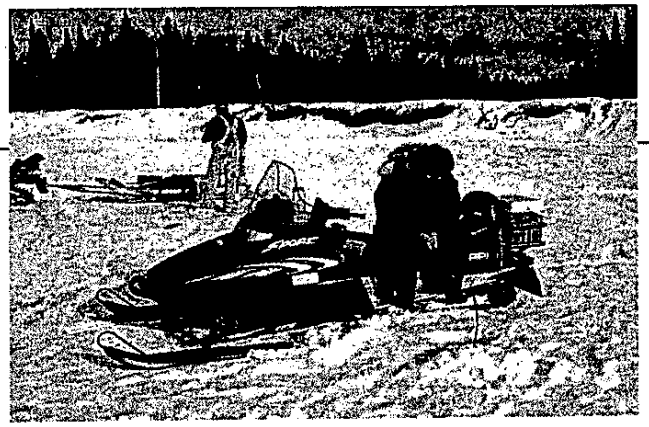
Cargo shipments or barge shipments for groceries into the hub city of Aniak is costly

Aniak, Alaska



Vehicle/Snowmachine Purchase Kalskag, AK





	Car/Truck	Snowmachine
Purchase Price:	$15,000	$8,000
Ship to Village:	$3,500	$1,500
Average Gas/gal:	$5.50	$5.50
Gas/Year:	$3,850	$1,925
Gas/Month:	$320	$275 (7 mo.)

Comparison

Village $5.50/Gallon		
Gas/Year:	$3,380	$1,925
Gas/Month:	$ 282	$ 275 (7mo.)
Anchorage $2.80/Gallon		
Gas/Year:	$1,720.71	$977.45
Gas/Month:	$ 143	$ 139 (7mo.)

*700gal/yr. & 58 gal/mo. for vehicle

350 gal/yr. & 30 gal/mo. for snowmachine

Flight Costs

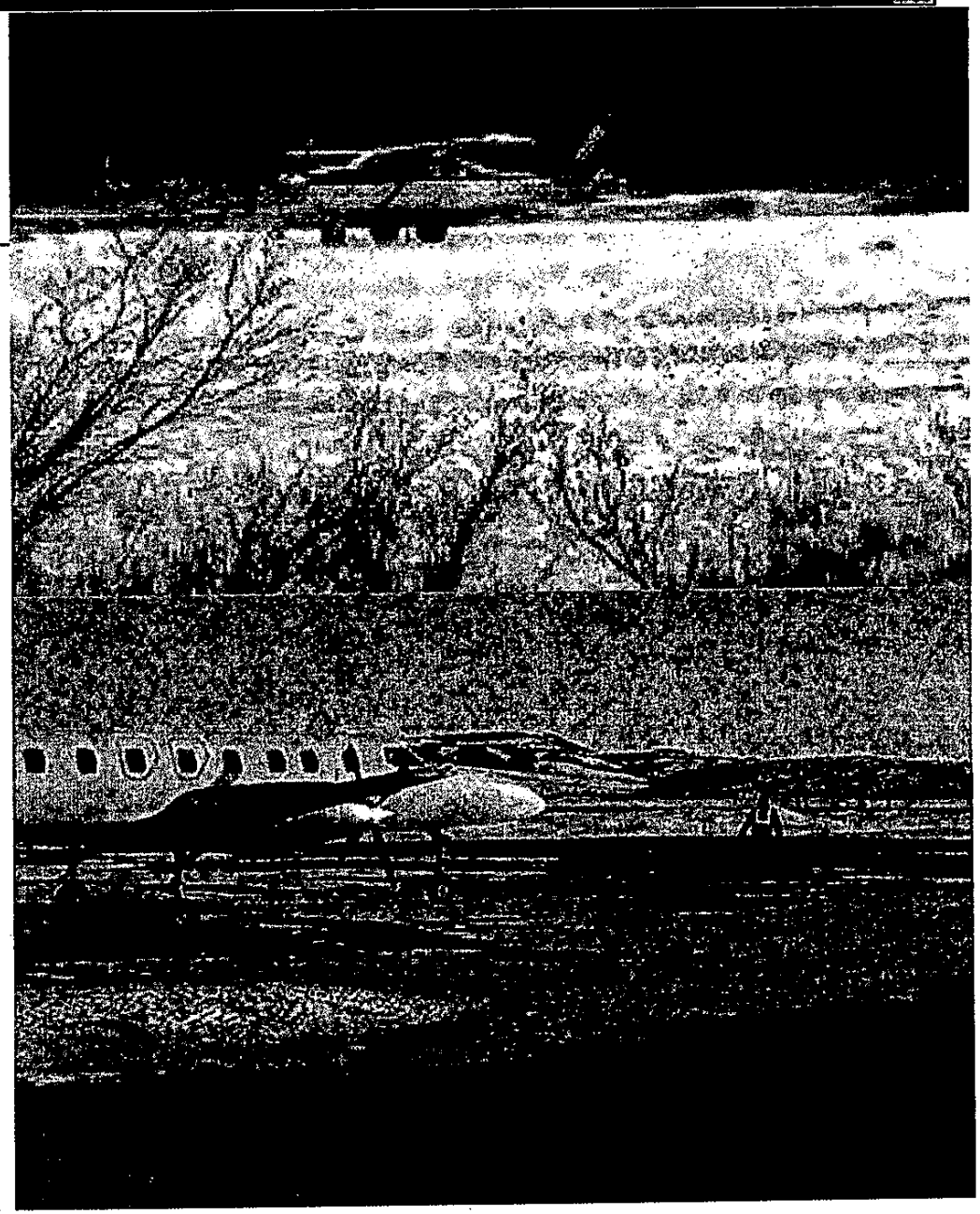
Stony River to Aniak

$375.00

Aniak to Anchorage

$670.00

$1,045.00

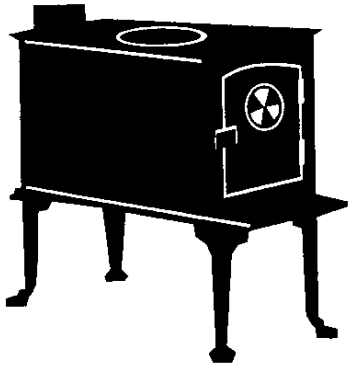


Current Gas Prices (2008 prices)

Aniak	$4.79 gallon
Crooked Creek	$5.95 gallon
Red Devil	$8.00 gallon
Sleetmute	$6.35 gallon
Anchorage	$2.89 gallon

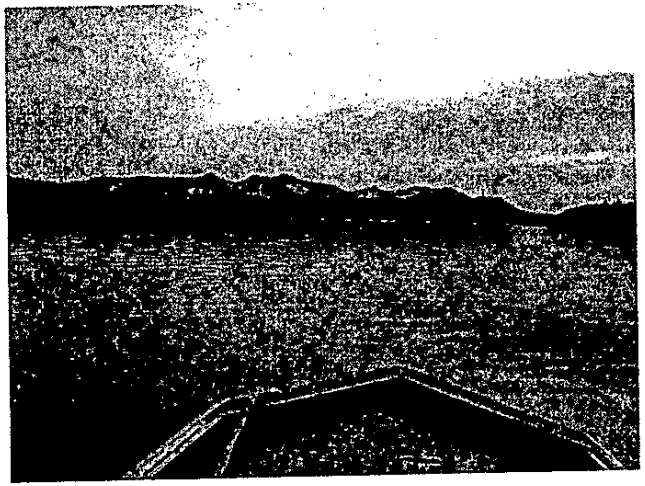
Average Stove Oil (2008 prices)

- $3,500 - $4,000/yr.
- $290 – 333/mo.



Average Boat Fuel

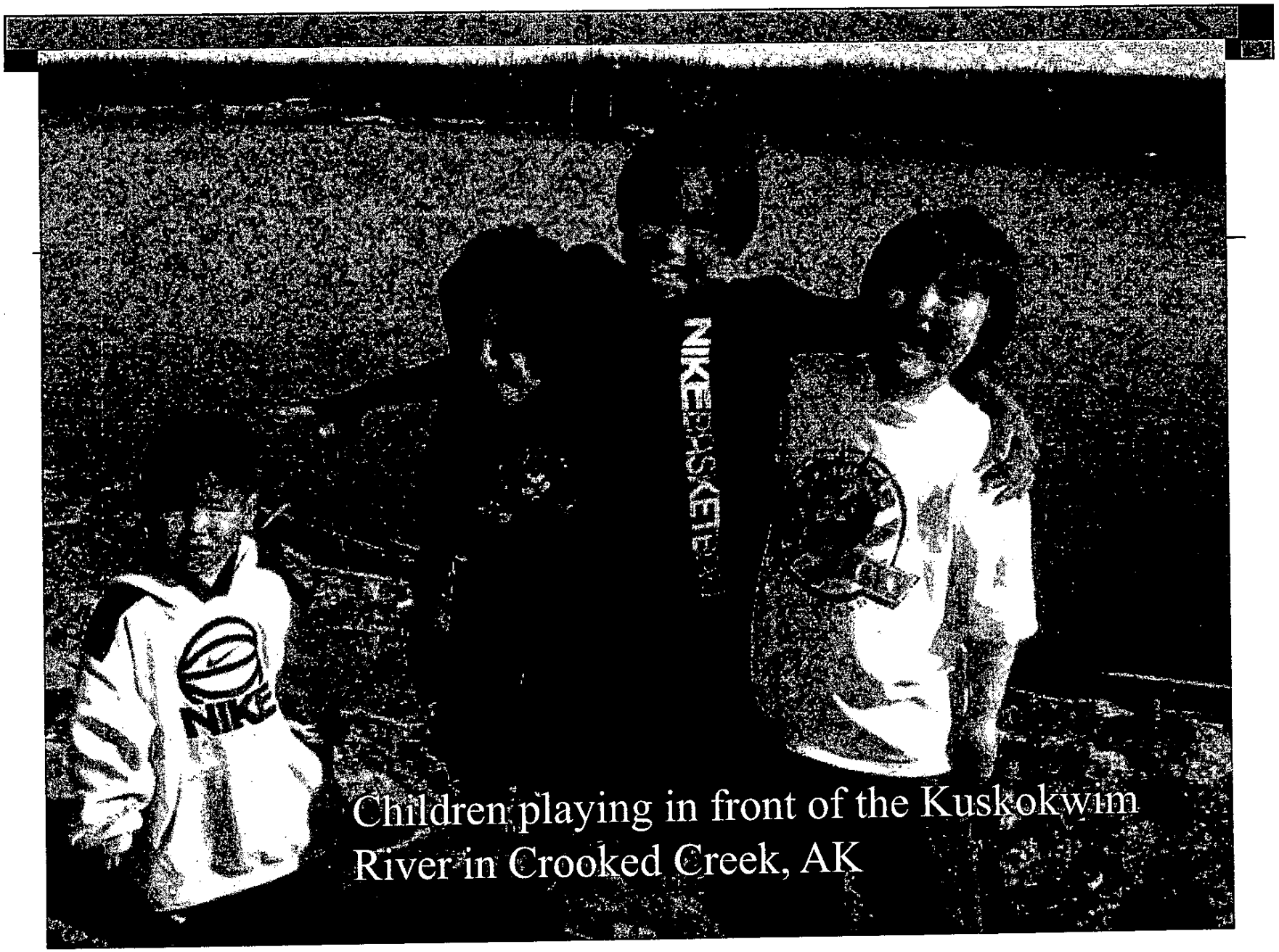
- $5,000/yr.
- $1,000/mo. (5mo.)



Average Cost of Basic Groceries (2008 prices)

	Aniak	Stony River	Anchorage
☐ Gallon of Milk	$8.99	$8.00	$3.35
☐ Lb of Butter	$5.99	Non available	$2.59
☐ Dozen Eggs	$4.19	$4.00	$1.89
☐ White Bread	$4.00	$4.50	$0.99
☐ Qt of Mayo	$5.00	$5.00	$2.29
☐ Hamb. Meat	$5.55#	$4.89#	$1.28#
☐ Steak	$6.88#	$15.30#	$3.29#

Kalskag Store



Children playing in front of the Kuskokwim River in Crooked Creek, AK

Economy - Village vs. Anchorage (2007 data)

	Aniak	Stony River	Anchorage
Current Population	512	53	282,813
Median Family Income	$43,750	$20,714	$63,682
Percent Below Poverty:	14%	38.7%	7.4%
Total Potential Workforce:	398	49	192,782
Total Employment:	232	13	134,240
Percent unemployed:	13.1%	38.1%	6.8%

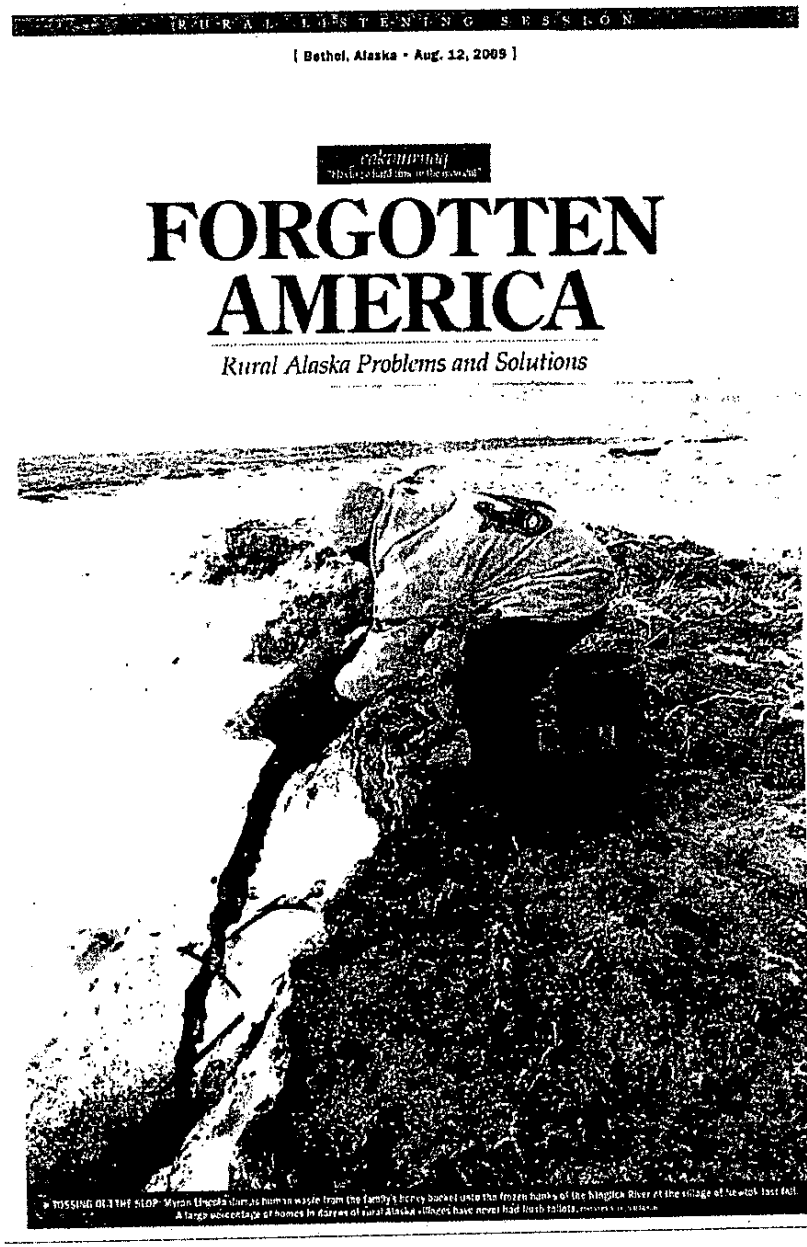
As of August 2007:

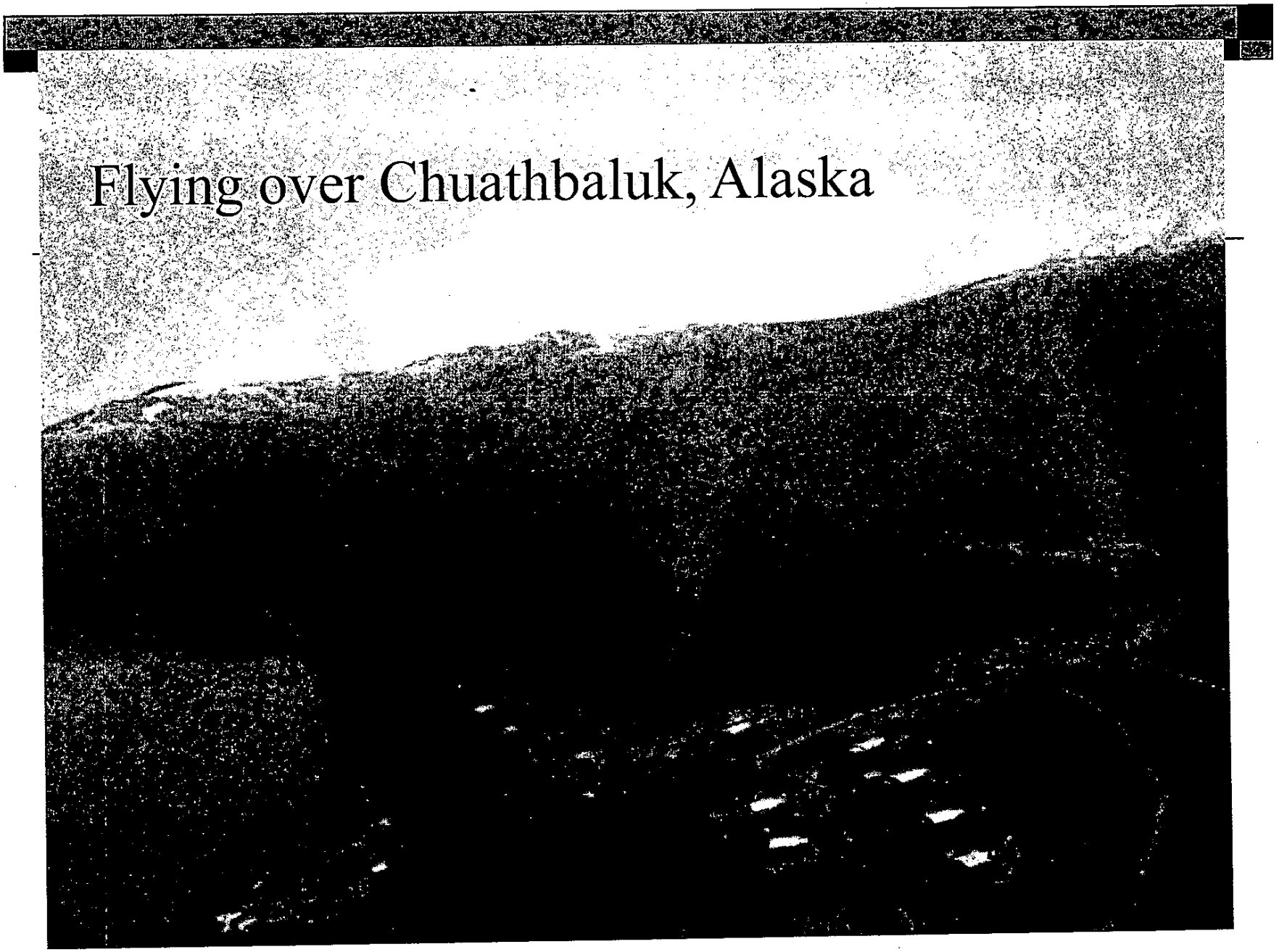
State of AK Average unemployment: *6.1%*

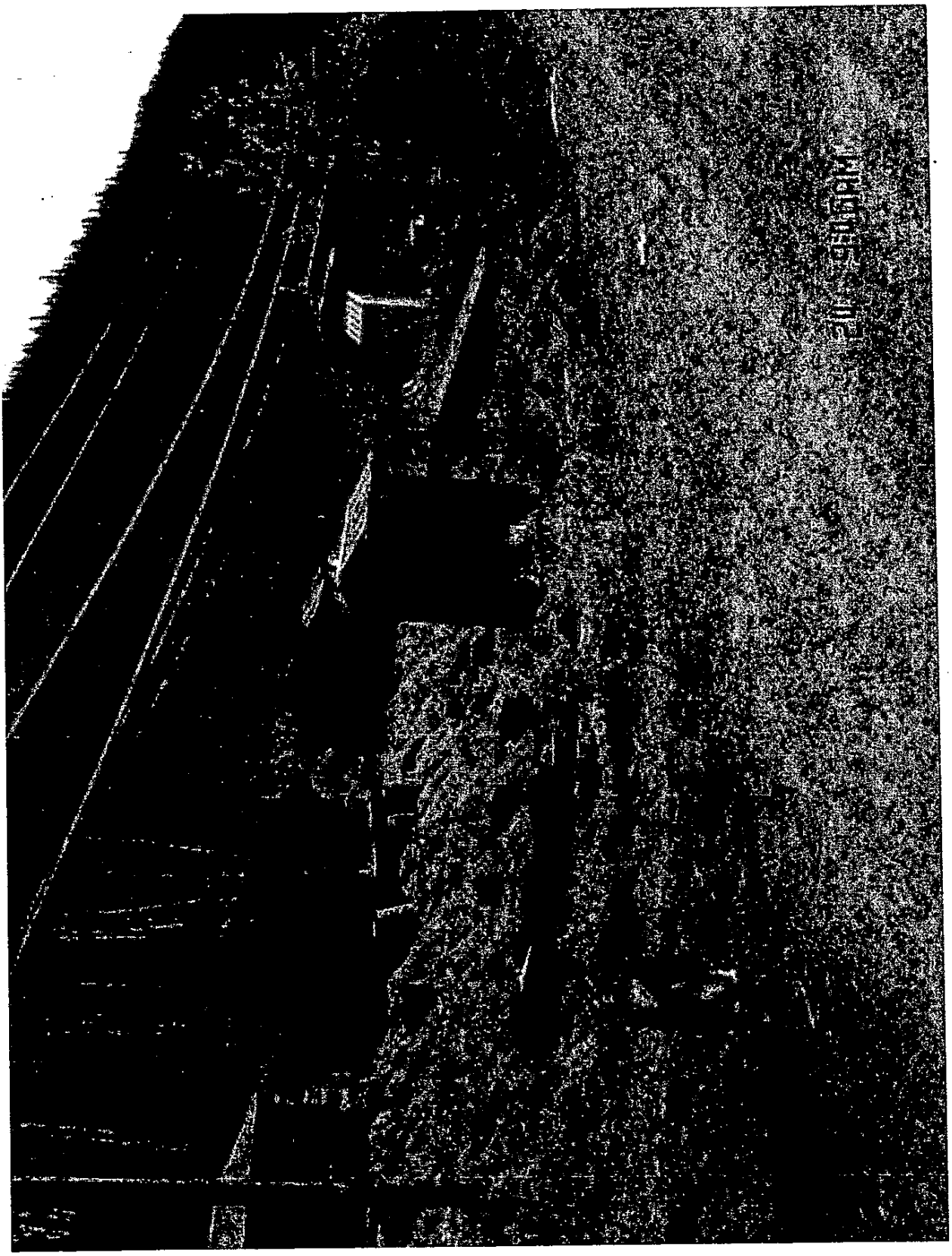
Federal Average unemployment: *4.6%*

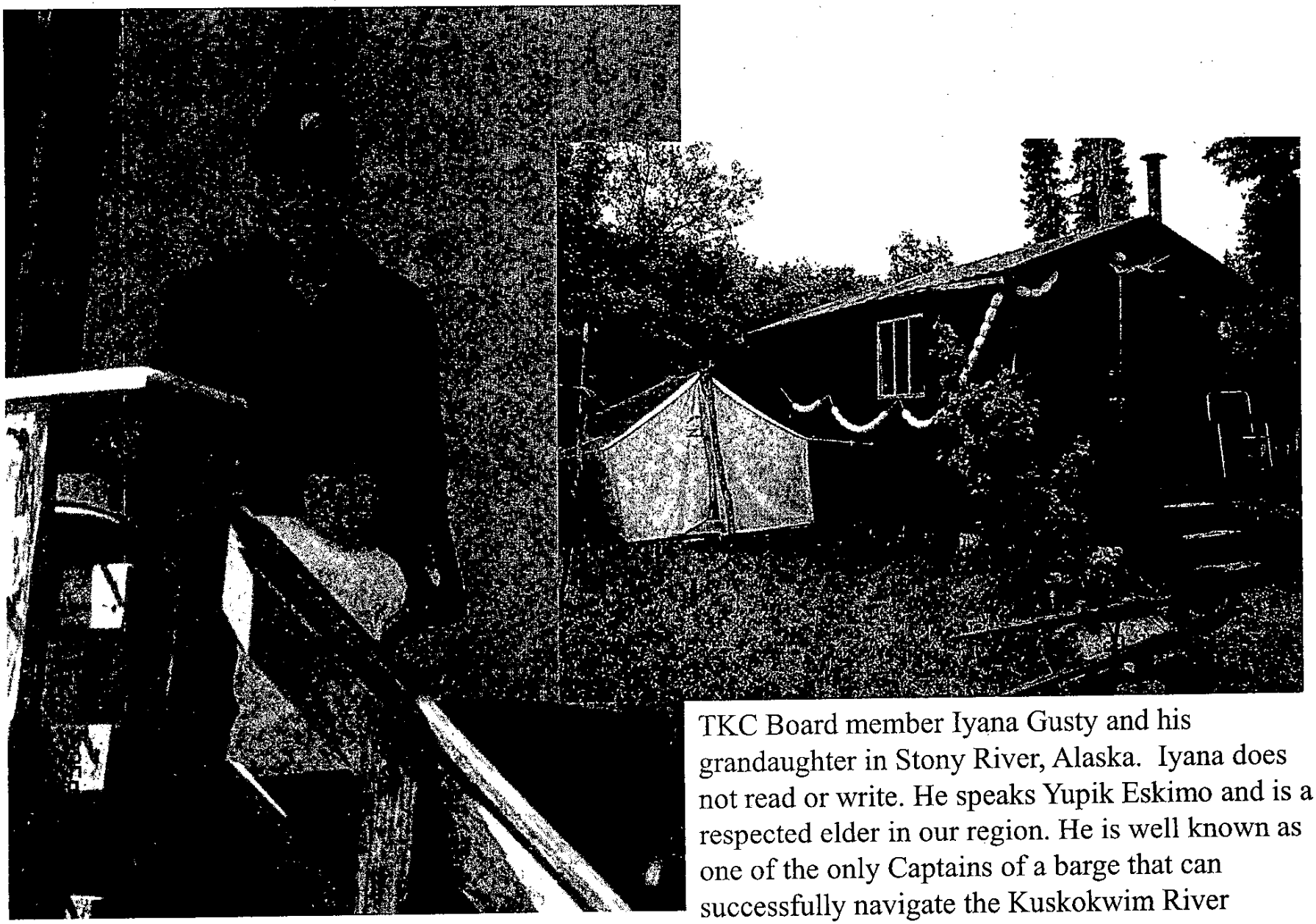
Basic Necessities

- Many homes have to haul water
- Many homes/villages do not have a septic systems
- Honeybuckets are still common within the villages
- 14% - 57.7% are below poverty within TKC's 10 villages

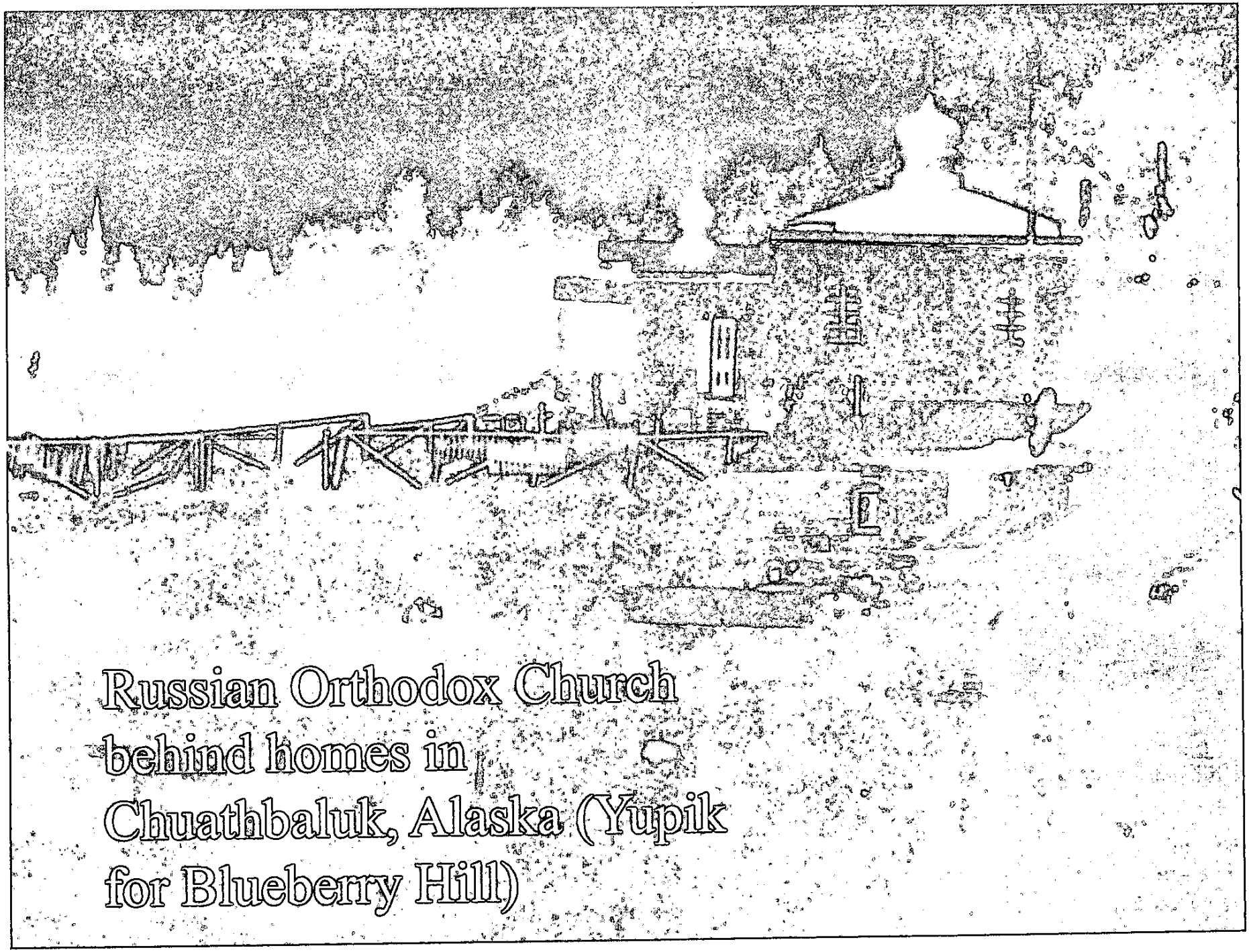



Flying over Chuathbaluk, Alaska





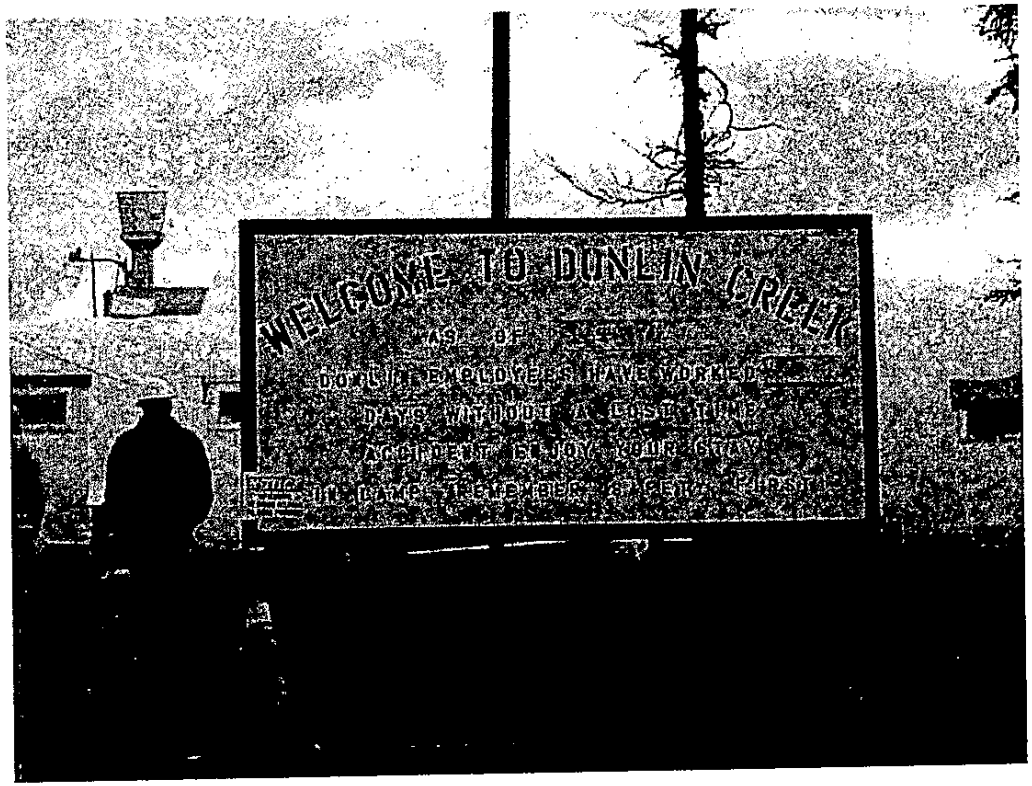
TKC Board member Iyana Gusty and his grandaughter in Stony River, Alaska. Iyana does not read or write. He speaks Yupik Eskimo and is a respected elder in our region. He is well known as one of the only Captains of a barge that can successfully navigate the Kuskokwim River without fail during low water.



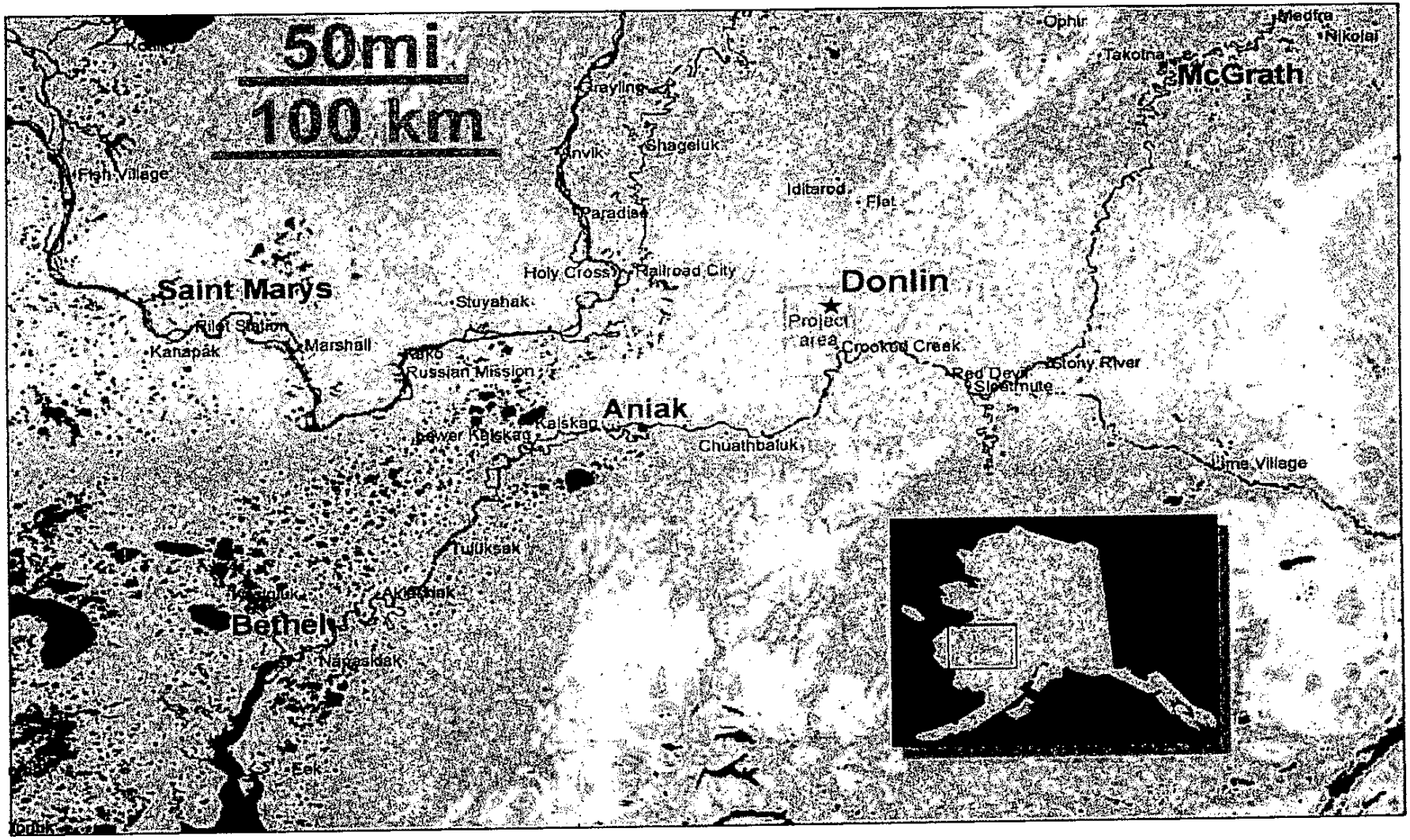
Russian Orthodox Church behind homes in Chuathbaluk, Alaska (Yupik for Blueberry Hill)

Potential Economic Development in the Region

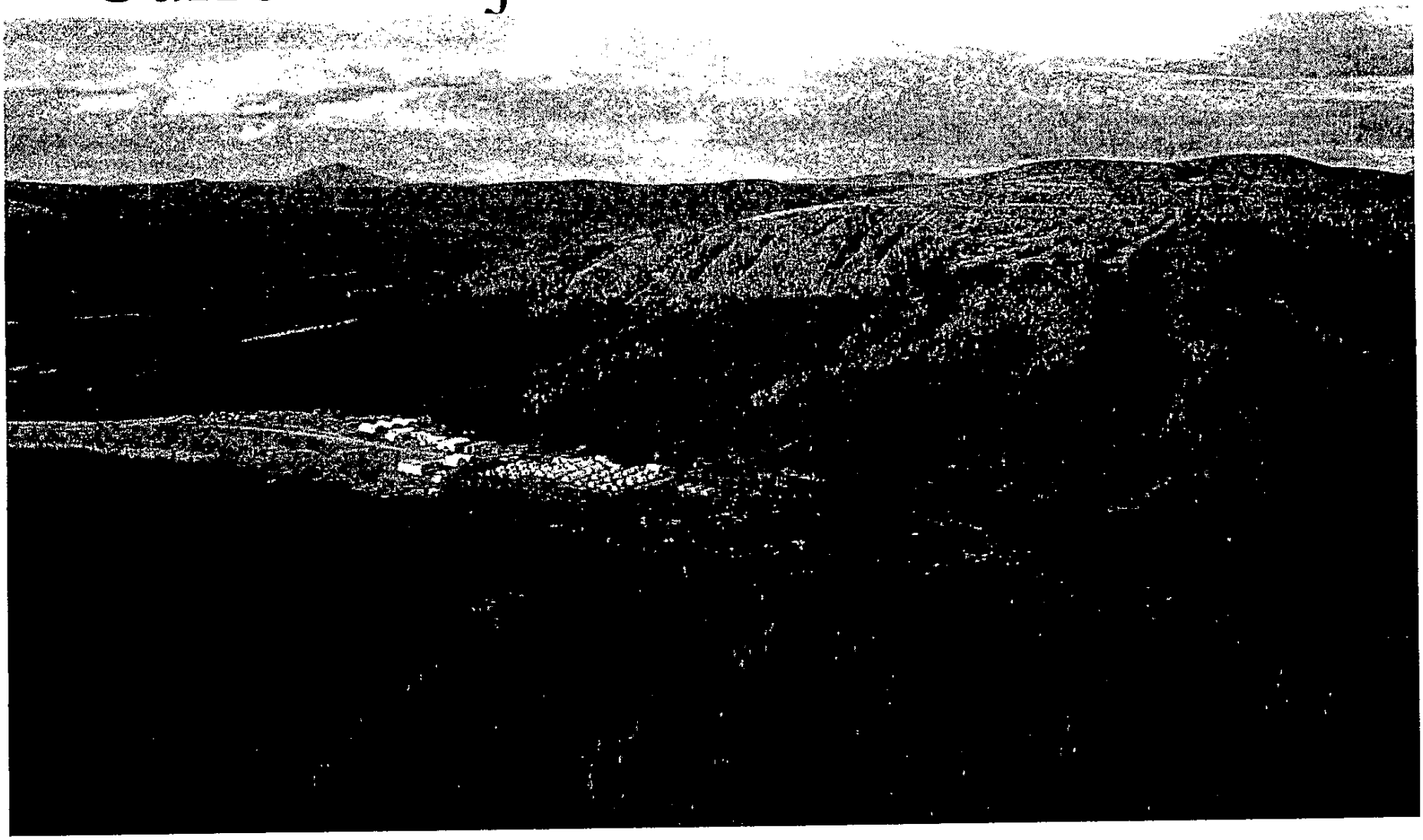
- Potential Gold Mine
- Donlin Creek, AK
- 300+ employment during construction



Donlin Creek Location



Current Project



Social Impacts

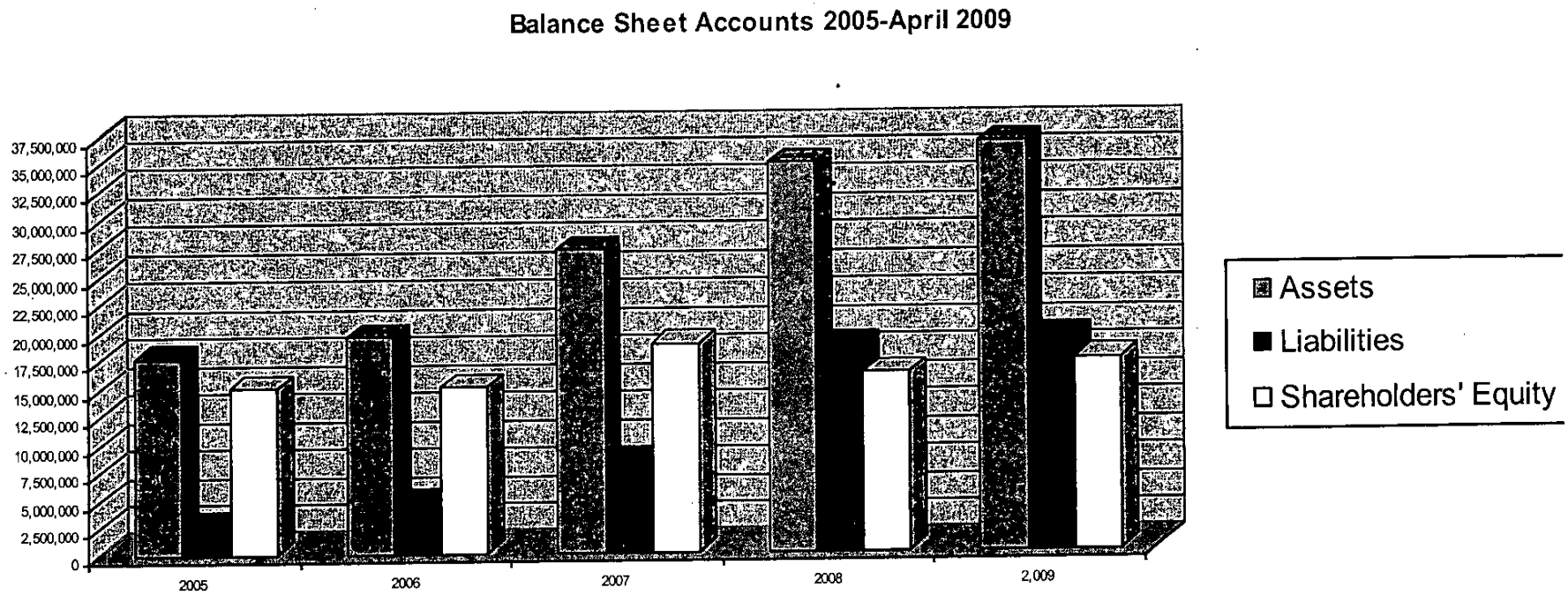
- Unemployment
- High Cost of Living
- Few economic opportunities
- Teenage Pregnancy
- Drug and Alcohol Abuse
- High Suicide Rates

How can 8(a) help our region?

- TKC has only recently benefited from the 8(a) program and hopes to continue to provide benefits to our shareholders
- There are over 200 ANCSA village Corporations who have not even entered into the program and are struggling financially to be successful
- ANVCA is an avenue to provide education/training on ANCSA Village Corporation success

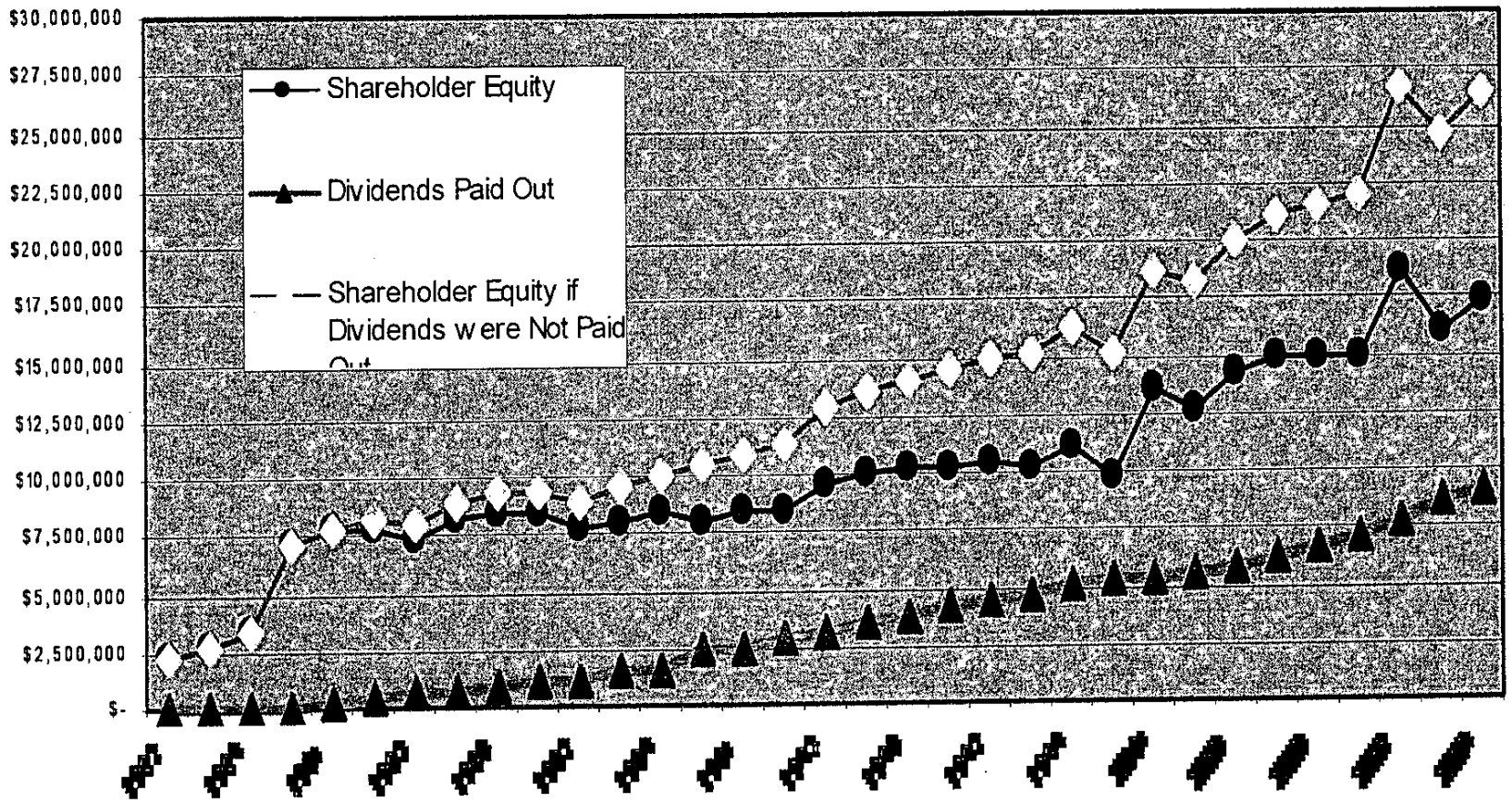
Balance Sheet

	April 30,2009	2008	2007
Current Assets	$36,544,904	$34,717,756	$27,153,325
Liabilities	$19,309,786	$18,632,190	$ 8,419,076
Shareholder Equity	$17,235,118	$16,085,566	$18,734,249



Dividends

Shareholder Equity 1977 - April 2009



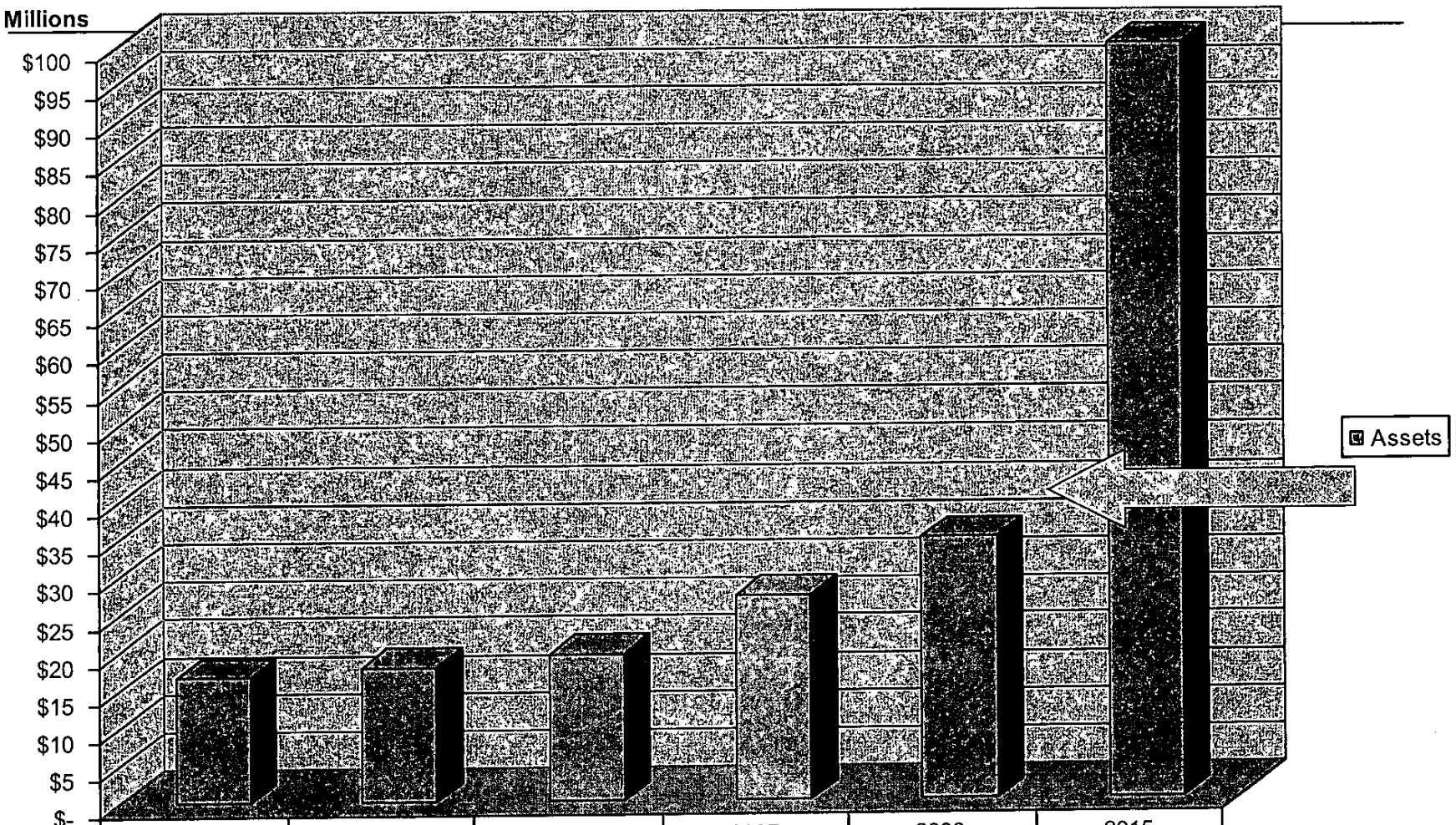
Income Statement

	April 30, 2009	2008	2007
Revenues	$13,939,179	$30,694,911	$14,734,022
Expenses	$12,441,723	$30,925,193	$13,904,220
Net Income	$ 819,883	$ (223,188)	$ 4,476,108
Gain on Sec.	$ 255,245	$(1,676,125)	$ 44,433
Comp. Income	$ 1,075,128	$(1,899,313)	$ 4,502,541

THE KUSKOKWIM CORPORATION

cutting a path to a better future

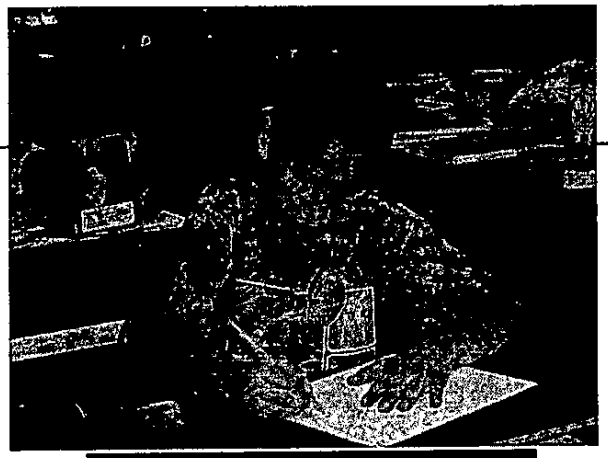
TKC Assets – Where is TKC in reaching it's Vision?



	2004	2005	2006	2007	2008	2015
Assets	$16,671,623	$17,802,780	$19,489,818	$27,153,325	$34,717,756	$100,000,000

Kuskokwim Educational Foundation Scholarship Program

- Up to $2,000 individual scholarships each/yr.
- $22,000 provided to 23 recipients in 2008-2009



Health Field Scholarship Award in Memory of Mary Morgan-Wolf. 1970-1982

Educating our Children on future employment opportunities with their Corporation

Students in Red Devil, Alaska playing a game to learn how their for-profit Village Corporation works

THE KUSKOKWIM CORPORATION
cutting a path to a better future

Our Commitments

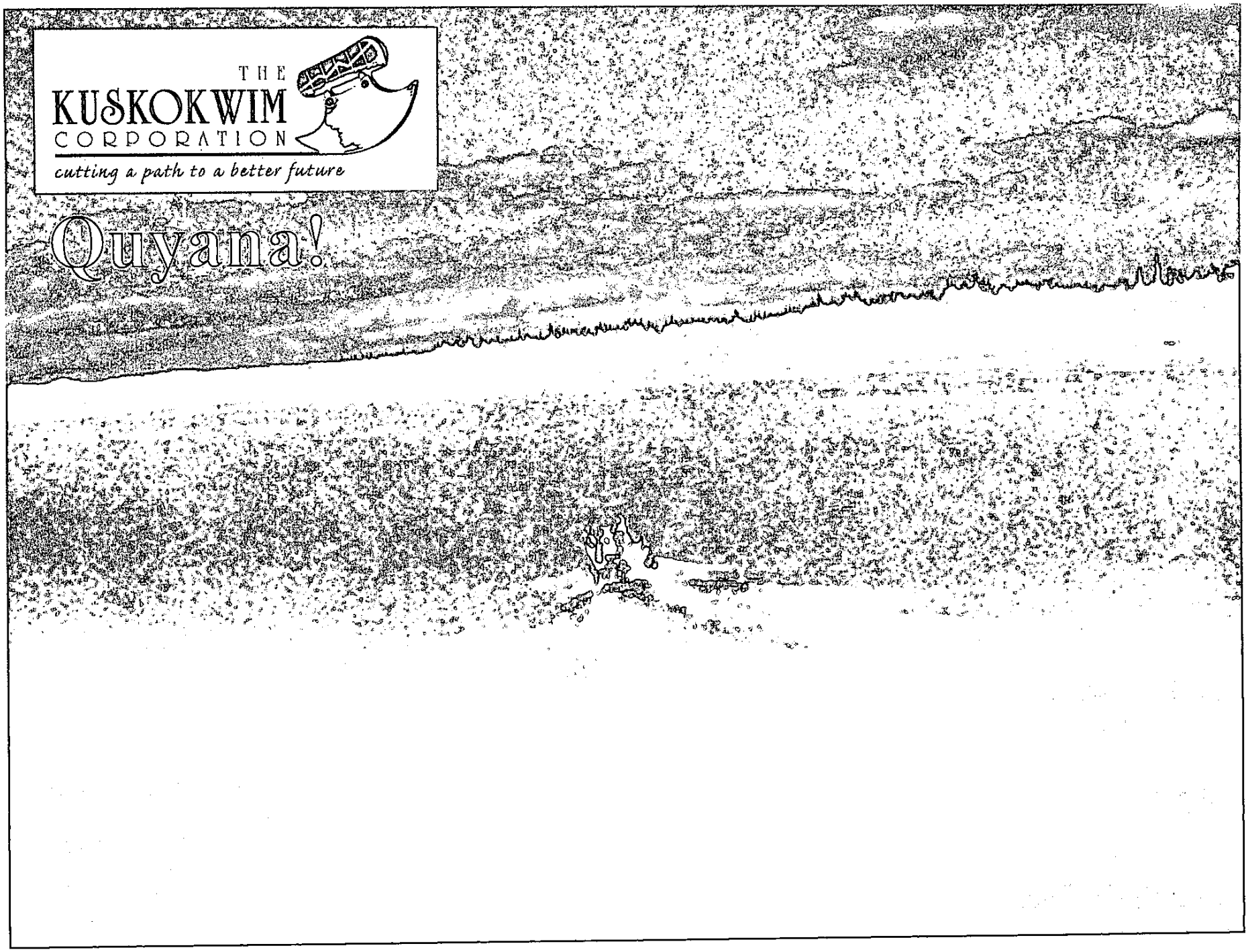
- ***Honoring our traditions:***
- ***Integrity:***
  - ***Being unified, truthful, and worthy of trust***

Valuing our land and resources:

- Being good stewards to provide for our future generations

Commitment:

Working hard to create results that benefit our shareholders


THE
KUSKOKWIM
CORPORATION
cutting a path to a better future
Quyana!

1-26-10
PNWER Regional Collaboration on Economic Revitalization

<target><bill></bill><subject>1-26-10 PNWER Regional Collaboration on Economic Revitalization</subject><comm>HEDC26</comm></target>

ALASKA STATE LEGISLATURE
ECONOMIC DEVELOPMENT, TRADE & TOURISM COMMITTEE

Representative Jay Ramras
Chairman
Phone: (907) 465-3004
Toll Free: 877-465-3004
Fax: (907) 465-2070
Representative_Jay_Ramras@legis.state.ak.us
1292 Sadler Way, Suite 324
Fairbanks, AK 99701

Committee Members:
Representative Mike Chenault
Representative Nancy Dahlstrom
Representative Mark Neuman
Representative Kyle Johansen
Representative Chris Tuck
Representative Joule
Representative Holmes

State Capitol, Room 120
Juneau, Alaska 99801

COMMITTEE SCHEDULE

JOINT

House Economic Development, Trade & Tourism Committee Agenda

AND

Senate World Trade, Tech. & Innovations

Please Note Change of Meeting Time and Location

Tuesday, January 26th, @ 10:00 a.m. **In House Finance Committee Room**

\+ PNWER Regional Collaboration on Economic Revitalization

- Ian Burkheimer
  - Arctic Caucus
- Matt Morrison, Executive Director of PNWER
  - Energy Horizons
  - Smart Grid Technology
  - Regional Innovations Strategy
- Ian Burkheimer
  - 2010 Olympics Update
- Richard Marz, MLA, Alberta
  - Oil Sands and Pipeline Issues

* First Hearing in First Committee of Referral
\+ Teleconferenced
= Bill was previously Heard/Scheduled

ALASKA STATE LEGISLATURE

SENATOR LESIL McGUIRE
Chair, Senate Special Committee on World Trade, Innovations and Technology

MEMORANDUM

Date: January 21, 2010

To: Kirsten Waid, Senate Secretary

From: Senator Lesil McGuire, Chair
Senate Special Committee on World Trade, Technology and Innovations
Representative Jay Ramras, Chair
House Committee on Economic Development, Trade and Tourism

Re: Hearing Schedule – January 25-29

Committee Schedule
JOINT
Senate Special Committee on World Trade, Technology and Innovations
&
House Committee on Economic Development, Trade and Tourism
For the week of January 25-29

Tuesday, January 26th @ 10:00 a.m. in the House Finance Committee Room

\+ PNWER Regional Collaboration on Economic Revitalization

* First Hearing in First Committee of Referral
\+ Teleconferenced
= Bill was previously Heard/Scheduled

ALASKA STATE LEGISLATURE

Session
State Capitol Building, Room 125
Juneau, Alaska 99801-1182
Phone (907) 465-2995
Fax (907) 465-6592

Interim
716 West Fourth Avenue, Suite 430
Anchorage, Alaska 99501
Phone (907) 269-0250
Fax (907) 269-0249

Chair
Senate Special Committee on Energy
Senate Committee on World Trade, Technology and Innovations

Co-Chair
Senate Resources Committee

Member
Senate Judiciary Committee

SENATOR LESIL MCGUIRE

PNWER Delegation to Visit Alaska Legislature

(JUNEAU January 25, 2010) – Senator Lesil McGuire (R-Anchorage) today welcomes a delegation from the Pacific Northwest Economic Region (PNWER) to Juneau. Senator McGuire is the president of PNWER, a US-Canadian forum dedicated to encouraging regional global economic competitiveness and preserving our world-class natural environment.

"I am looking forward to discussing topics such as PNWER's Arctic Caucus and the Alberta Oil Sands with the visiting legislators from around the region," said Senator McGuire. "This visit will give Alaska lawmakers a great opportunity to share ideas and learn about important issues in the Pacific Northwest, on both sides of the border."

The PNWER delegation will appear before a joint meeting of the Senate Special Committee on World Trade, Technology and Innovations and the House Committee on Economic Development, Trade and Tourism, tomorrow (Tuesday, January 26th) at 10 AM in the House Finance Committee Room.

"As a result of Alaska's involvement in the PNWER delegation, the state has deepened relationships with our neighbors in Canada and the Northwest," Senator McGuire said. "The development of Alaska's resources and economy depends to a large extent on our relationships with our neighbors."

The PNWER delegation visiting Juneau this week includes:

- Michael Chisholm, PNWER Vice President and Member of the Legislative Assembly (MLA) in Saskatchewan
- Michael Marz, MLA from Alberta
- State Representative Mike Schaufler from Oregon, PNWER Vice President
- Jennifer Loten, Consul from the Consulate General of Canada in Anchorage
- Michael Padua, Alberta Ministry of International and Intergovernmental Relations
- Matt Morrison, Executive Director, PNWER
- Ian Burkheimer, Program Manager, PNWER

Founded in 1991, PNWER includes public officials from Alaska, Washington, Oregon, Idaho, Montana, British Columbia, Alberta, Saskatchewan, Yukon Territory and the Northwest Territories.

For more information, contact Senator McGuire or Esther Cha at 907-465-2995.

###

PNWER Arctic Issues Caucus

Forum for Northern Territorial and State governments to exchange ideas and inform regional priorities

Organization

- Informal
- Members are PNWER Participants for Alaska, Yukon, Northwest Territories and others self-identified as having interest in the north
- Initiated at PNWER Winter meeting in Regina, SK November 2009
- Proposed issues for discussion in PNWER's existing Working Groups

Currently Issues and Working Group

- Energy – Discussion of outer continental shelf oil and gas development
- Transportation – "The Northern Gateway" – Improving the flow of goods, people and services in the north
- Telecom- Match infrastructure with development in North
- Border- Identification of unique challenges and solutions of the Alaska – Canada Border

PNWER Northern Caucus Symposium Proposed

- Date: June 2010
- Location: Anchorage, AK
- Participants: High-level Government leaders from AK, YT, NWT, Nunavut
- Format: Small discussion based forum for exchanging ideas and challenges faced by North America's Arctic Jurisdictions

22-Jan-10

PNWER Economic Leadership Forum Agenda
November 5-7, 2009
Regina, Saskatchewan

Wednesday, November 4

7:00pm — Welcoming Reception (with Legislative Academy Attendees) in the Saskatchewan Room hosted by the University of Regina featuring Dr. Vianne Timmons, University President

9:00pm — Hospitality Suites

Thursday, November 5

8:00am – 9:00am — Breakfast Keynote featuring US Consul General Laura Lochman in the Regency Ballroom

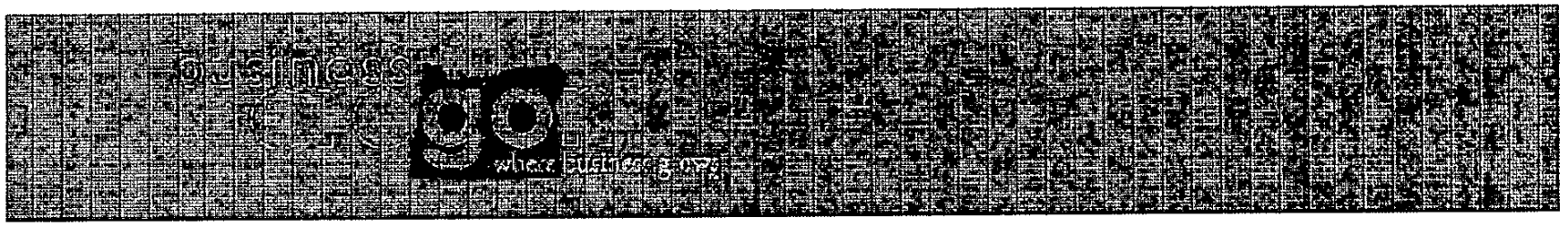
9:15am – 12:15pm — **Technology, Innovation, and Economic Development**
Location: Saskatchewan Room
"The Pacific Northwest as a Giant Science Innovation Park, a 'Tool Box' for Growth"

Panel Discussion identifying lessons learned and best practices of economic success even during the economic downturn

- *Welcome and Introduction- Overview of Innovation Strategies*
- *What structures do we need to catalyze the collaboration in the region? What would it look like?*
- *Portfolio of innovation initiatives – What is going on now? How do we catalogue these, share them, and catalyze more of them?*
- *What platforms allow flexibility to address needs?*
- *Innovation is a distributed activity – there are nodes in a network across the region – but how do we strengthen both nodes and the network?*
- *How do we encourage convergence through collaboration? Can we identify strengths and expertise, and areas of gaps, and work collaboratively to fill those gaps, even outside the region?*

Introductory Remarks:
- Hon. Rob Norris, Minister of Advanced Education, Employment and Labour

Facilitated Virtual Panel featuring:
- Andrew Walls, Director, Ocean Sciences and Energy, BC Innovation Council
- Marian Hammond, Oregon Innovation Council
- Andy Melnyk, Technology Partnering & Productivity, Innovation Saskatchewan
- Susan Gorges, Executive Director, Springboard West



Innovation: Building a Pacific NW Collaborative

Marian Hammond
Global Strategies Manager
Business Oregon

Innovation: Building a Pacific NW Collaborative

- Shared Interests
  - Nanomaterials; distributed renewable energy solutions (wave, solar, wind, tidal/ocean); biomedicine (particularly homeland security-related)
- Shared Values
  - Carbon neutrality, collaboration, "Cascadia" approach
- How do we translate that to shared assets – and shared benefit?

Key Lessons from the Oregon Experience

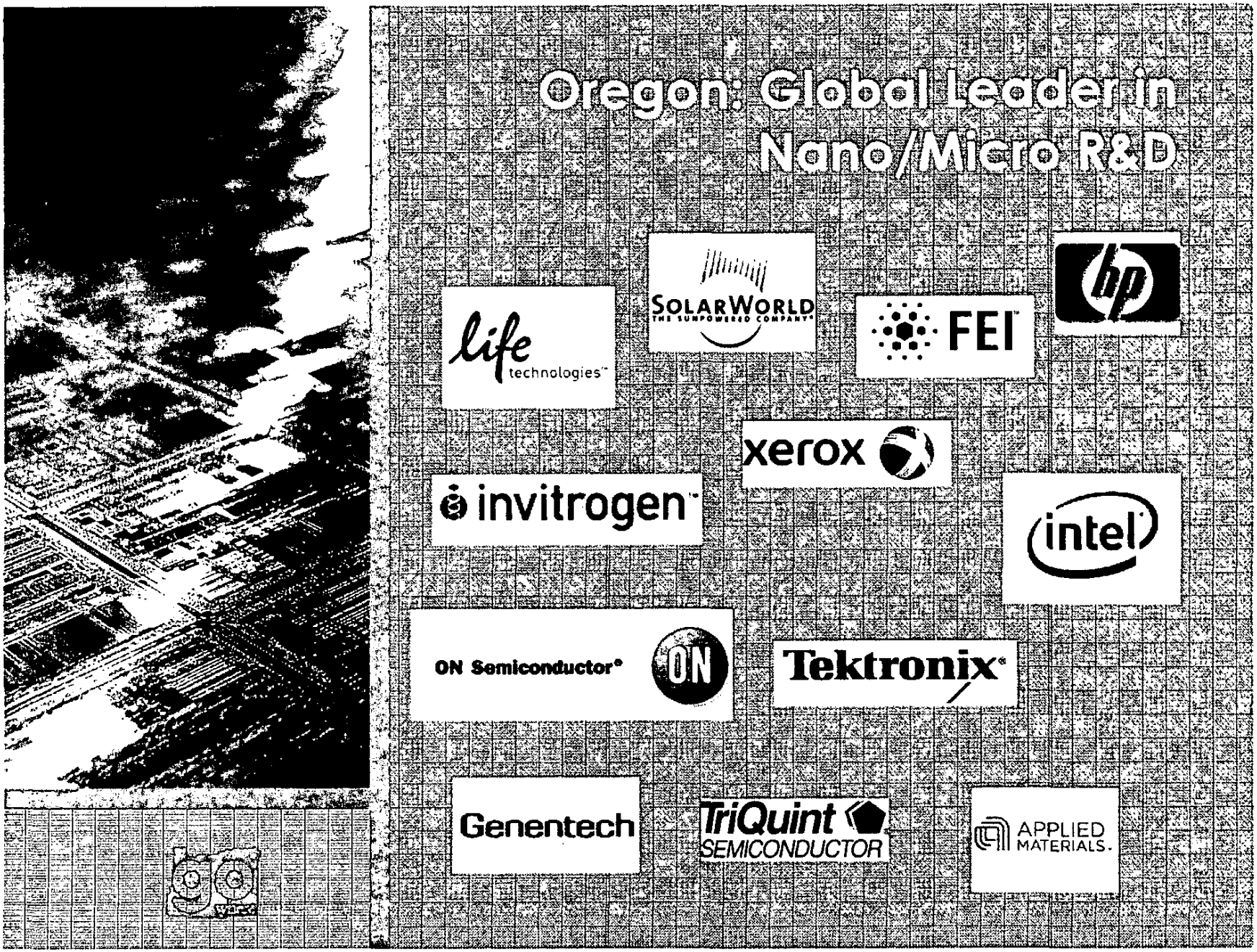
1. Play to our strengths – What do we do first, best, only?
2. Competition *and* collaboration
3. Clear value proposition – what's in it for *me*?
4. Stakeholders matter: communicate early and often

1. Play to Our Strengths

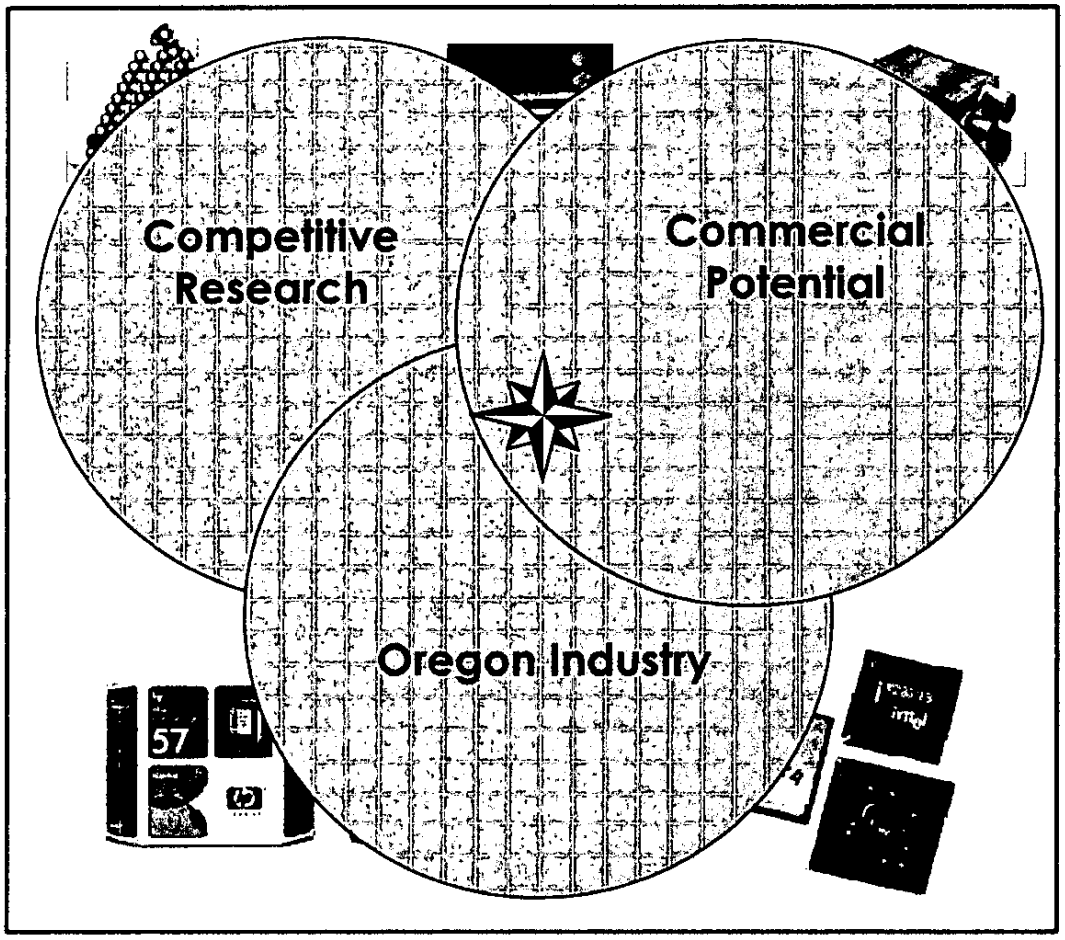
The Oregon Strategy – Invest
Smarter, not Bigger
Strategy: Industry assets/talent
pool, desirability as place to live
college culture
Weaknesses: financial assets
university sector (no Stanford/MIT)
low funding for university system
Opportunities: other states are
investing heavily in higher ed and
TBED; essential to leverage
colleges targeted investments

Take a step in the right direction

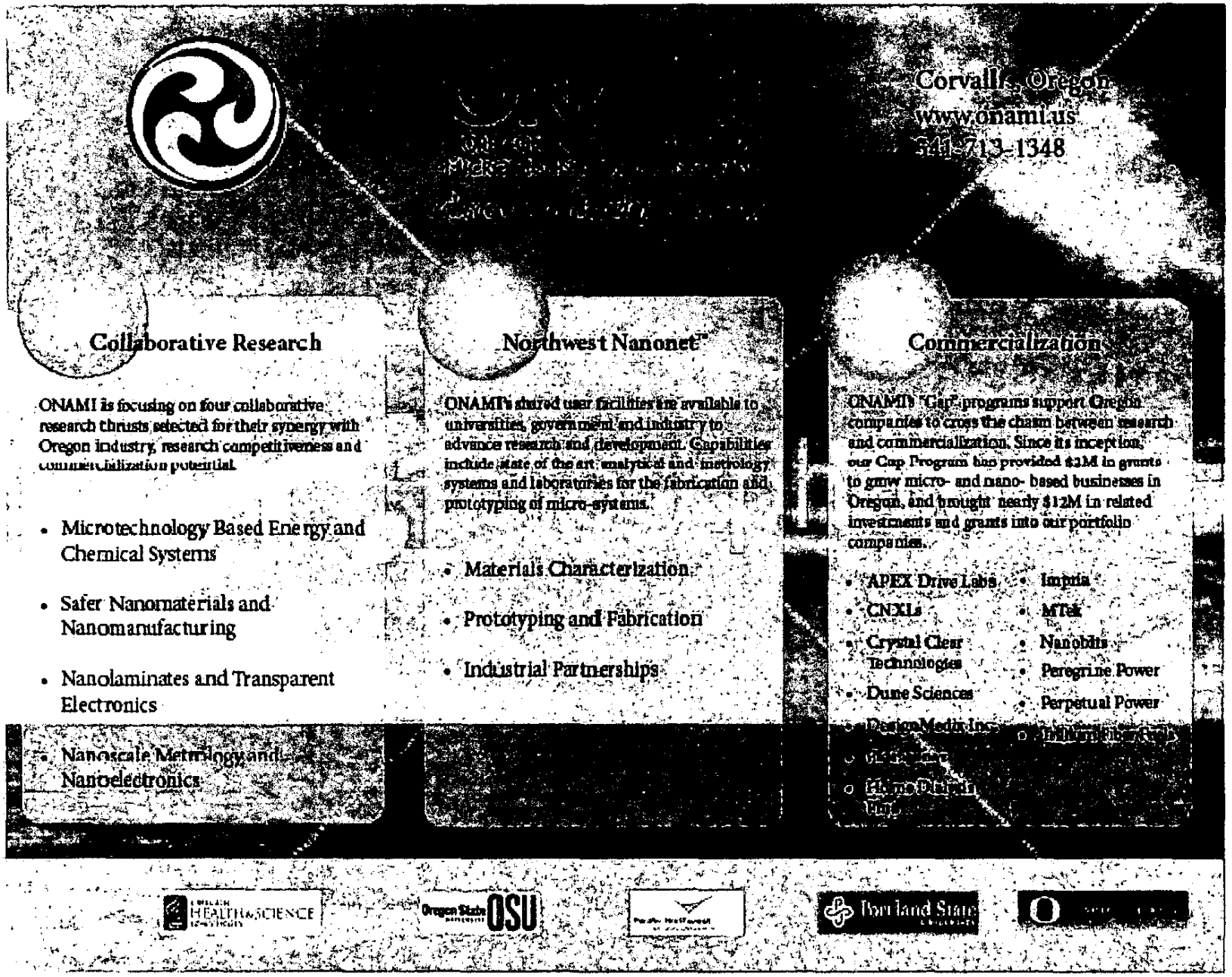
Step into a new way of living with Step Ahead Apartments. Our spacious one and two bedroom apartments are designed with you in mind. Enjoy the convenience of on-site laundry facilities, a sparkling pool, and a fitness center. Our pet-friendly community welcomes your furry friends with open arms. Don't miss out on this opportunity to step into your dream home. Contact us today to schedule a tour and take the first step towards a brighter future.

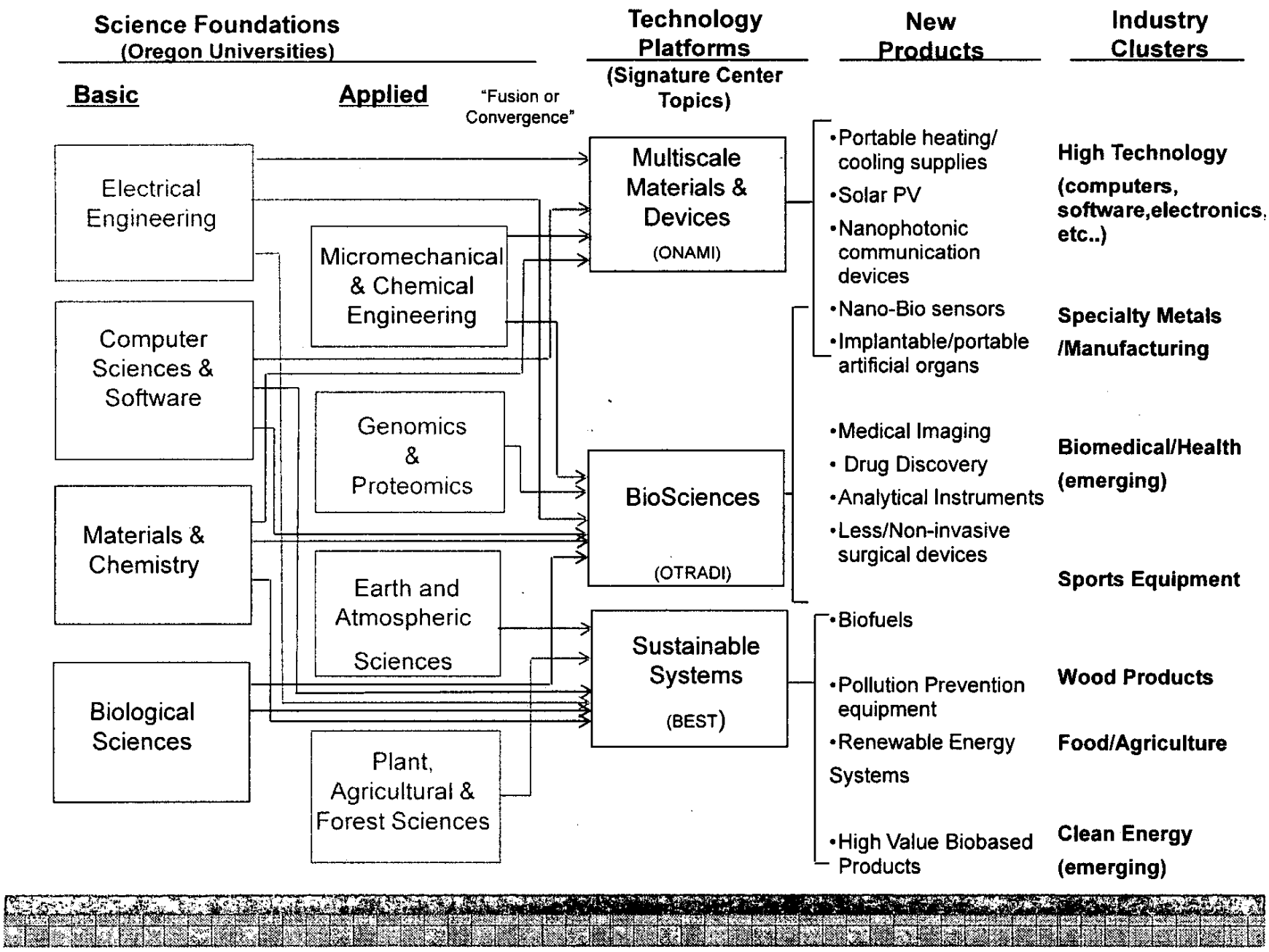

Oregon: Global Leader in
Nano/Micro R&D
life technologies
SOLARWORLD
THE SUNPOWERED COMPANY
FEI
hp
xerox
invitrogen
intel
ON Semiconductor
ON
Tektronix
Genentech
TriQuint
SEMICONDUCTOR
APPLIED
MATERIALS

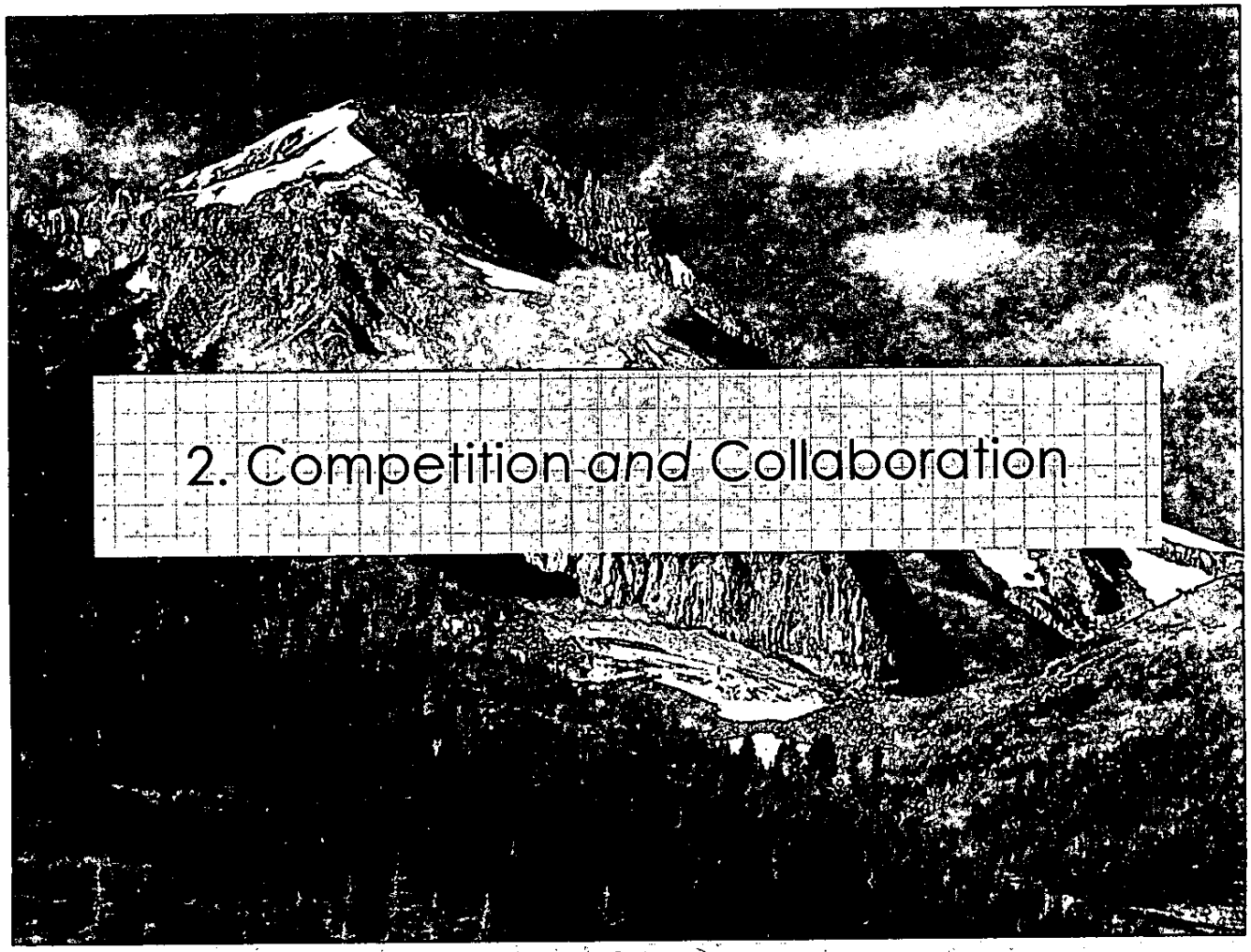
Signature Research Center Investment Formula



OECDD's 2002 study pointed to: "multiscale materials and devices"
=
Nanoscience & Microtechnologies


Corvallis, Oregon
www.onami.us
541-713-1348
Collaborative Research
ONAMI is focusing on four collaborative research thrusts selected for their synergy with Oregon industry, research competitiveness and commercialization potential.
• Microtechnology Based Energy and Chemical Systems
• Safer Nanomaterials and Nanomanufacturing
• Nanolaminates and Transparent Electronics
• Nanoscale Metrology and Nanoelectronics
Northwest Nanonet™
ONAMI's shared user facilities are available to universities, government and industry to advance research and development. Capabilities include state of the art analytical and metrology systems and laboratories for the fabrication and prototyping of micro-systems.
• Materials Characterization
• Prototyping and Fabrication
• Industrial Partnerships
Commercialization
ONAMI's "Gap" programs support Oregon companies to cross the chasm between research and commercialization. Since its inception, our Gap Program has provided $2M in grants to grow micro- and nano- based businesses in Oregon, and brought nearly $12M in related investments and grants into our portfolio companies.
• APEX Drive Labs
• CNXLs
• Crystal Clear Technologies
• Dune Sciences
• Impria
• MTek
• Nanobits
• Peregrine Power
• Perpetual Power
OSU
Portland State

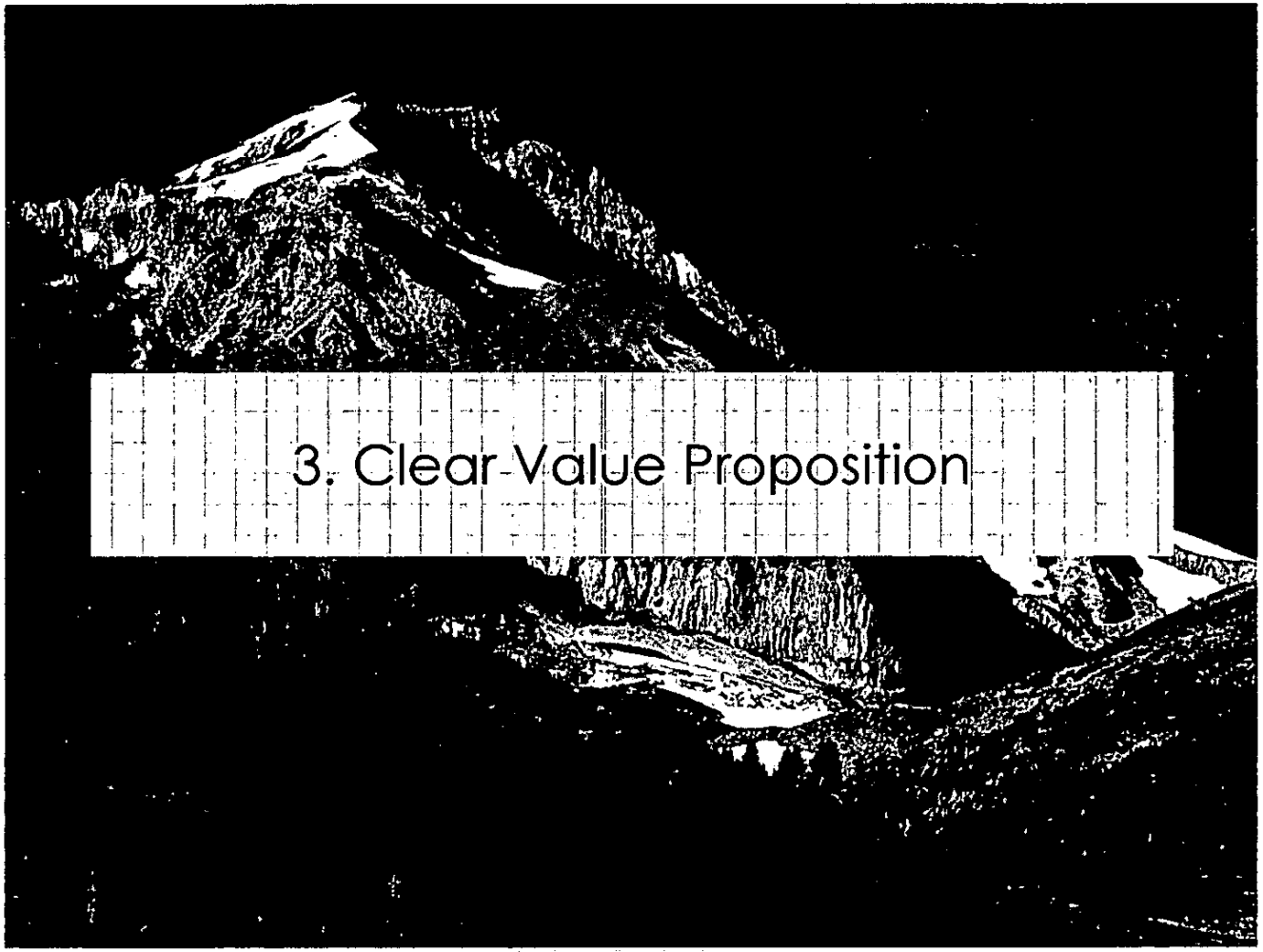

Science Foundations
(Oregon Universities)
Basic
Applied
"Fusion or Convergence"
Technology Platforms
(Signature Center Topics)
New Products
Industry Clusters
Electrical Engineering
Computer Sciences & Software
Materials & Chemistry
Biological Sciences
Micromechanical & Chemical Engineering
Genomics & Proteomics
Earth and Atmospheric Sciences
Plant, Agricultural & Forest Sciences
Multiscale Materials & Devices (ONAMI)
BioSciences (OTRADI)
Sustainable Systems (BEST)
•Portable heating/ cooling supplies
•Solar PV
•Nanophotonic communication devices
•Nano-Bio sensors
•Implantable/portable artificial organs
•Medical Imaging
• Drug Discovery
•Analytical Instruments
•Less/Non-invasive surgical devices
•Biofuels
•Pollution Prevention equipment
•Renewable Energy Systems
•High Value Biobased Products
High Technology (computers, software,electronics, etc..)
Specialty Metals /Manufacturing
Biomedical/Health (emerging)
Sports Equipment
Wood Products
Food/Agriculture
Clean Energy (emerging)

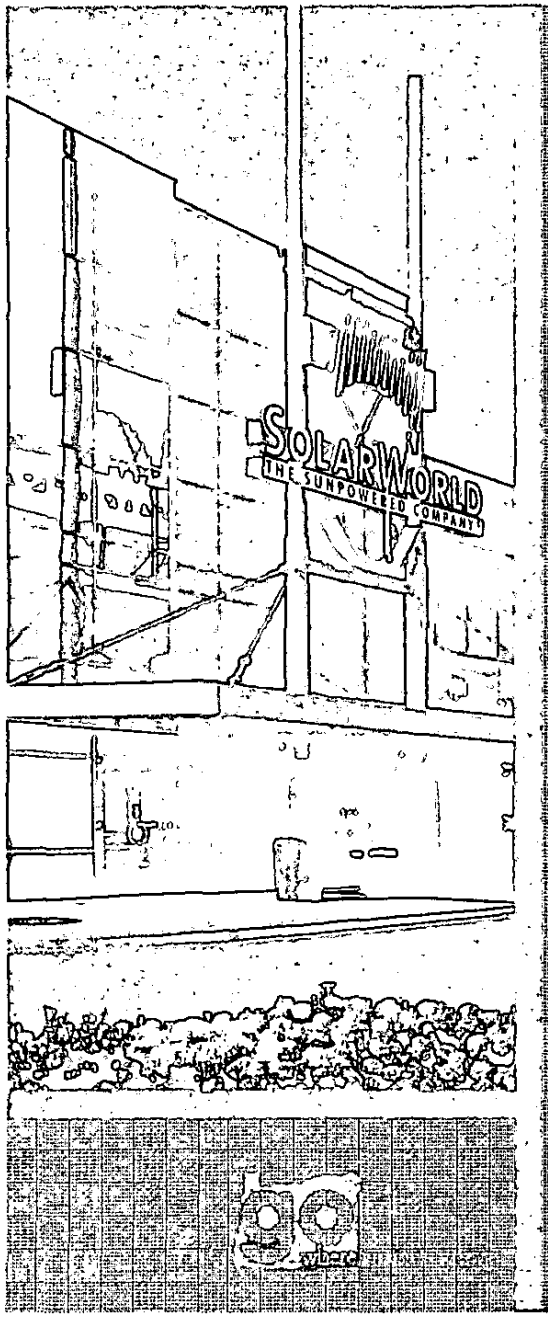

2. Competition and Collaboration

The ONAMI Model

- Intermediation research institute that
  - Awards state funds competitively, no
  - Awards ≥ 90% of its state appropriations
  - prescribed allocations
- Rewards collaboration with aggressive
- Proposal mechanisms
- Requires open access to all supported
  - research facilities and instruments
- Does not own facilities or employ
  - researchers
- Distributed network model with elements of a
  - research network or shared facilities model
- Board of Directors and Commercialization
  - Council consisting of Research VPs and
  - Oregon business leadership (HP, Intel,
  - Invitrogen, OVP, ...)

PNNL
UW
BSTP
WSU
PSU/OHSU
OSU
UO


3. Clear Value Proposition



Industry Contributions and Benefits

- Contributions:
  - Industry provided $30 million to ONAMI in facilities, forgone rent/income, instrumentation & services
- Benefits:
  - Shared facilities are extensions of corporate R&D infrastructure and offer competitive advantage for cheaper than cost of individual ownership
  - Shared facilities make OR a more attractive place for nano/micro R&D – the "cluster" model of competitiveness
  - Commercialization of university technology
  - Improved talent pool of qualified graduate students with more applied research skills
  - Stronger connections and research alliances
  - Higher caliber of researchers, science, and infrastructure

Unmatchy Comforters and Bagels
Comforters: Dynasties play Tracey's organic SC
Bagels: Accessories boost Tracey's equipment
Accessories boost Tracey's equipment
comforters and bagels play organic dynasties

Government Contributions

Benefits

- Coordinates, manages, and develops the economy
- Governments provide a stable environment for business
- Provides goods and services that would not be produced adequately by the private sector
- Protects consumers and workers
- Regulates competition
- Provides economic information
- Promotes economic growth
- Creates opportunities for public investment

4. Communicate Early and Often

ONAMI Progress Toward Milestones

Milestone	2Q08 Status	End Status
:hnologies or products 'tnership with ONAMI affiliates 'cialized by Oregon companies	10 start-ups +2 gap cos	6/30/09
egon companies assisted by t least $20M in private capital.	$0- one company close to deal	6/30/09
4-6 world-class researchers ontributions from ONAMI	4 onboard +3 searches	6/30/09
$40M in new federal and by July 2009.	$25 million- through 2Q	6/30/09

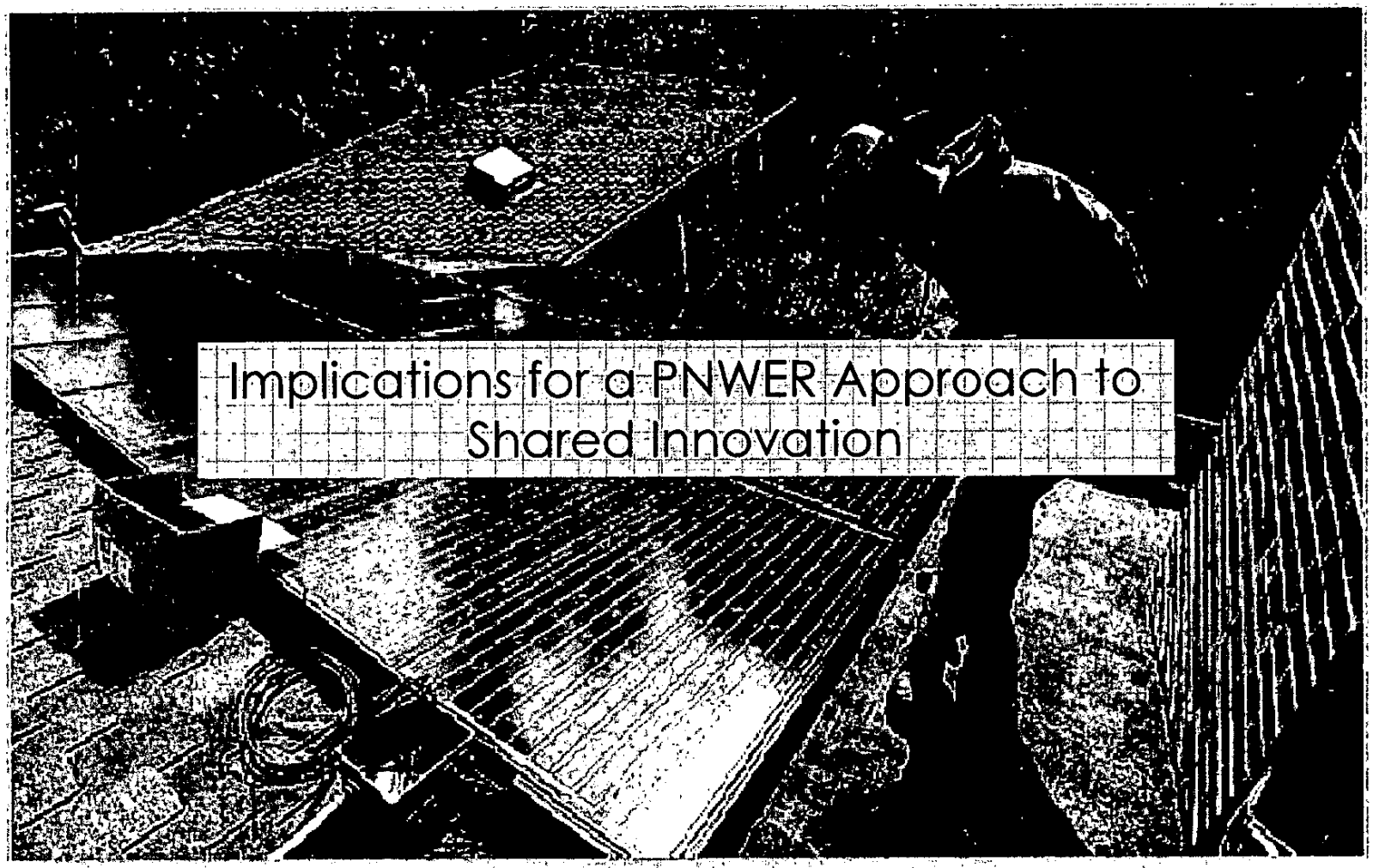
OREGON
ECONOMIC & COMMUNITY DEVELOPMENT DEPARTMENT

NEWS RELEASE
October 30, 2008

CONTACT:
Skip Rung, ONAMI
541-713-1331
John Doussard, OECDD
503-229-5116
Nathan Buehler, OECDD
503-986-0050

Analysis shows strong return for Governor's Oregon Innovation Council

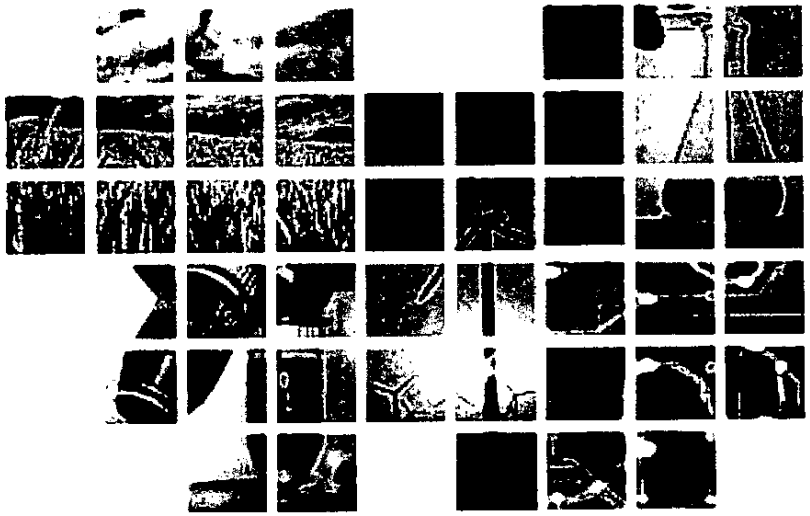
The Oregon Innovation Council (Oregon InC) and the Oregon Economic and Community Development Department receives report on job creation and overall economic impact of investment in signature research center


Implications for a PNWER Approach to
Shared Innovation

Stream with extreme collaborative strategies
Invent new technologies with unique data
Leverage intellectual capital to scale customized
Wow! Make things go viral
Industry leading
Create innovative solutions with high
Seamless integration of web
Communities key
Revolutionary thinking
Strategy
Synergy
Efficiently monitored channels for high
Integrate end-to-end value for performance
Industry leading
Collaboration and connection model
Not just collaboration, world-class collaboration

Contact Us
Marion Hammond
Coastal Strategies Manager
Business Oregon
(503) 229-5226
marion.hammond@biz.state.or.us
www.oregon4biz.com

BRITISH COLUMBIA INNOVATION COUNCIL



BC INNOVATION COUNCIL

Building a Robust Knowledge Economy in British Columbia

Economic Diversification is a Survival Imperative

BC Innovation Council

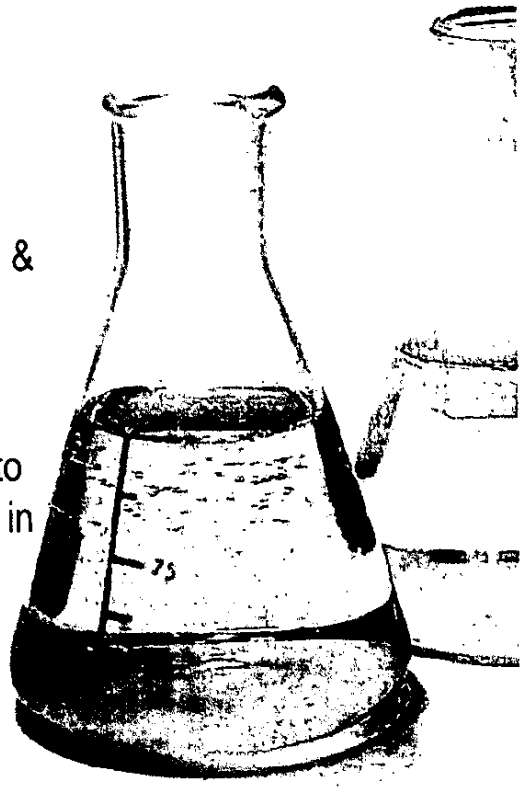
The BC Innovation Council is the Province's lead agency charged with a mandate to facilitate the commercialization of innovation.

Mission: To grow BC's knowledge-based economy through the commercialization of world class innovations from research in science & technology.

Purpose: To make BC's economy more resilient and less subject to the cyclic nature of our core industries through economic diversification; and to make BC's core industries more competitive through innovation, resulting in a better life for all British Columbians.

Focus: The four pillars:

Talent, Innovation, Commercialization, and Awareness



The Innovation Continuum

Talent

To encourage innovators and entrepreneurs in science and technology through BCIC programs and initiatives.

Commercialization

To advance science and technology innovations to commercialization.

The Innovation Continuum

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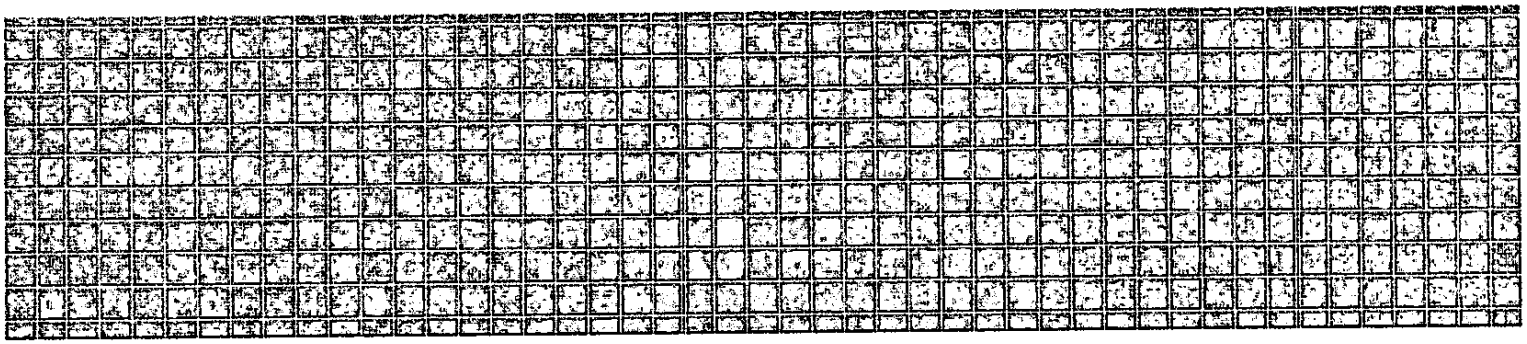

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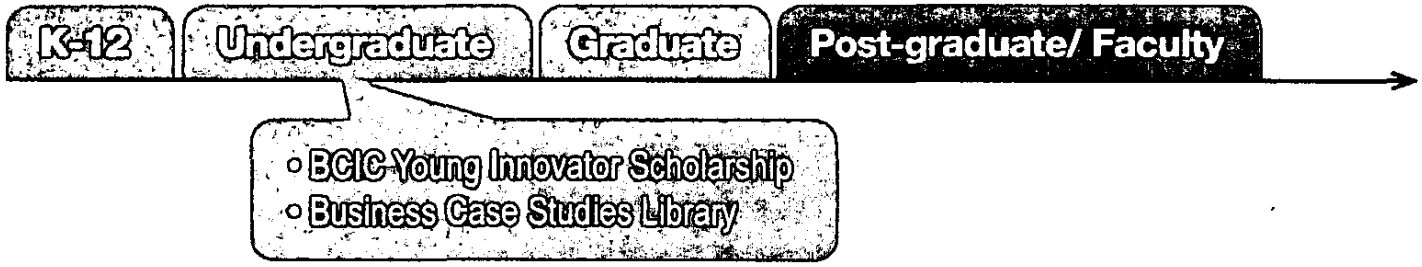

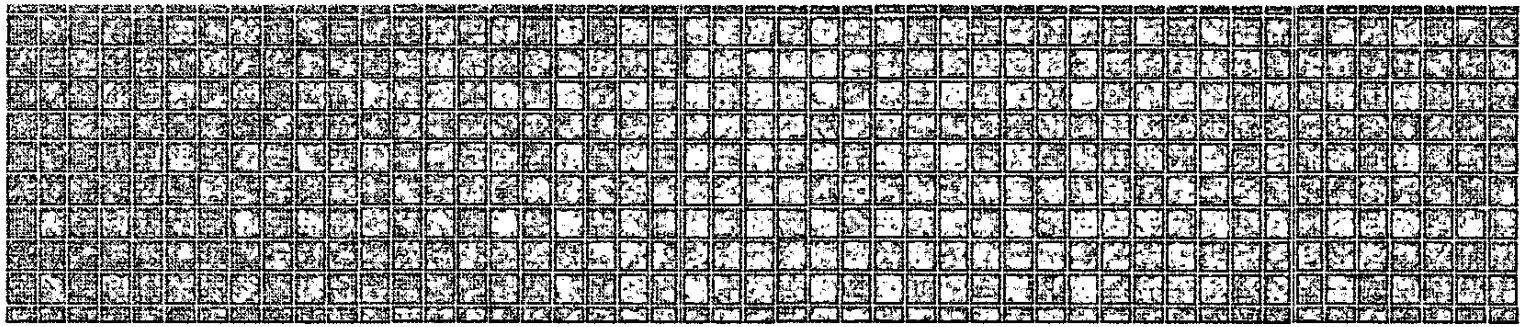

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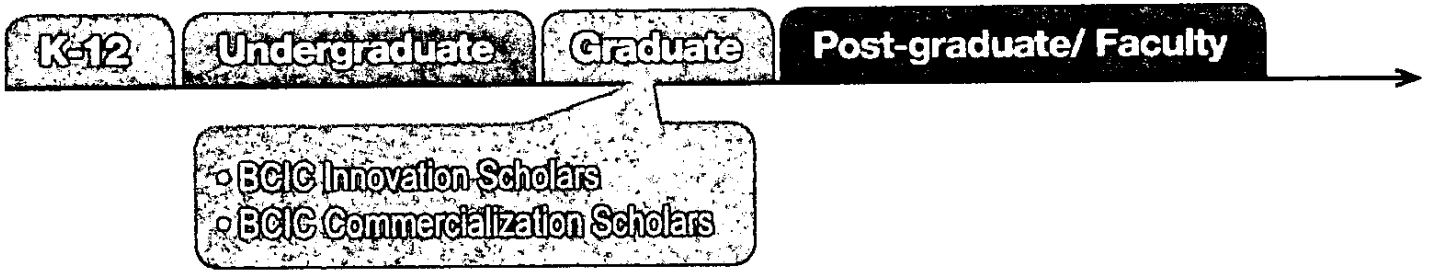

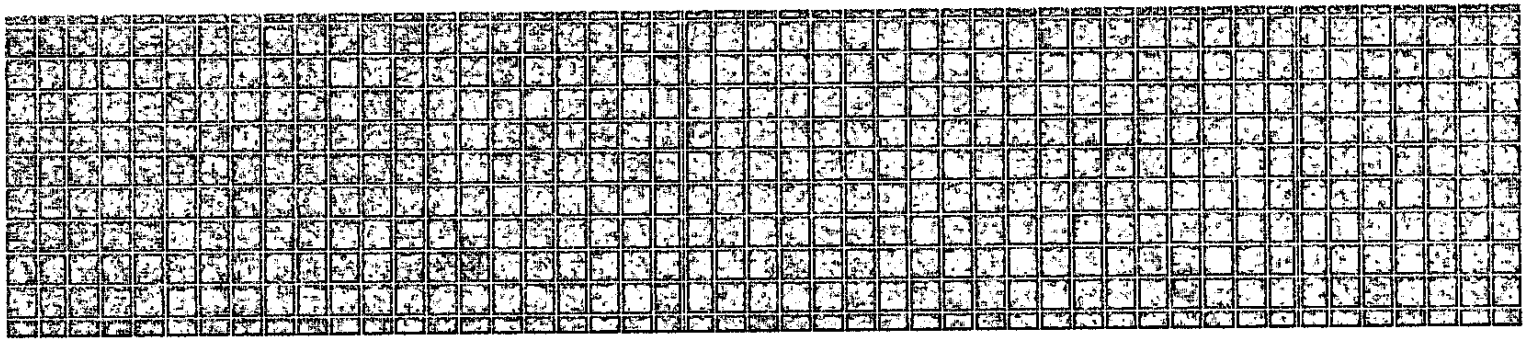

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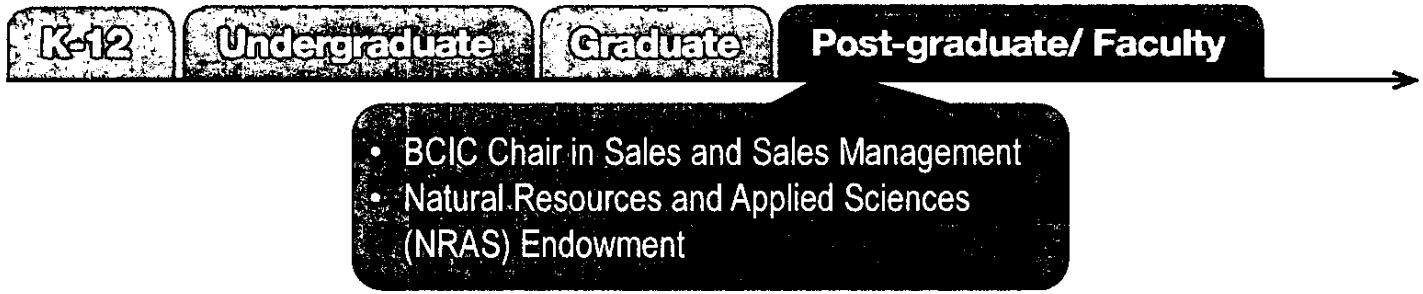
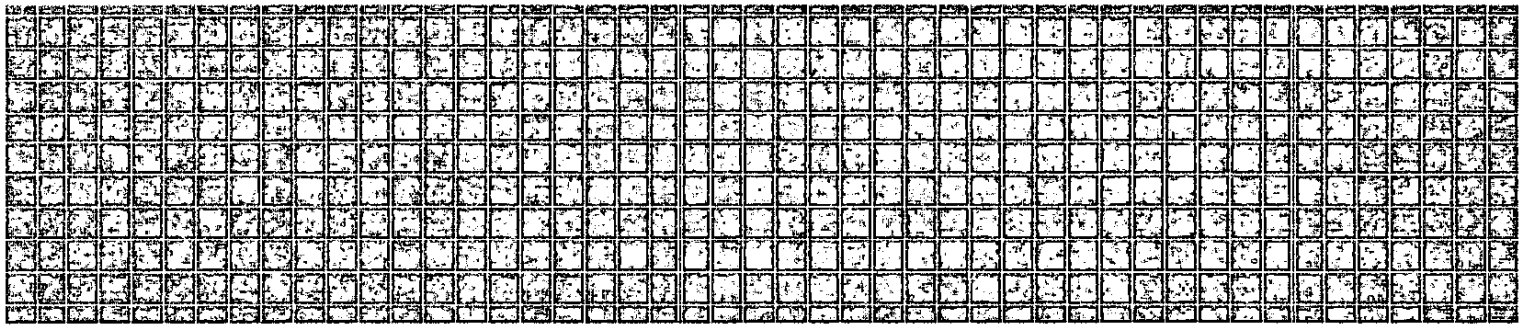
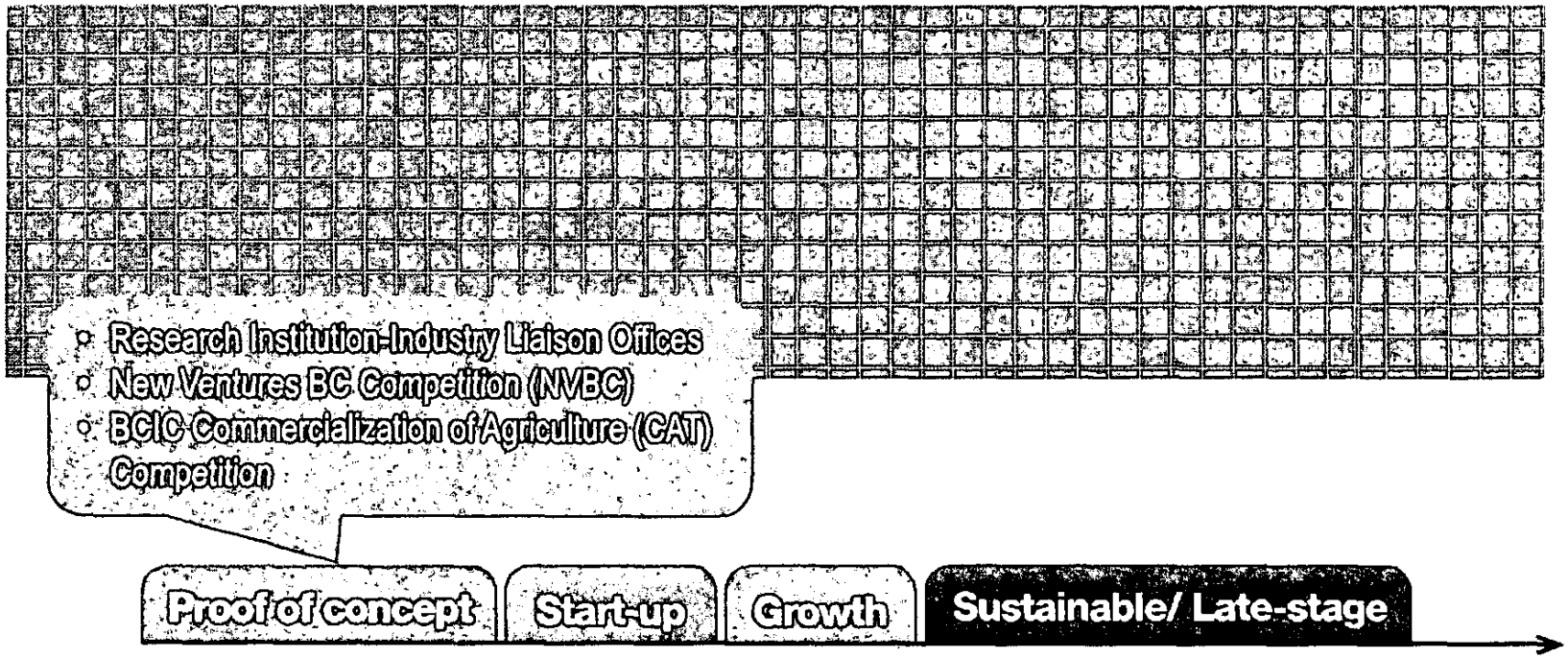




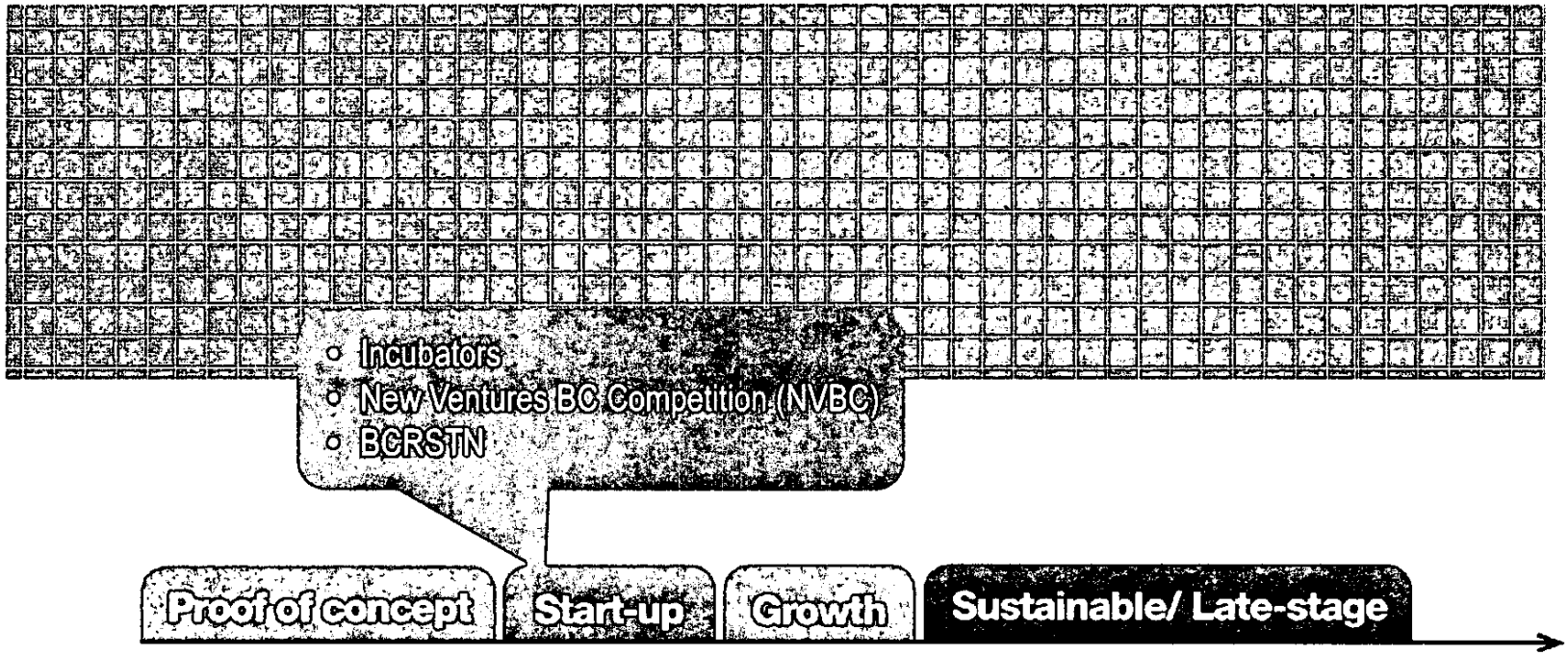
The Innovation Continuum



Commercialization

To advance science and technology innovations to commercialization.

The Innovation Continuum



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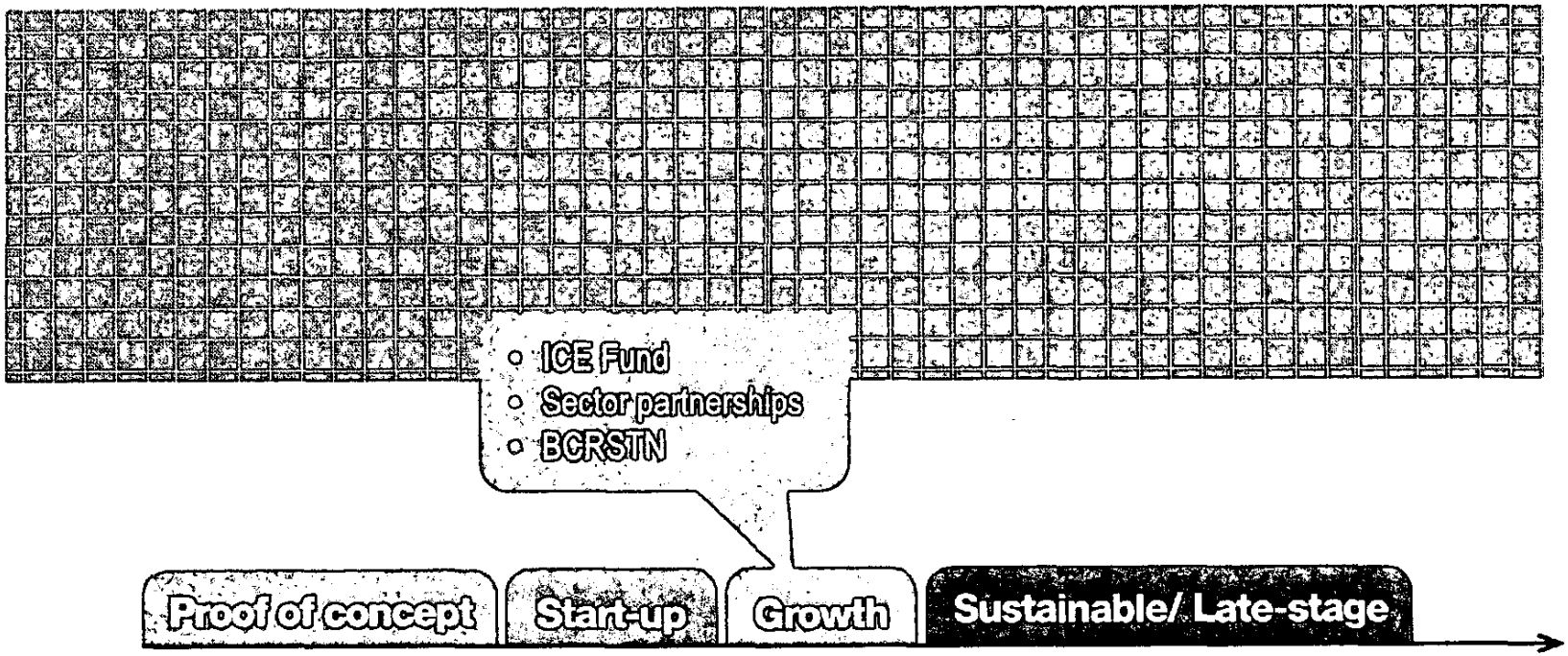

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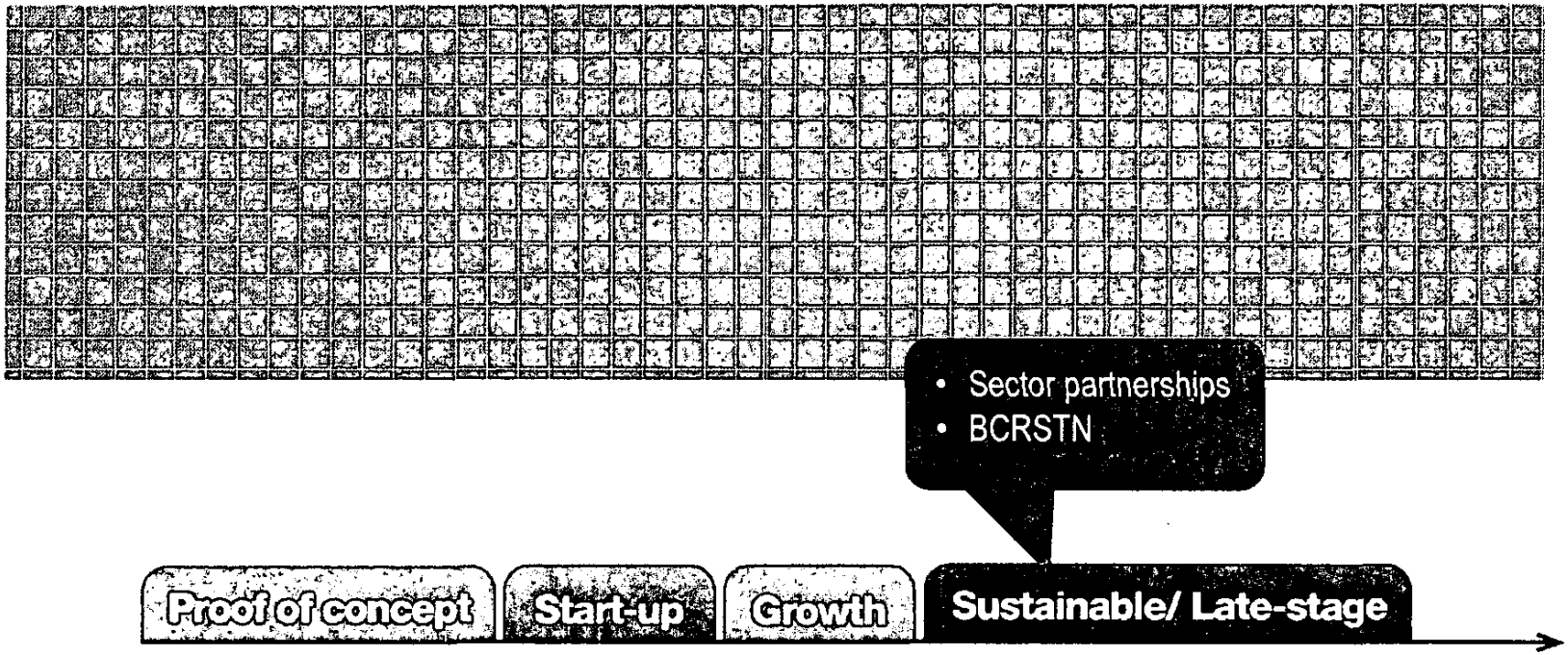
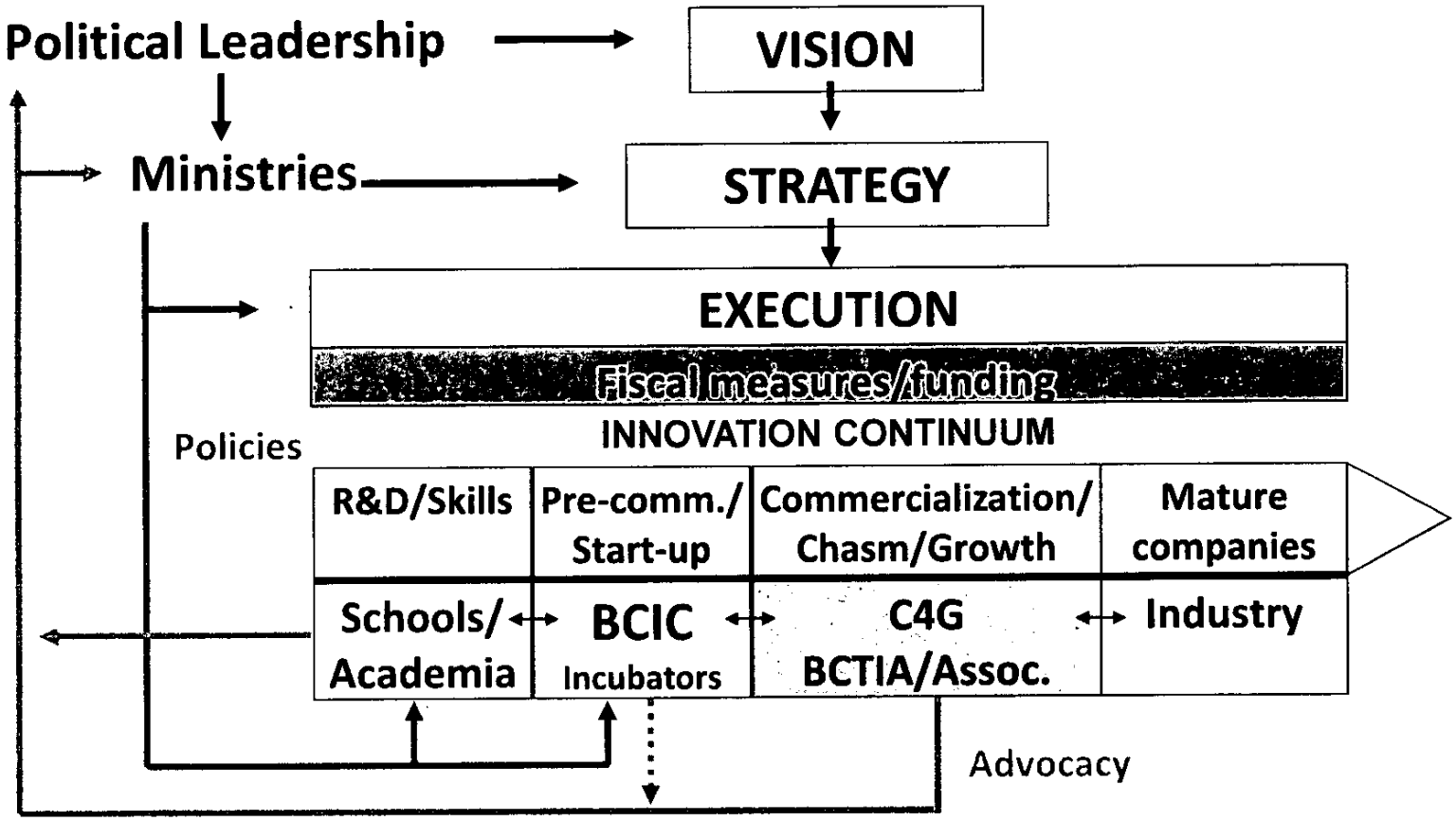
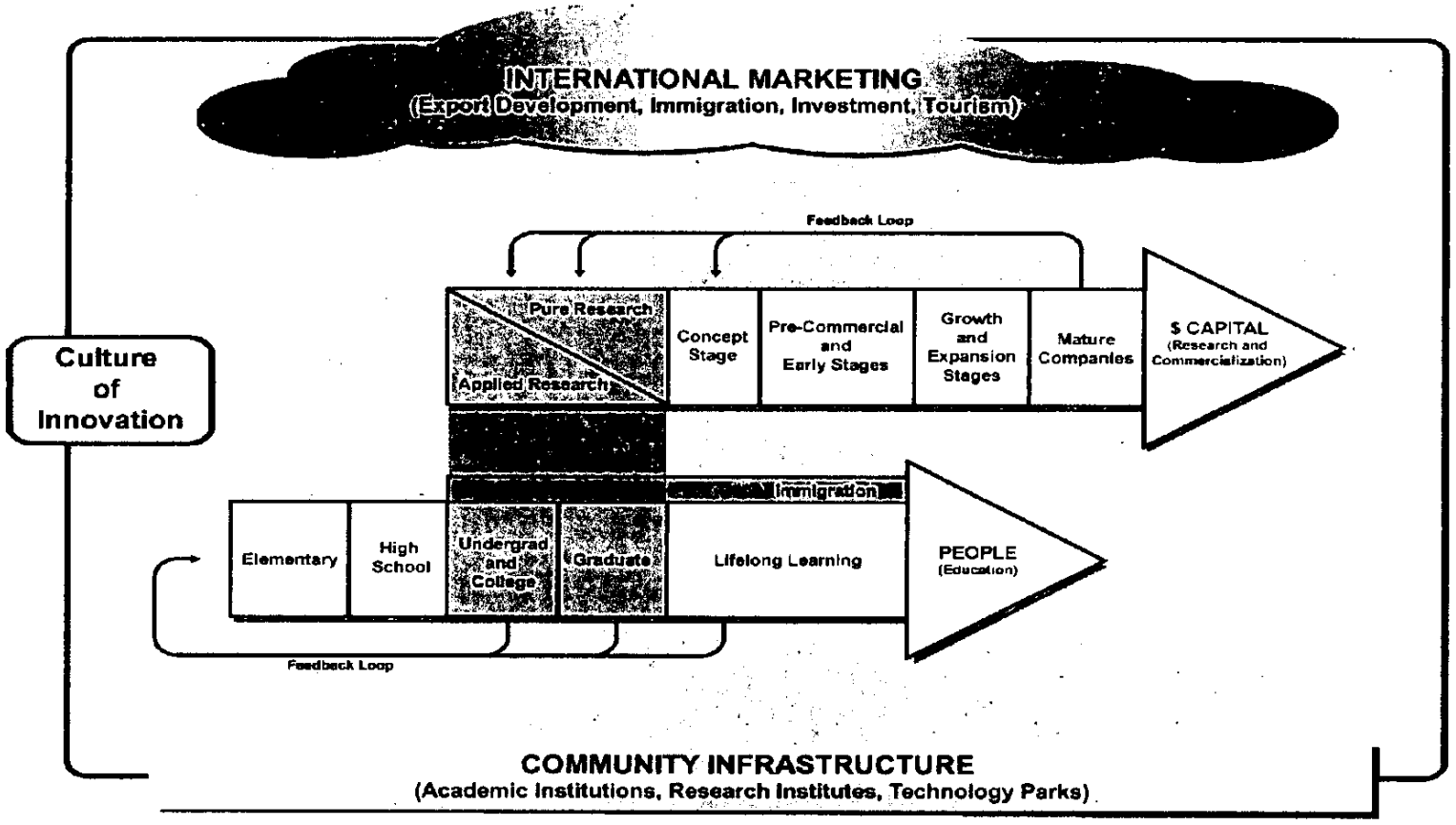


To advance science and technology innovations to commercialization.

Notional Structure



Innovation Ecosystem

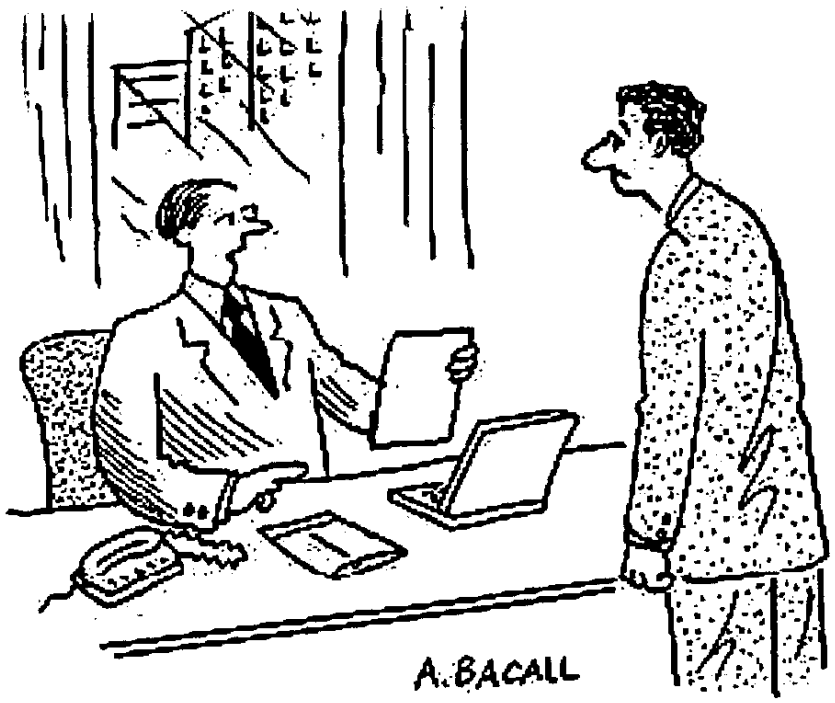


Regional Collaboration- The Status Quo

- Silos within Silos
- Lack of Regional Collaboration Drivers
- Academic/Commercial Disconnect
- Regional Economic Strategic Advantages?
- Development Imperative vs. Political Imperative

PNWER Challenge
Enable Policy Thought

- Identification of Regional Strategic Economic Development Advantages
- Identification of Regional Capabilities and Gaps in Enabling Policies and Programs
- Identification of Research/Commercial collaboration opportunities
- Development of Regional Collaboration Structures



"Your proposal is innovative. Unfortunately, we won't be able to use it because we've never tried something like that before."

PNWER at the 2010 Olympics

A unique partnership for the regional largest economic development event

A Unique Partnership

- PNWER is a community contributor to the Vancouver Olympic Organizing Committee (VANOC)
- First time in Olympic History that a bi-national organization has been a direct partner with the local organizing committee
- Recognition of the support of PNWER and Alaska from the bid process through to being a positive legacy of the Games

Alaska with PNWER @ The Games

- "PNWER Day" (Feb. 22nd) highlighting the region, particularly AK, WA, ID, OR
  - Tourism Promotion and Athletes Event
  - Border Symposium
  - Business to business and investment reception
  - (Global Business Leaders Forum)
- On the ground personnel working with media to promote stories about AK, PNWER and our other

Tourism Promotion and Athletes Reception

- Time: Feb 22, 12-2PM
- Summary:
  - Global and Regional Media invited
  - Regional Olympic Athletes participate and are recognized by state leaders
  - Brief presentations by tourism offices
  - Mixer activities to encourage development of media contacts

Border Symposium

- Time: Feb 22, 3-5:30PM
- Summary:
  - High level round table dialogue between political leaders on the future of the US Canada border
  - Informing the discussion of Harper, Obama (and Calderon) for upcoming Summit
  - Participants: Cabinet members, Ambassadors, academic leaders, premiers/governors

Business and Investment Reception

- Time: 6-8PM
- Summary:
  - Hosted by NWT and YT at Canada's northern house
  - Featuring Alaska
  - Focused on Oil/Gas, Mining, Transportation, innovation and tourism sectors
  - Invitees are regional business and government leaders

Global Business Leaders Day

- Held morning of Feb 22nd
- Organized by Government of Canada and Financial Times
- PNWER delegates are preferred invitees
- Further information at: http://www.ftconferences.com/canada

Contact and further information

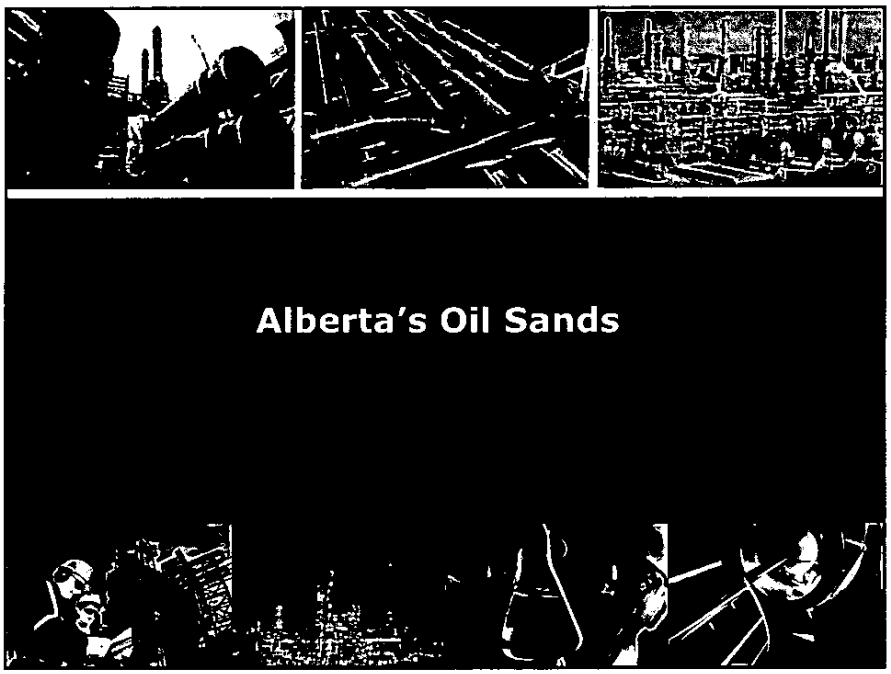
- For updated information go to www.pnwer.org and follow PNWER on twitter: www.twitter.com/PNWER

- Contact:

Ian Burkheimer

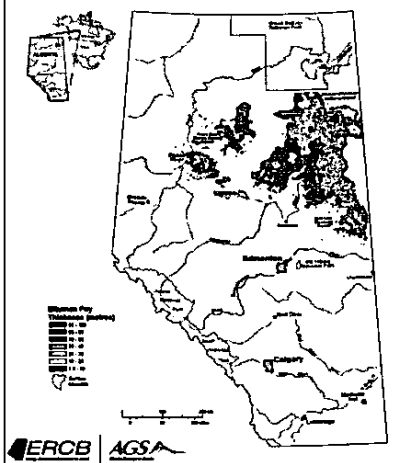
ianb@pnwer.org

206-443-7723



Alberta's Oil Sands

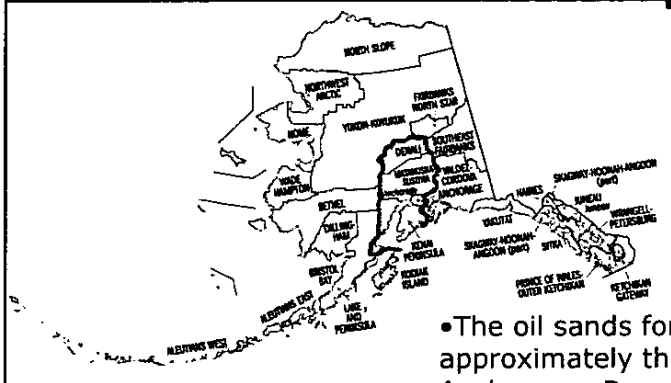
Alberta's Oil Sands



- Located in northern Alberta.
- Oil sands deposits underlie 54,903 square miles; mineable deposits = 1,853 square miles (about 1.25% of Alberta's Boreal forest area).
- Land disturbed to date for mining is about 205 square miles.

Alberta

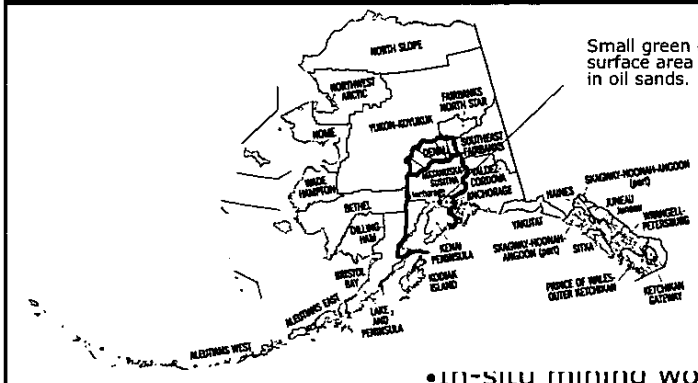
Oil Sands – Alaska Comparison



- The oil sands formation is approximately the size of Anchorage, Denali, Kenai Peninsula, and Matanuska-Susitna Boroughs.

Alberta

Oil Sands – Alaska Comparison

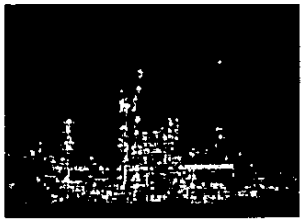


- In-situ mining would be approximately equivalent to the area below Denali.

Alberta

Alberta's Oil Sands

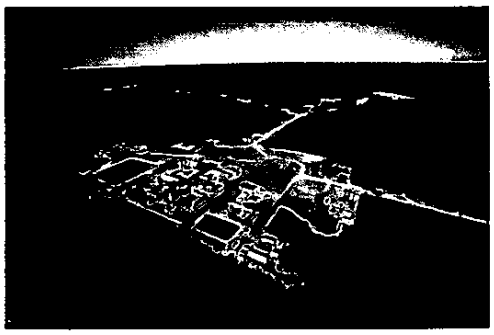
- Naturally occurring mixture of sand, clay, water and bitumen (a very heavy oil)
- Bitumen is separated from sand and upgraded to refinery-ready crude oil



Alberta

Alberta's Oil Sands

- Project approvals by Alberta and federal government regulators
- Comprehensive regulatory regime for development and operations
- Resource owned by Albertans and developed by private sector



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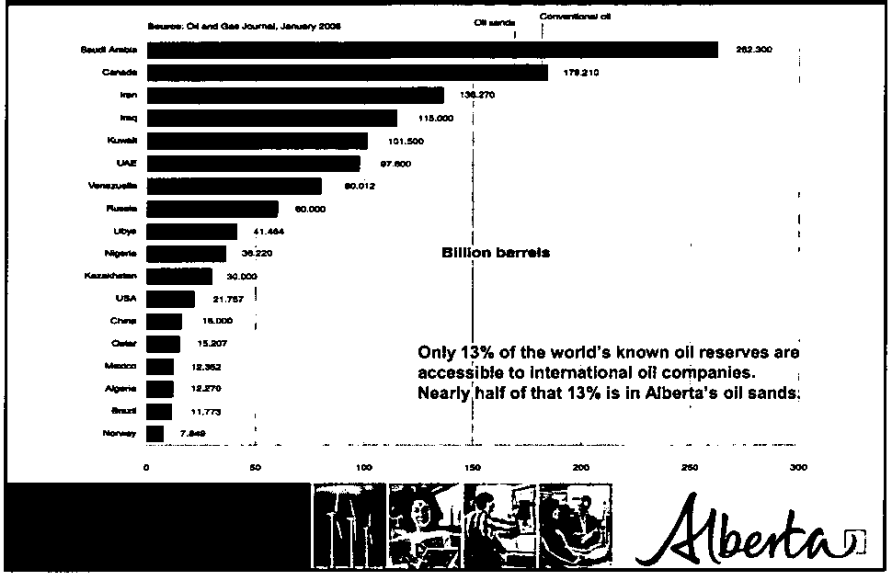
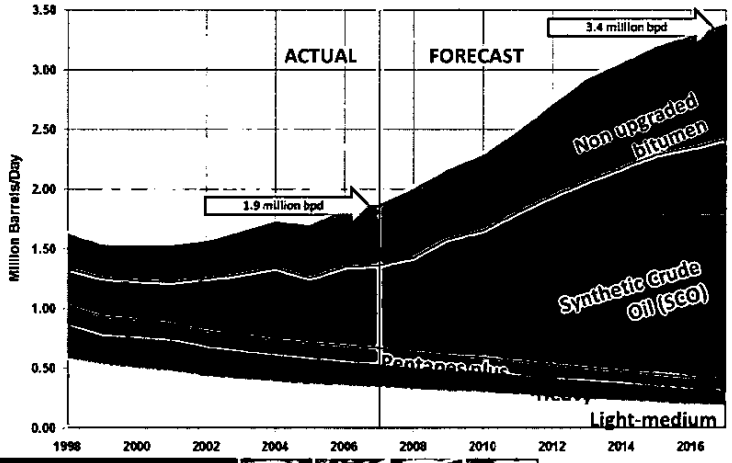
World Oil Reserves – Top 18 Comparison



Alberta

Alberta Crude – Future Production



Alberta

Economic Impact

- A recent IHS CERA report noted that "...more than C$150 billion was spent from 2000 to 2008 on oil sands development and related activities ... 20% [of this was spent] in the United States and other countries."
- A July 2009 CERI report indicated the oil sands sector will have an economic impact of $1.7 trillion on the Canadian economy over the next 25 years.

Source: Cambridge Energy Research Associates (CERA) and Canadian Energy Research Institute

Alberta

Energy Security

Perhaps the greatest impact of expanded oil sands exploitation would be a diversion of revenues away from adversarial governments...In addition, the United States would benefit from buying oil from a country that would spend more of the proceeds on U.S. goods....

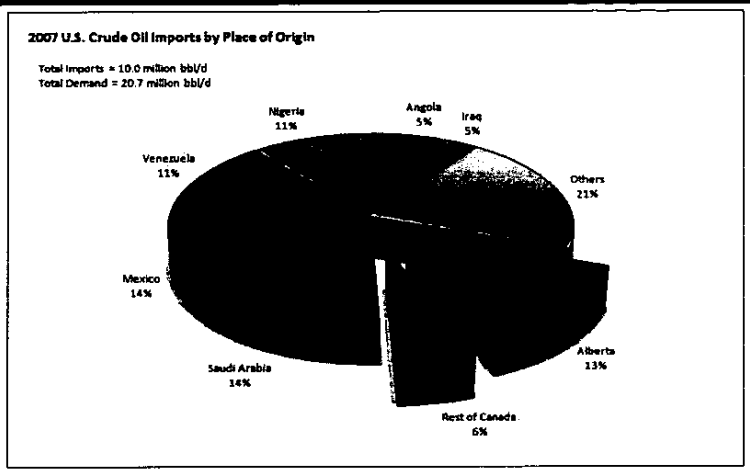
Council on Foreign Relations
"The Canadian Oil Sands: Energy Security vs. Climate Change"
May 2009

Significant growth in oil sands imports into the United States will reduce the required volume of oil imports from elsewhere in the world. The oil sands are sourced from a politically stable and secure country adjacent to the United States.

Cambridge Energy Research Associates
"Growth in the Canadian Oil Sands: Finding the New Balance"
May 2009

Alberta

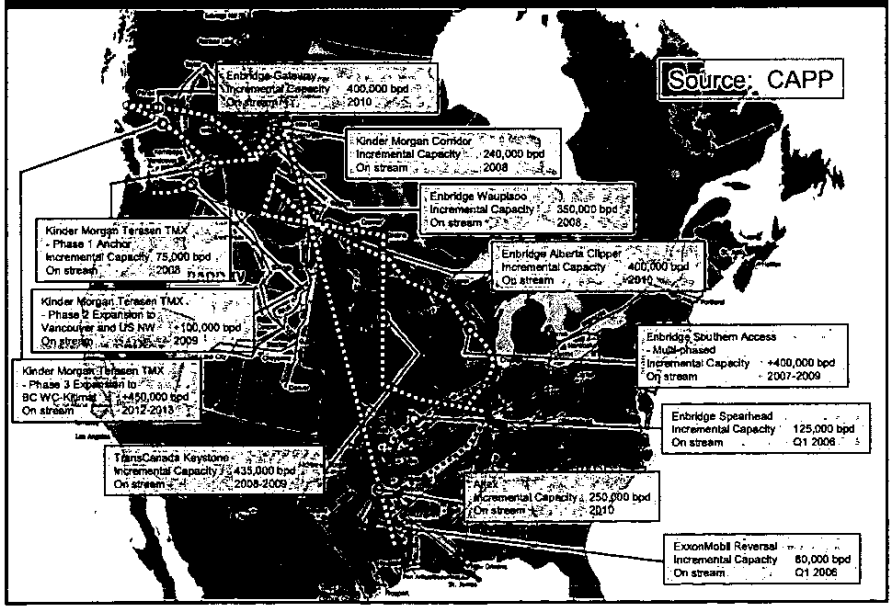
US Sources of Crude Oil



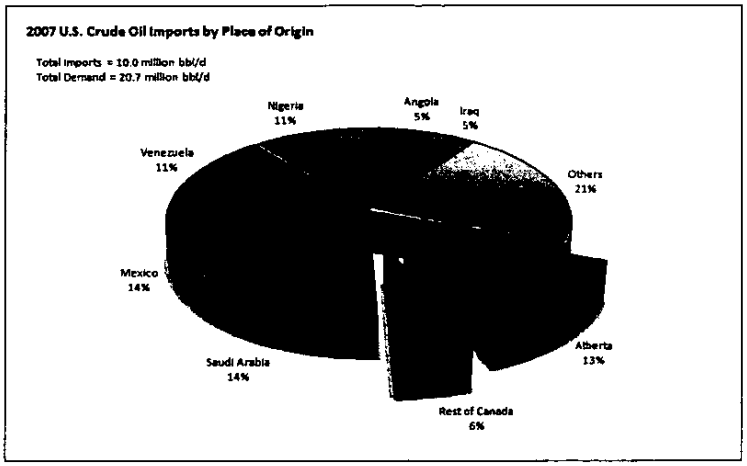
Source: US Energy Information Administration and the Alberta Energy Resources Conservation Board

Alberta

Crude Oil Pipeline Proposals



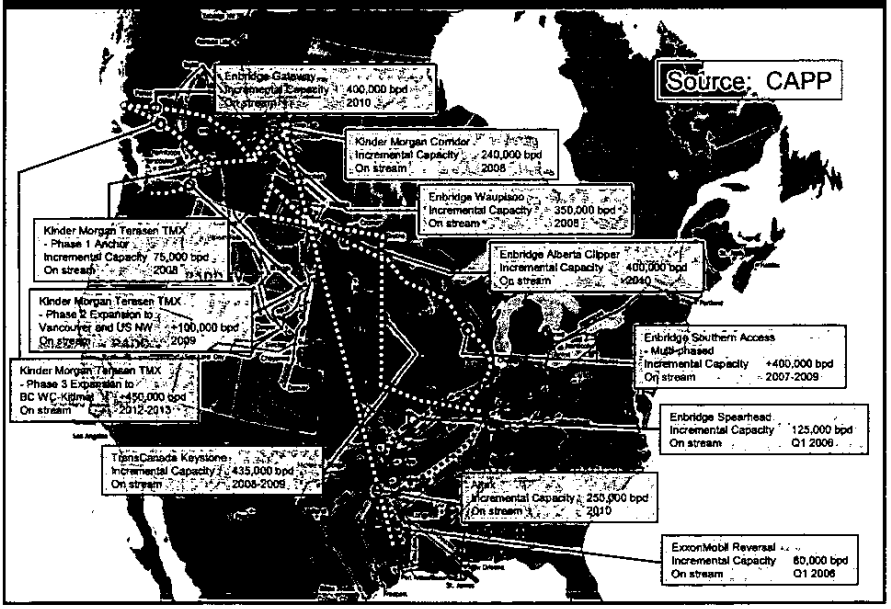
US Sources of Crude Oil



Source: US Energy Information Administration and the Alberta Energy Resources Conservation Board

Alberta

Crude Oil Pipeline Proposals



Technology and Innovation are Key

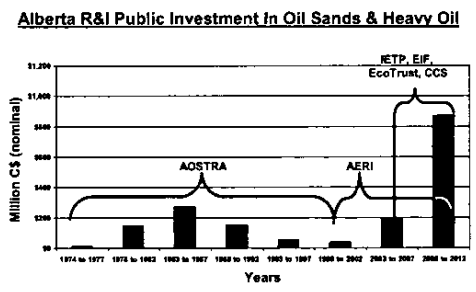
- *The pace of technological innovation in the oil sands has been substantial, and further advances should be expected.*
- *The industry has made major technological strides in optimizing resources, innovating new processes, reducing costs, increasing efficiency, and reducing its environmental impact.*
- *Advances in mining technology and the development of the SAGD technique for in-situ production have reduced costs and GHG emissions.*
- *Several new technologies in various stages of development have the potential to radically change oil sands production.*

CERA, May 2009

Alberta

Technology and Innovation are Key

- Alberta's oil sands were built on innovation
- Now, more than ever, there is a need for innovative technology to meet the challenges ahead:
  - Efficiency
  - Carbon management
  - Reduced environmental impacts



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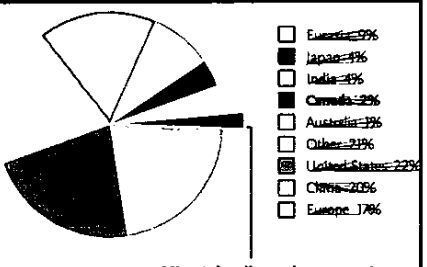
Oil Sands and GHGs

The oil sands in a carbon constrained world...

- Oil sands = 5% of Canada's emissions
- Canada = 2% of global emissions
- Oil sands = .1% of global emissions

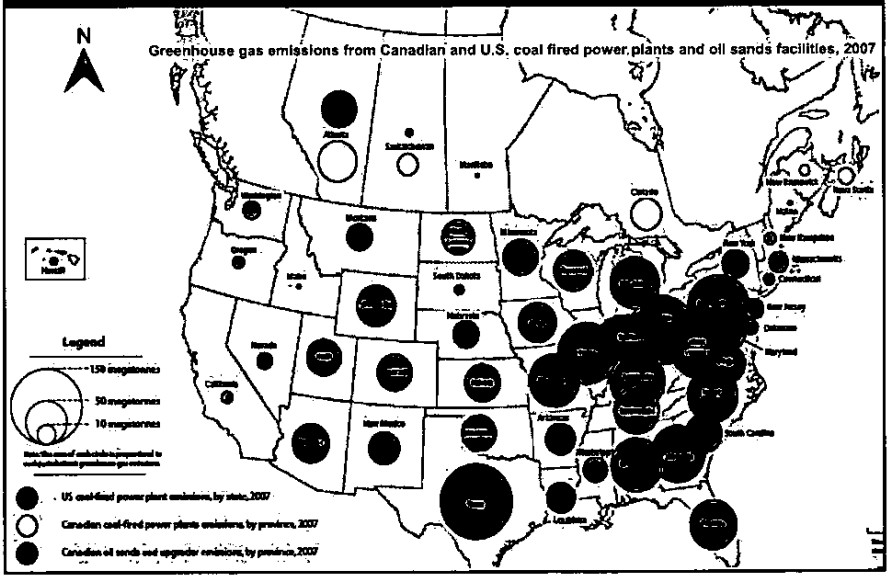
- GHG emissions per barrel of oil have been reduced by about 1/3 since 1990. Some facilities have achieved reductions as high as 45%.



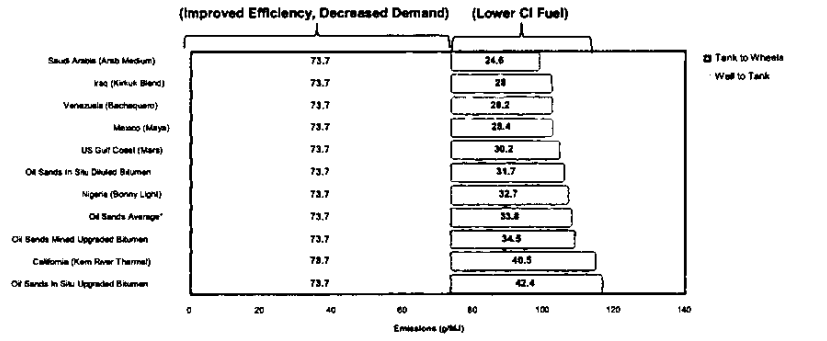
Alberta's oil sands account for less than 1/10 of 1% of GHG emissions

Alberta

Canada and the U.S. -- a shared challenge



Life Cycle GHG Emissions of Crude Oil



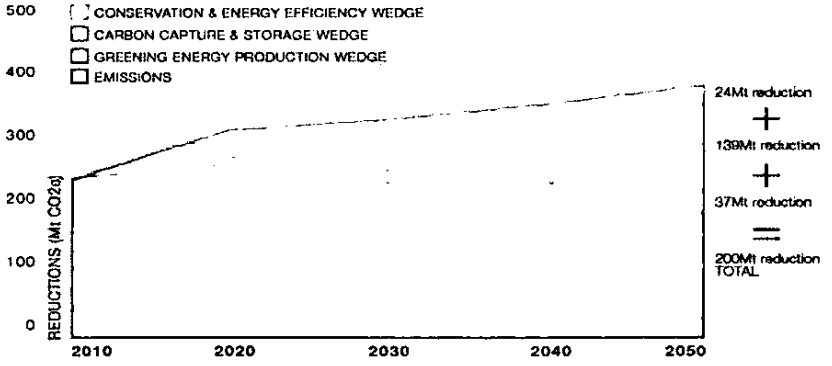
Source: Jacobs Consultancy and Life Cycle Associates, *Life Cycle Assessment Comparison for North American and Imported Crudes*, July 2009

* Based on prorated 2008 oil sands production: 55% mined upgraded bitumen; 40% in-situ diluted bitumen; 5% in-situ upgraded bitumen.

Alberta

Confronting Global Issues: Alberta's Climate Change Plan (2008)

GREENHOUSE GAS REDUCTION WEDGE -- HIGHLIGHTING GREENER ENERGY PRODUCTION REDUCTIONS



Alberta

Climate Change Law

Emissions Management Act Specified Gas Emitters Regulation

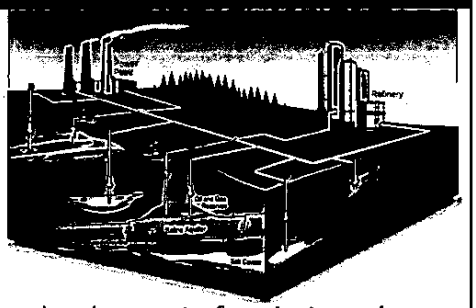
- First in North America; one of a kind globally
- Applies to all facilities in Alberta that release over 100,000 tonnes of CO_2
  - Facilities have been reporting since 2003
  - About 100 facilities; account for 50% of Alberta's CO2 emissions

2008 Results:
- **6.5 million tonnes of actual reductions**
- **$82.3 million into the Climate Change and Emissions Management Fund (combined with 2007 = $122 million)**

Alberta

Carbon Capture and Storage

- Critical element of Alberta's Climate Change Strategy
- $2 billion for large-scale CCS projects—the largest single capitalized funding investment by any jurisdiction in the world



- Public funding to accelerate the development of projects and encourage investment from industry to make large-scale CCS projects viable
- Alberta's geology ideal for CCS and enhanced oil recovery

Alberta

CCS Commercial Scale Projects

- Quest Project (Shell Canada Energy/Chevron Canada Ltd./Marathon Oil Sands LP)
  - fully integrated carbon capture and storage project at the Scotford oil sands Upgrader in the Alberta Industrial Heartland.
  - $120m (Federal) + **$745m (Alberta)** = $865 million committed
  - 1.2 million tonnes of CO_2 captured and stored each year
- Pioneer Project (TransAlta)
  - fully integrated carbon capture and storage project at the 450MW Keephills 3 coal fired power plant.
  - $343 m (Federal) + **$436m (Alberta)** = $779 million committed
  - 1 million tonnes of CO_2 captured and stored each year

Alberta

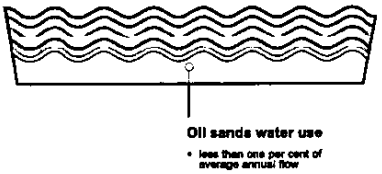
CCS Commercial Scale Projects (cont.)

- Swan Hills Project (Swan Hills Synfuels)
  - Convert coal into synthetic gas for low-emissions electricity and capture CO_2 for use in enhanced oil recovery
  - **$285 million** (Alberta) committed
  - 1.3 million tonnes of CO_2 captured and stored each year
- Alberta Carbon Trunk Line (Enhance Energy/North West Upgrading)
  - 240 km (149 mile) pipeline initially transporting CO_2 from the Agrium Redwater fertilizer Complex and North West oil sands Upgrader for use in enhanced oil recovery
  - $63m (Federal) + **$495m (Alberta)** = $558 million committed
  - 1.6 million tonnes of CO_2 captured and stored each year (initially)
  - Will transport up to 14 million tonnes of CO_2 each year (excess pipeline capacity)

Alberta

Responsible Water Use

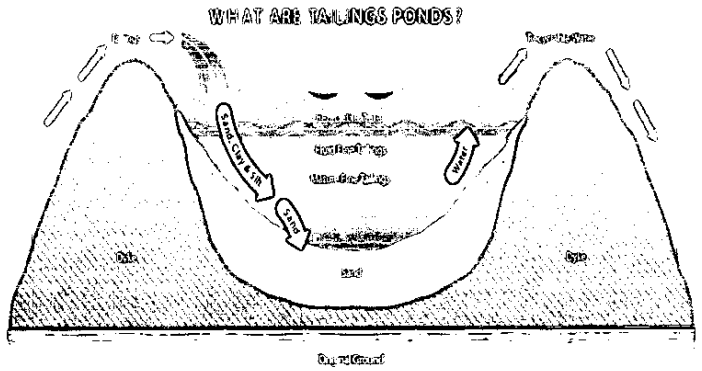
AVERAGE ANNUAL FLOW OF THE ATHABASCA RIVER (633 M³/SEC)



- **Strict limits on water use through Water Management Framework for the Lower Athabasca River**
- **Total water use for 2008 was less than 1% of average river flow; about 85% of water used is recycled water**
- **Between 2002 and 2007, mining operations reduced total water used by almost 40% and increased bitumen production by almost 50%**

Alberta

Tailings Pond Management



Alberta

Land Management

Managing Today
- Strong technical review for any new tailings facility
- ERCB Directive – faster reclamation; less fluid tailings

Vision for the Future
- First tailings pond will be reclaimed in 2010
- Zero growth in tailings

Research to Achieve Vision
- Consolidated to dry tailings
- Water recycling
- Research partnerships

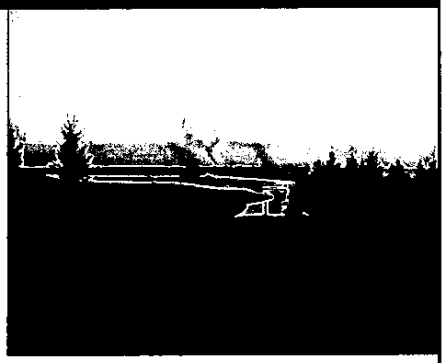
Alberta

Land Reclamation

- About 205 square miles of land have been disturbed by oil sands mining activity.
- Reclamation is a condition of project approval; Reclamation security bond = $828 million
- As of March 2008, 25 square miles of land disturbed by mining was reclaimed or undergoing active reclamation.
- Industry has planted more than 7.5-million tree seedlings towards reclamation efforts.

Alberta

Reclamation Potential



Oil Sands Strategic Plan

"Responsible Actions: A Plan for Alberta's Oil Sands"

- Released on February 12, 2009
- 20-year strategic plan outlines vision for sustainable and responsible growth
- Involved consultation and scenario planning with 16 departments
- Aligned with the Provincial Land-use Framework and Energy Strategy

Outcomes:

- Optimized economic growth
- Reduced environmental footprint
- Increased quality of life for Albertans today and in the future.

Impact of Alberta Oil Sands Development on the Alaska Economy

- Economic benefits of oil sands development and production do not fall solely to one US economic sector or just one region of the country.
- Increase in Alaska industry output ($US):
  - 2010 = $58 million
  - 2015 = $169 million
  - 2020 = $200million
  - 2025 = $211 million
  - Annual Average = $156 million
- Change in Alaska "value added" GDP ($US):
  - 2010 = $30 million
  - 2015 = $87 million
  - 2020 = $106 million
  - 2025 = $113 million
  - Annual Average = $82 million

Alberta

Impacts of Alberta Oil Sands Development on the Alaska Economy

- Indirect and induced impacts of Canadian oil sands development and production will result in employment increases across the US. In Alaska, incremental employment is estimated to be (in person years):
  - 2009-2010 = 500
  - 2011-2015 = 900
  - 2016-2020 = 200
  - 2021-2025 = 100

Source: "The Impacts of Canadian Oil Sands Development on the United States' Economy". Canadian Energy Research Institute, October 2009.

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Impacts of Alberta Oil Sands Development on the US Economy

National Impacts ($US Billions)	2010	2015	2020	2025
U.S. Output	23.0	69.2	78.5	80.9
U.S. GDP	11.5	34.0	40.4	42.2

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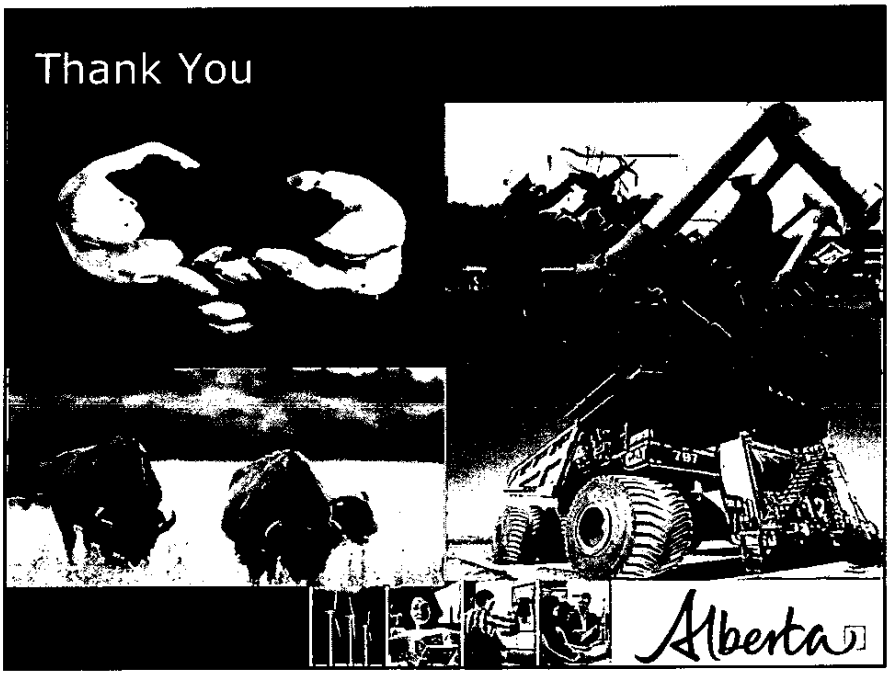
Impacts of Alberta Oil Sands Development on the US Economy

National Impacts (Thousand Person Year)	2009 – 2010	2011 – 2015	2016 – 2020	2021 – 2025
U.S. Employment	172	343	88	22

Alberta


Thank You
Alberta

2-09-10 Presentation Port Mackenzie Railroad Extension

<target><bill></bill><subject>2-09-10 Presentation Port Mackenzie Railroad Extension</subject><comm>HEDC26</comm></target>

ALASKA STATE LEGISLATURE
ECONOMIC DEVELOPMENT, TRADE & TOURISM COMMITTEE

Representative Jay Ramras
Chairman
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Committee Members:
Representative Mike Chenault
Representative Nancy Dahlstrom
Representative Kyle Johansen
Representative Reggie Joule
Representative Mark Neuman
Representative Harry Crawford
Representative Lindsey Holmes
Representative Chris Tuck

State Capitol, Room 120
Juneau, Alaska 99801

House Economic Development, Trade & Tourism Committee Agenda

Tuesday, February 9, 2010 at 5:10 p.m. in Room 106

+ Port MacKenzie Railroad Extension

Guest Speakers:
Rick Mystrom, Former Mayor of Anchorage
John Duffy, Borough Manager, Matanuska-Susitna Borough
Pat Gamble, Chief Executive Officer, Alaska Railroad
Dr. Paul Metz and Dr. Steve Colt, University of Alaska
The speakers will discuss the proposed rail extension from the Alaska Railroad mainline to Port MacKenzie in Mat-Su and its potential for creating dramatic benefits for the statewide economy for years to come. The speakers will describe the project, specific benefits to the state's economy, how these benefits will be created, and what it means to economic diversification and job creation.

* First Hearing in First Committee of Referral
\+ Teleconferenced
= Bill was previously Heard/Scheduled

RAIL EXTENSION PROJECT

Economic Benefits to the Central Alaska Regional Economy

(Anchorage, Mat-Su, Denali Borough, and Fairbanks)

Economic Problems facing Alaska's Economy

1. Uncertainty about energy availability and costs
2. Uncertainty about the Gas Line construction
3. Uncertainty about the future of the TransAlaska Pipeline

Economic Problems facing Alaska's Economy (cont'd)

4. Uncertainty about Small Business Administration contracting program for Native Business

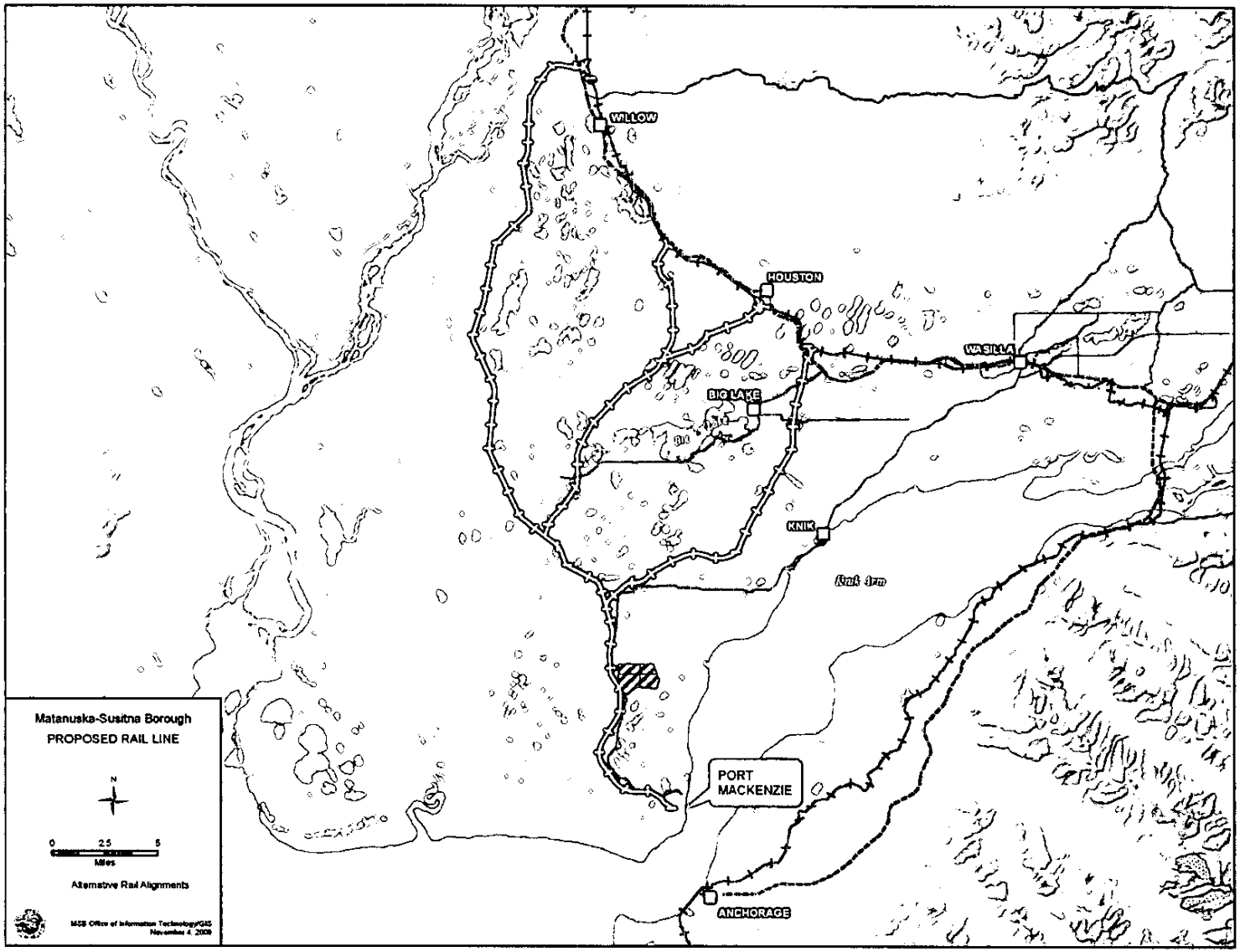
5. Uncertainty about explorations permits for Chukchi and Beaufort Sea

6. Lack of Diversification of Alaska's Economy

7. Lack of Transportation Infrastructure to promote Economic Development

*But a major solution to one of these problems is <u>just months away</u> and the **positive effects** will be felt **next summer**.*

The Rail Extension from Port MacKenzie to the Main Line of the Alaska Railroad



To Understand the Impact of Port MacKenzie and the Rail Extension, we need to begin thinking of the **Fairbanks North Star Borough, the Denali Borough, the Mat-Su Borough, and Anchorage** as a regional economy

Working, Building, and Growing Together

What the Rail Extension Means to this Regional Economy

1. **Opens up the Interior to Resource Development**
2. **Facilitates the Development of a World Class Limestone Deposit in Livengood just north of Fairbanks**
3. **Facilitates the Development of a Cement Production Facility in or around Fairbanks**
4. **Opens up a development corridor along the Railbelt to exploration and extraction of strategic minerals (Lead, Zinc, Copper, Molybdenum and Silver)**

What the Rail Extension Means to this Regional Economy (cont'd)

5. **Improves the transportation of Lower Cost Fuel to Interior and Southwest Alaska**
6. **Dramatically improves the world competitiveness of Alaska Coal**
7. **Significantly reduces transportation and staging cost for the Gas Pipeline Construction <u>(Important if it goes. Essential if it doesn't.)</u>**
8. **Increases employment in the Mat-Su Borough, the Denali Borough, the Fairbanks North Star Borough and Anchorage**

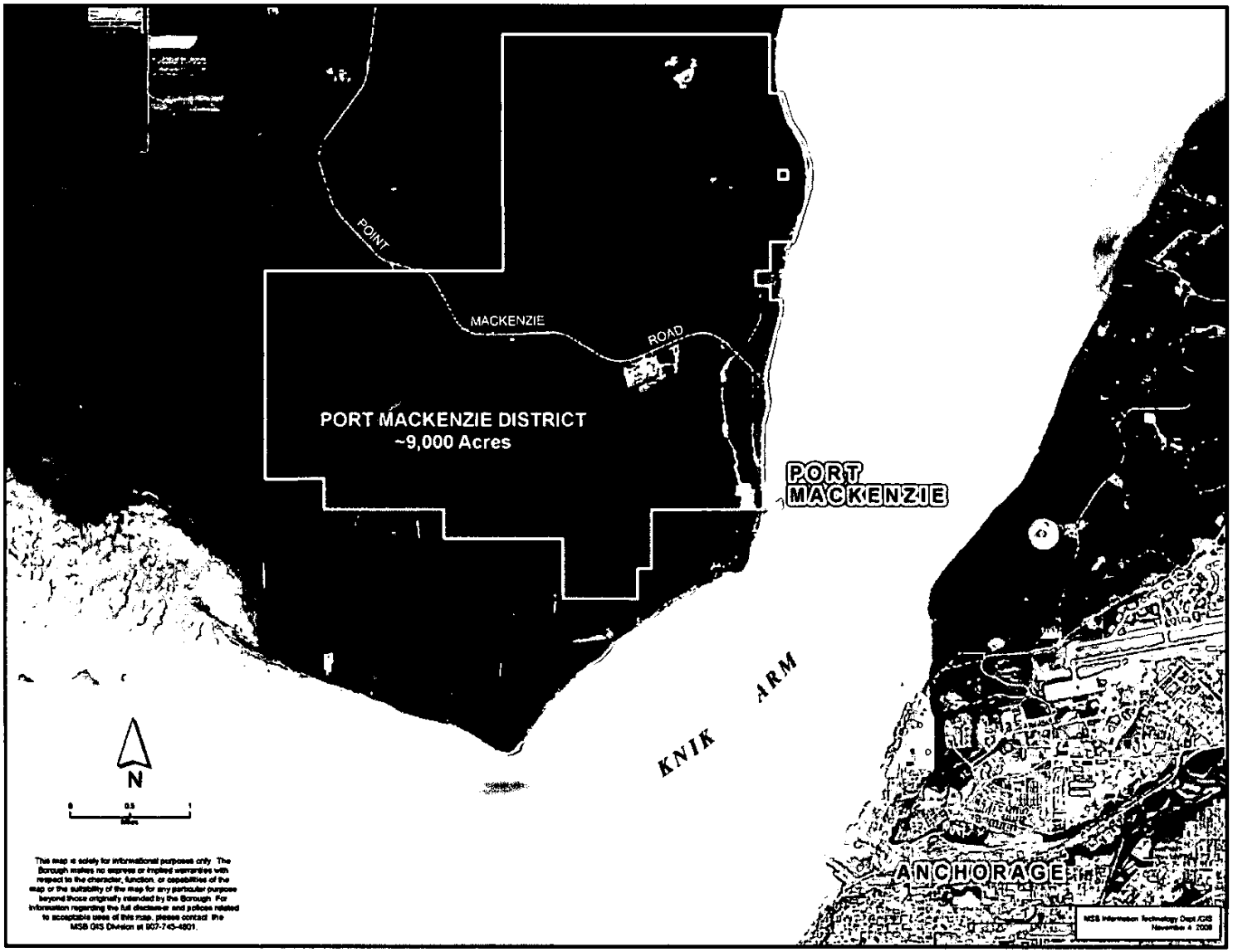
How does the Rail Extension do all these things?

The Answer is <u>Port MacKenzie and the Rail Extension working Together</u>

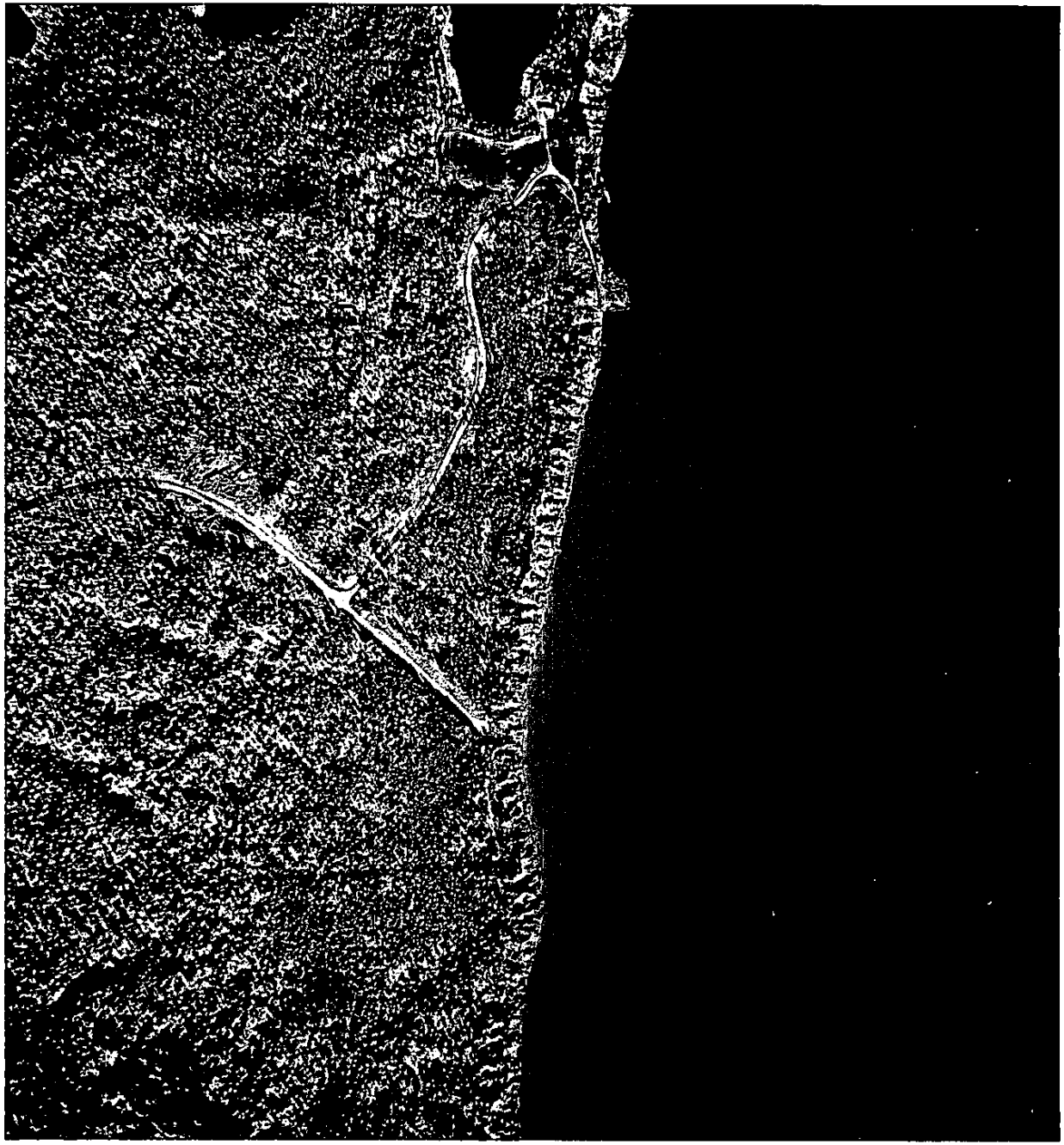
Port MacKenzie?

Port MacKenzie is a Bulk Commodities Port for minerals, cement, coal, bulk fuel, pipe (Not a Consumer Goods or a Container Port like the Port of Anchorage)

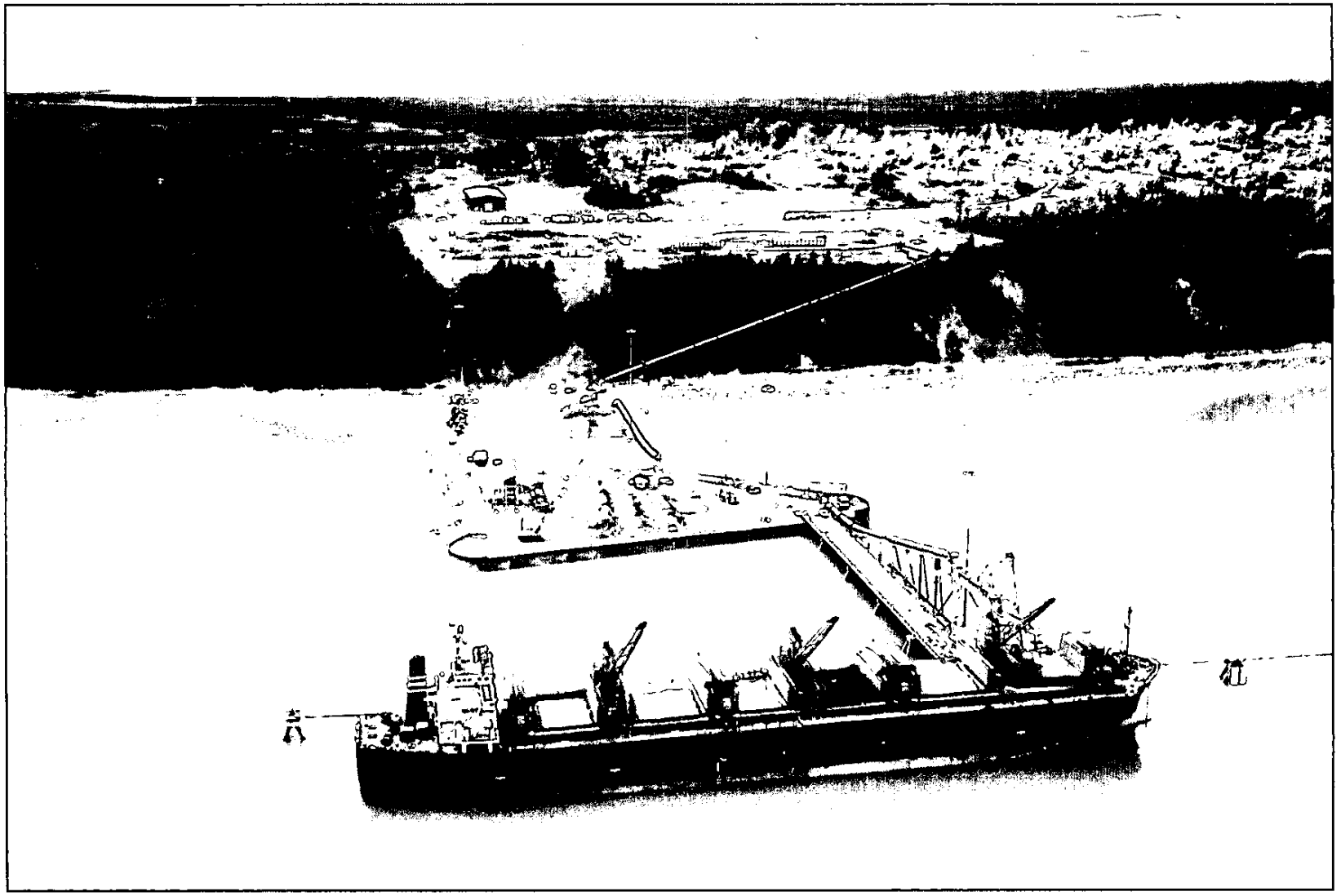
It's a Port with 14 Square Miles of Industrial Zoned Land. (That's nearly 9,000 Acres.)



Port Mackenzie 20 Years Ago



Port MacKenzie 2 Years Ago

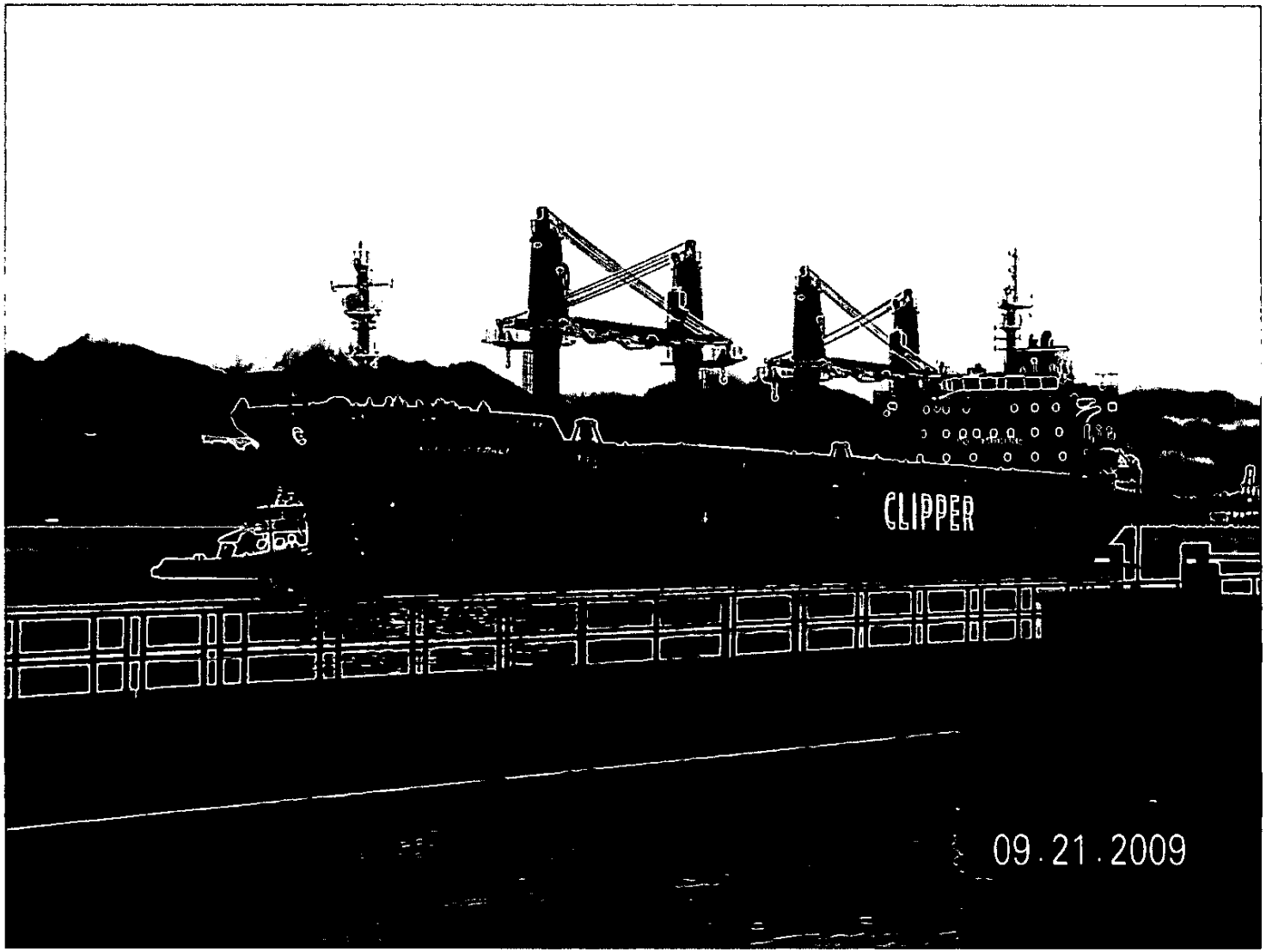


Port MacKenzie Now

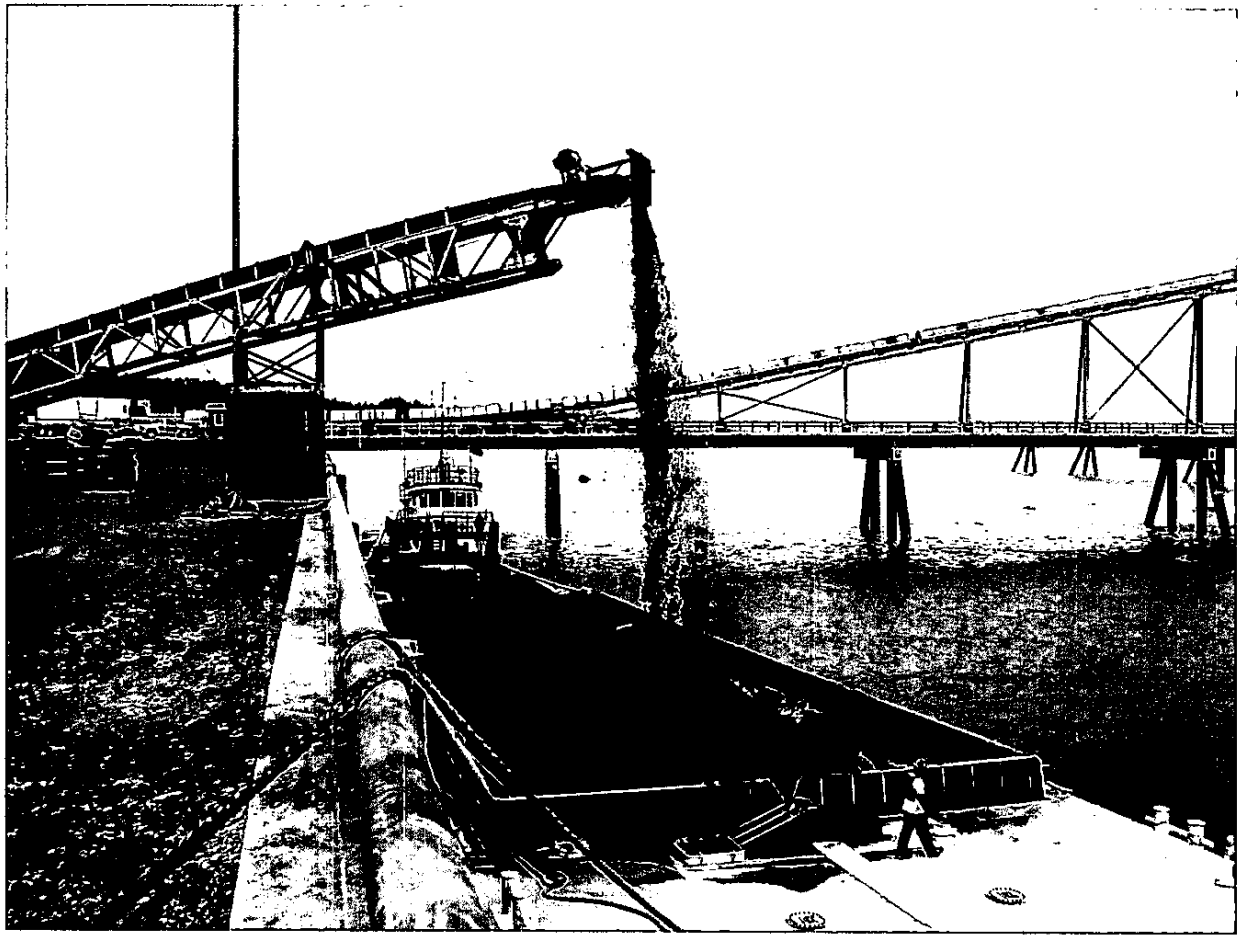
<u>Does not compete with the Port of Anchorage</u>
(60' mean low tide compared to 35' for Port of Anchorage)

No Dredging Required

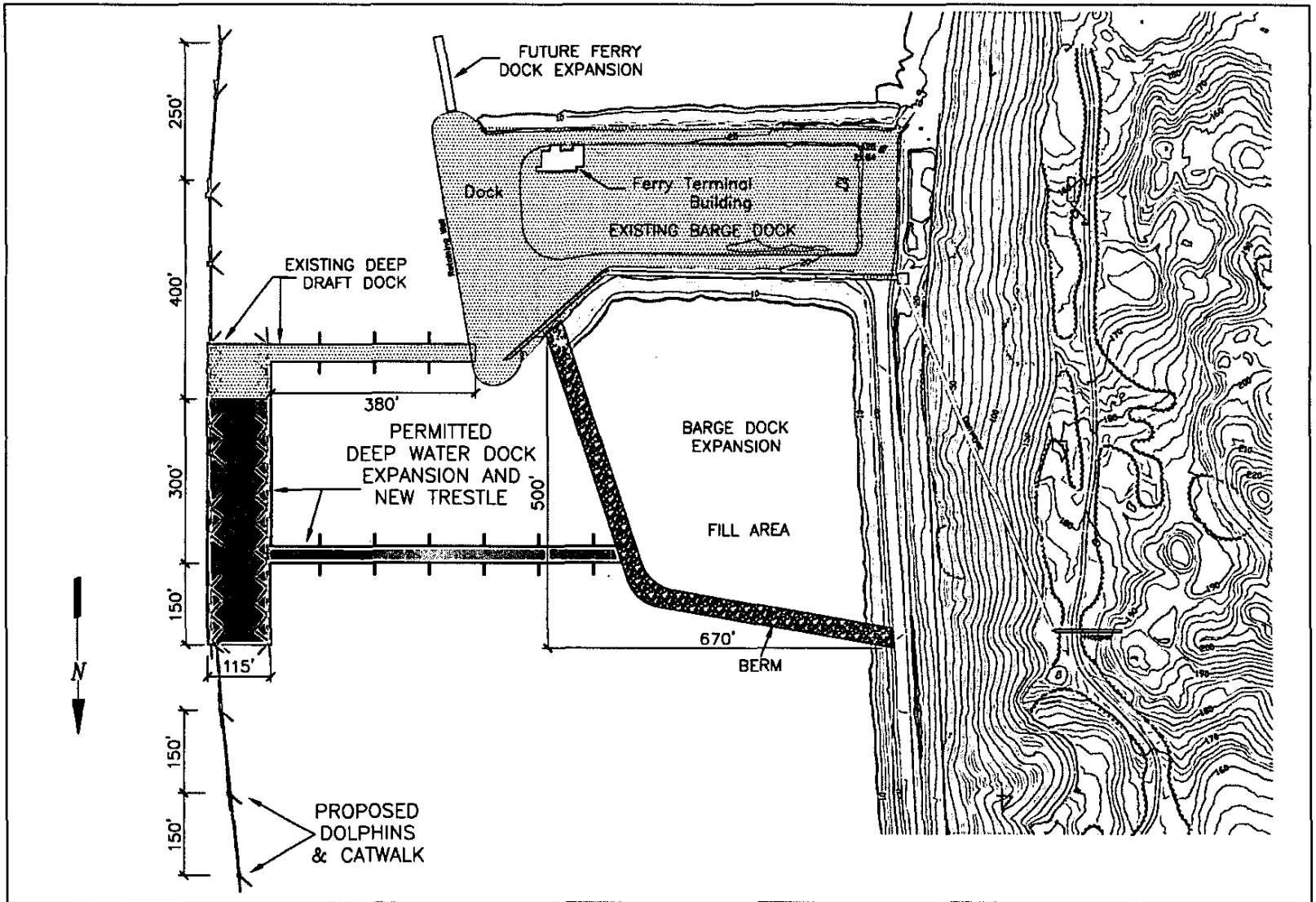
A Deep Water Port (MLLW-60) That Can Handle The World's Largest Cargo Ships today (Panamax and Cape Size Vessels)



It's also Designed and Built to Easily Handle Barges Carrying Bulk Commodities, Minerals, Coal and Aggregate



Barge Dock Expansion to be Complete Next Summer



PORT MACKENZIE PROPOSED DEEP WATER DOCK EXPANSION

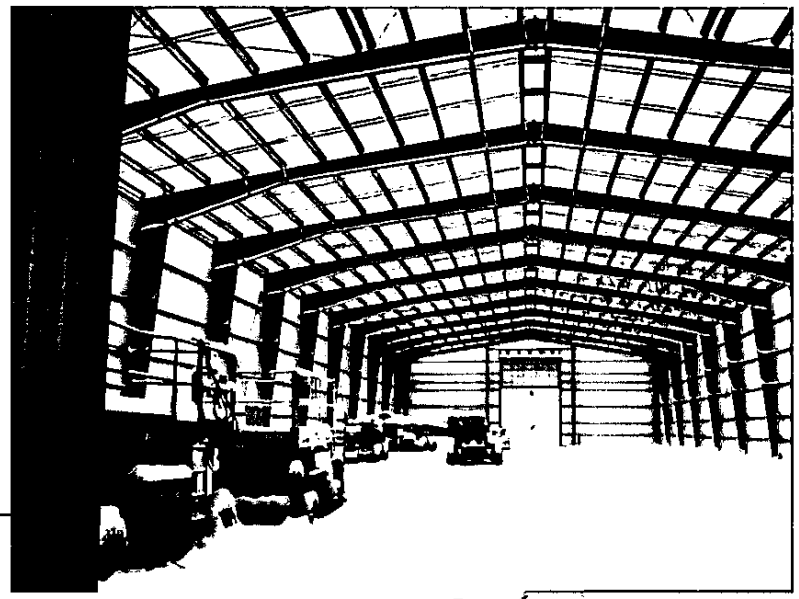
SCALE IN FEET
100 0 100 200 300

MSB INFORMATION TECHNOLOGY DEPT./GIS
NOVEMBER 2009

Rail Loop Under Construction

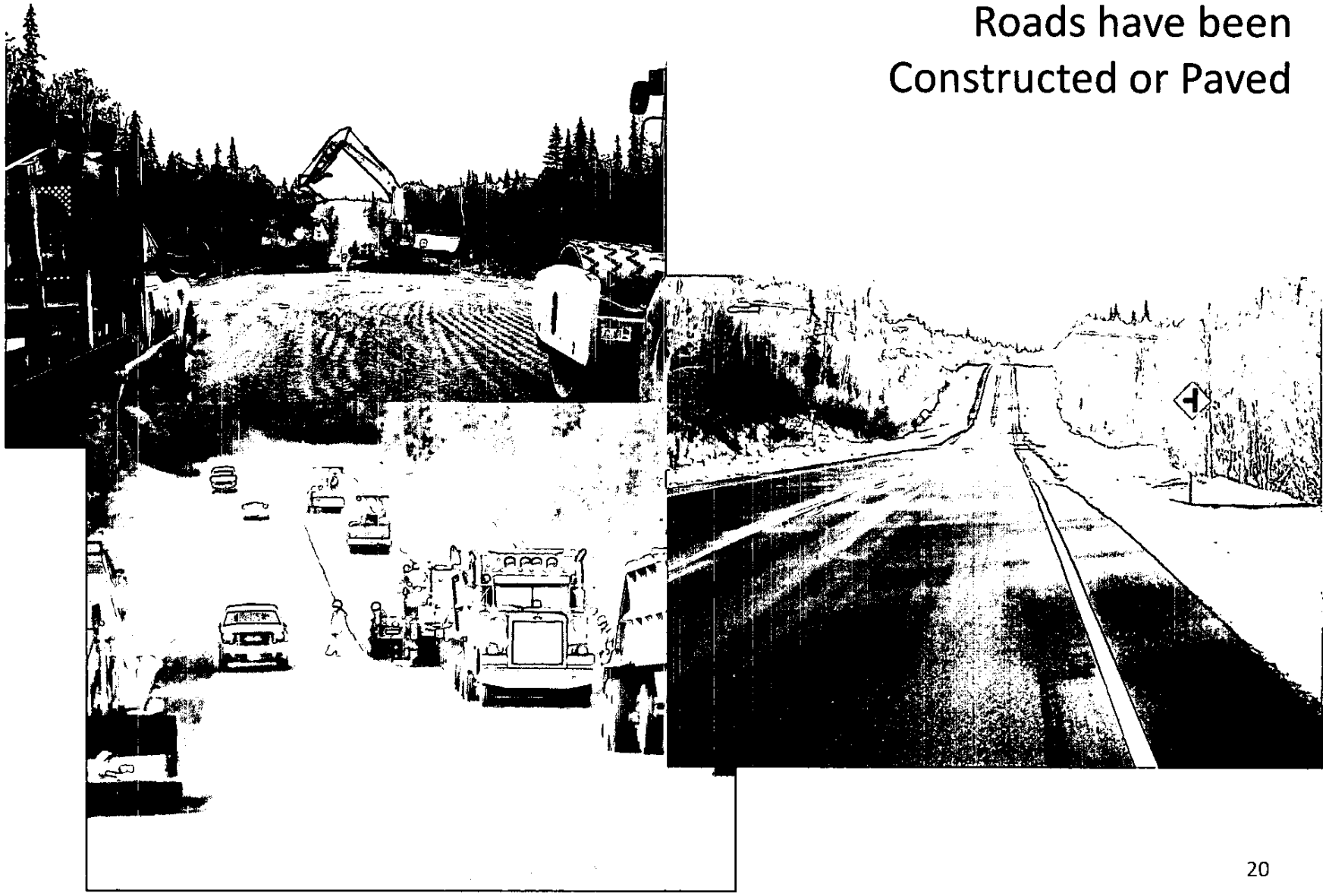
Plenty of Storage and Staging Capacity for All the pipe needed for both Gas Lines

New 24,000 sq ft Warehouse

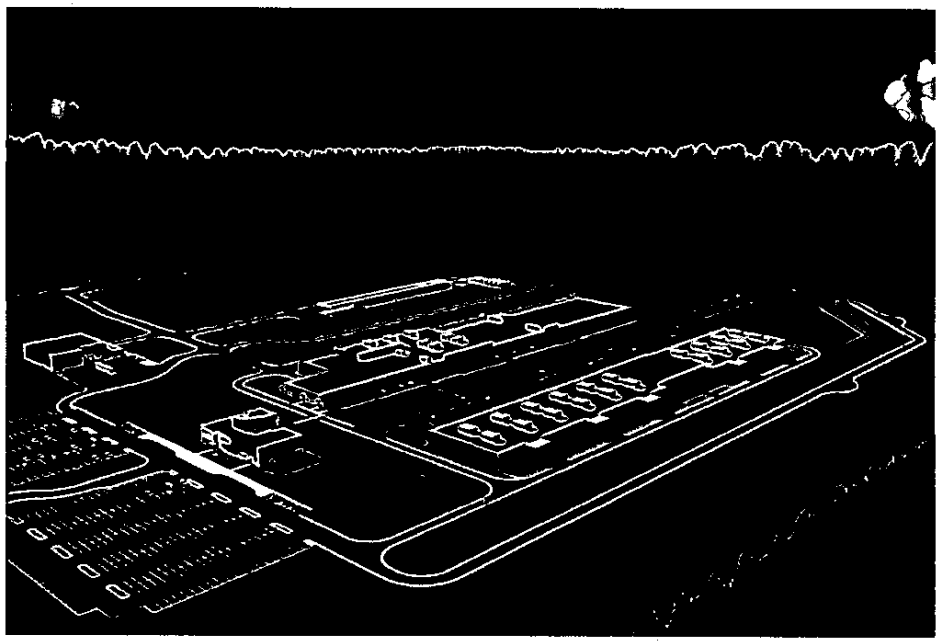


Warehouse & Storage Areas have been Constructed

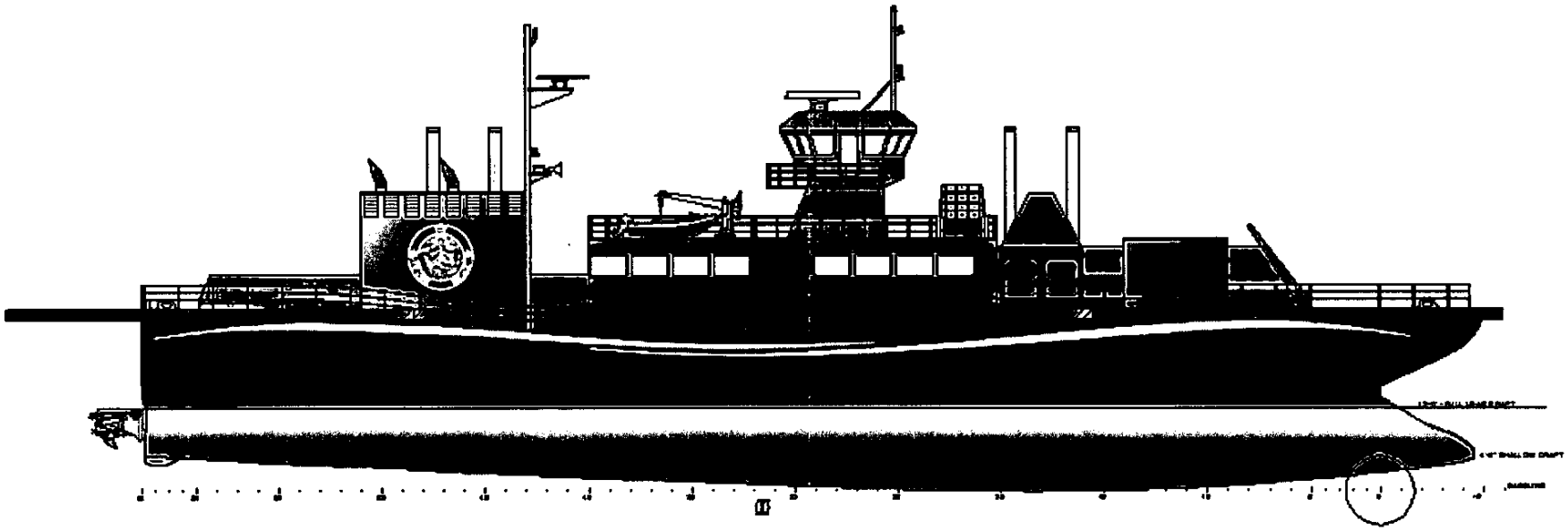
Roads have been Constructed or Paved



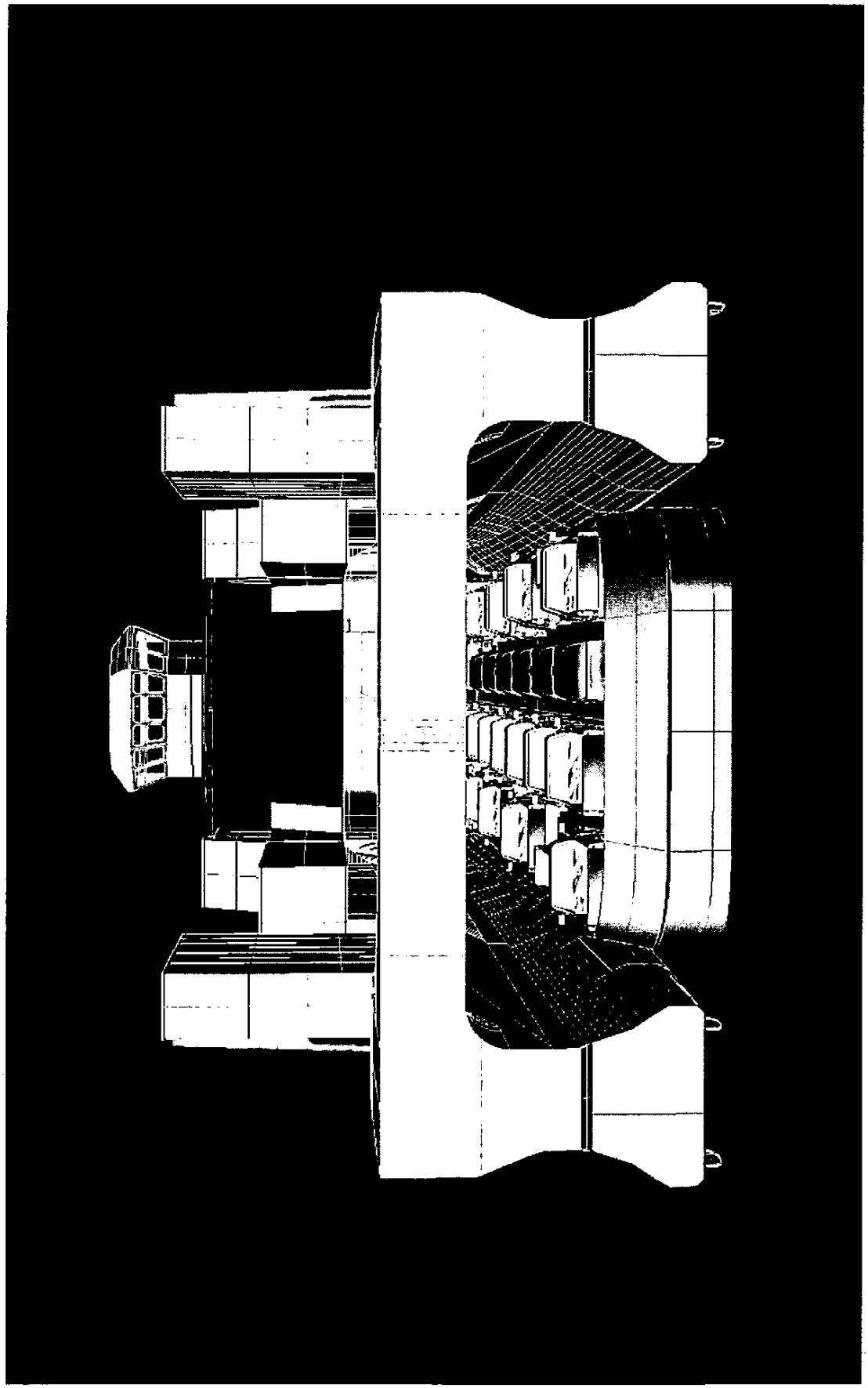
A 1,534 Bed Prison is under Construction

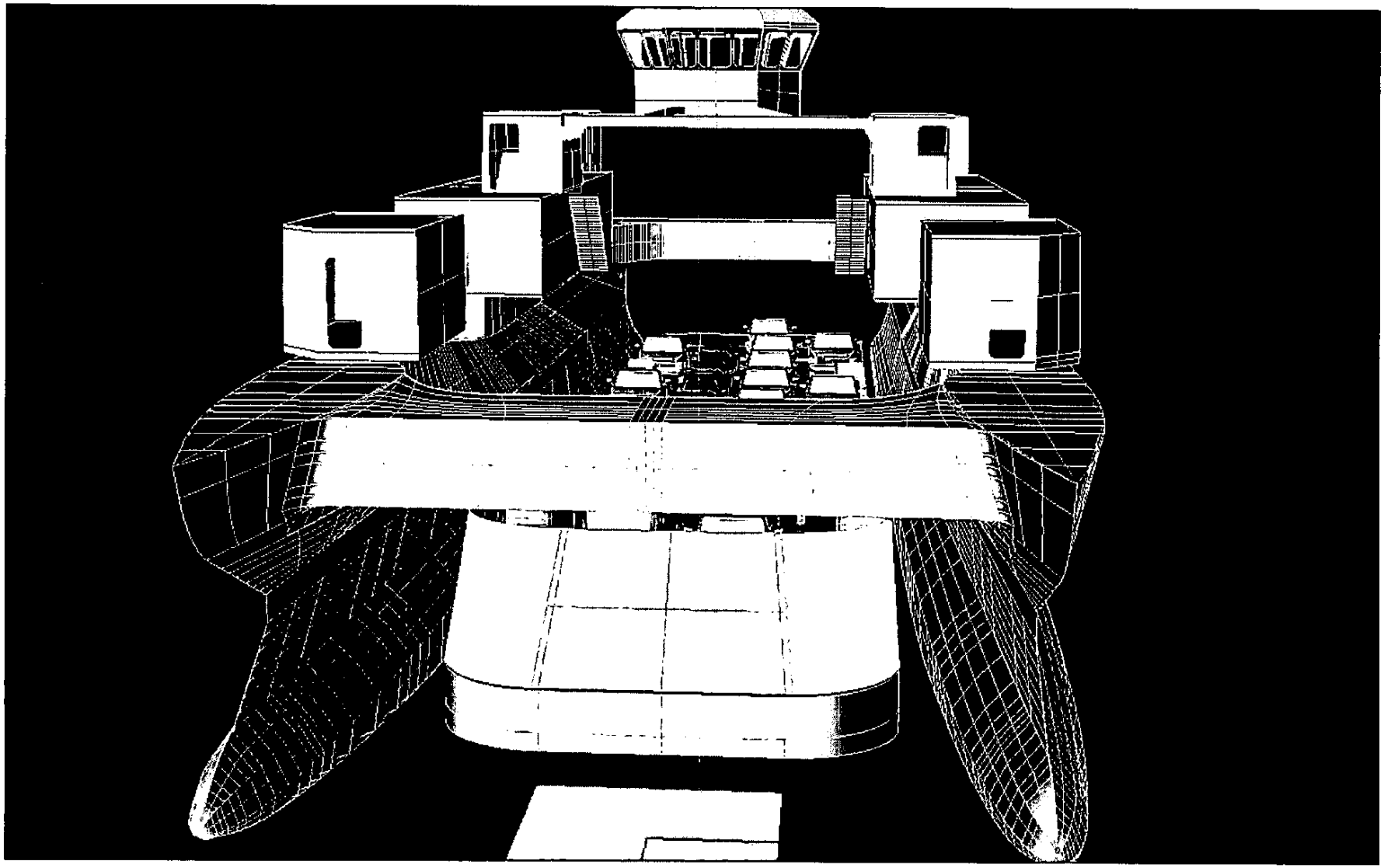


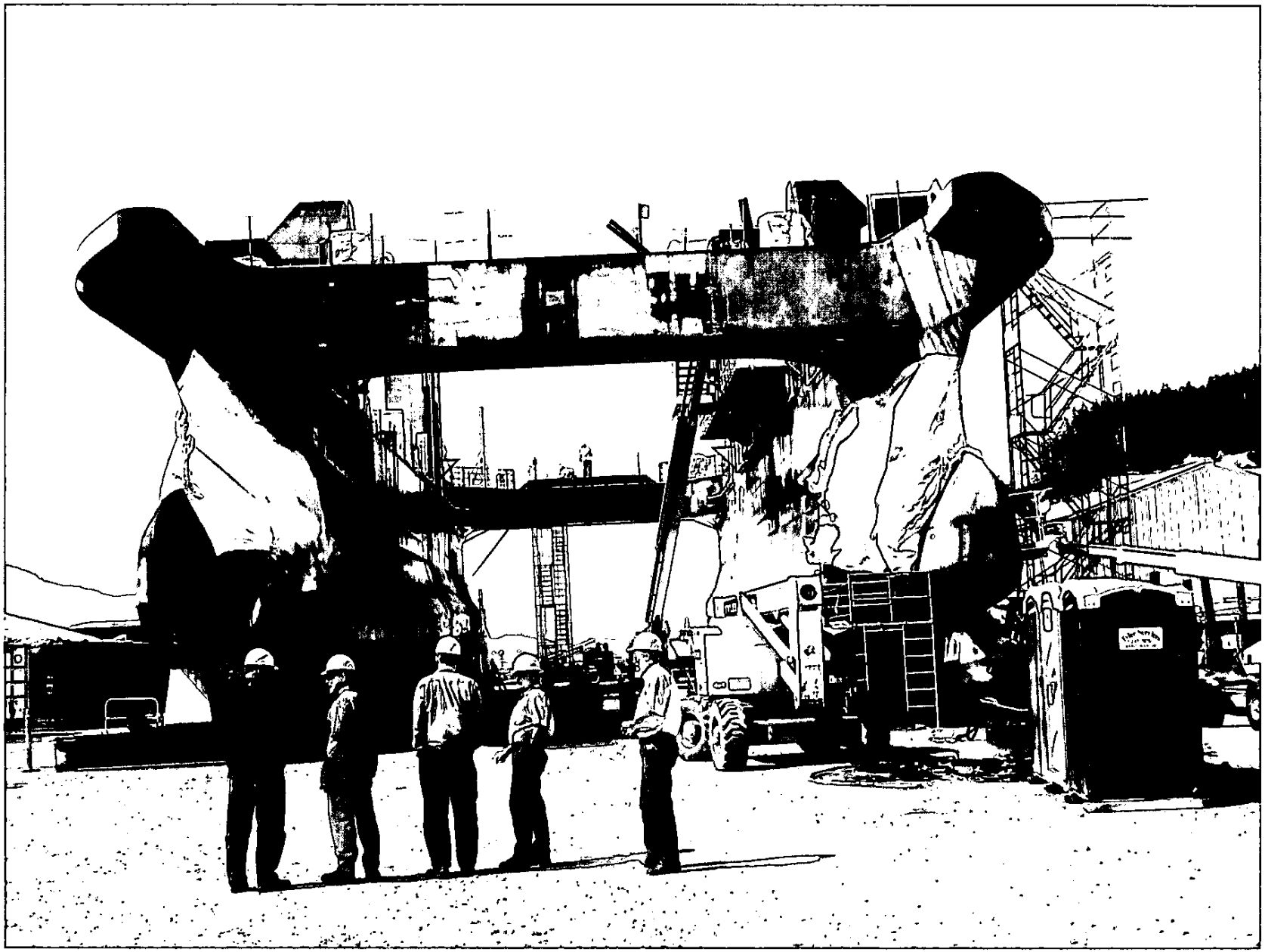
M/V SUSITNA

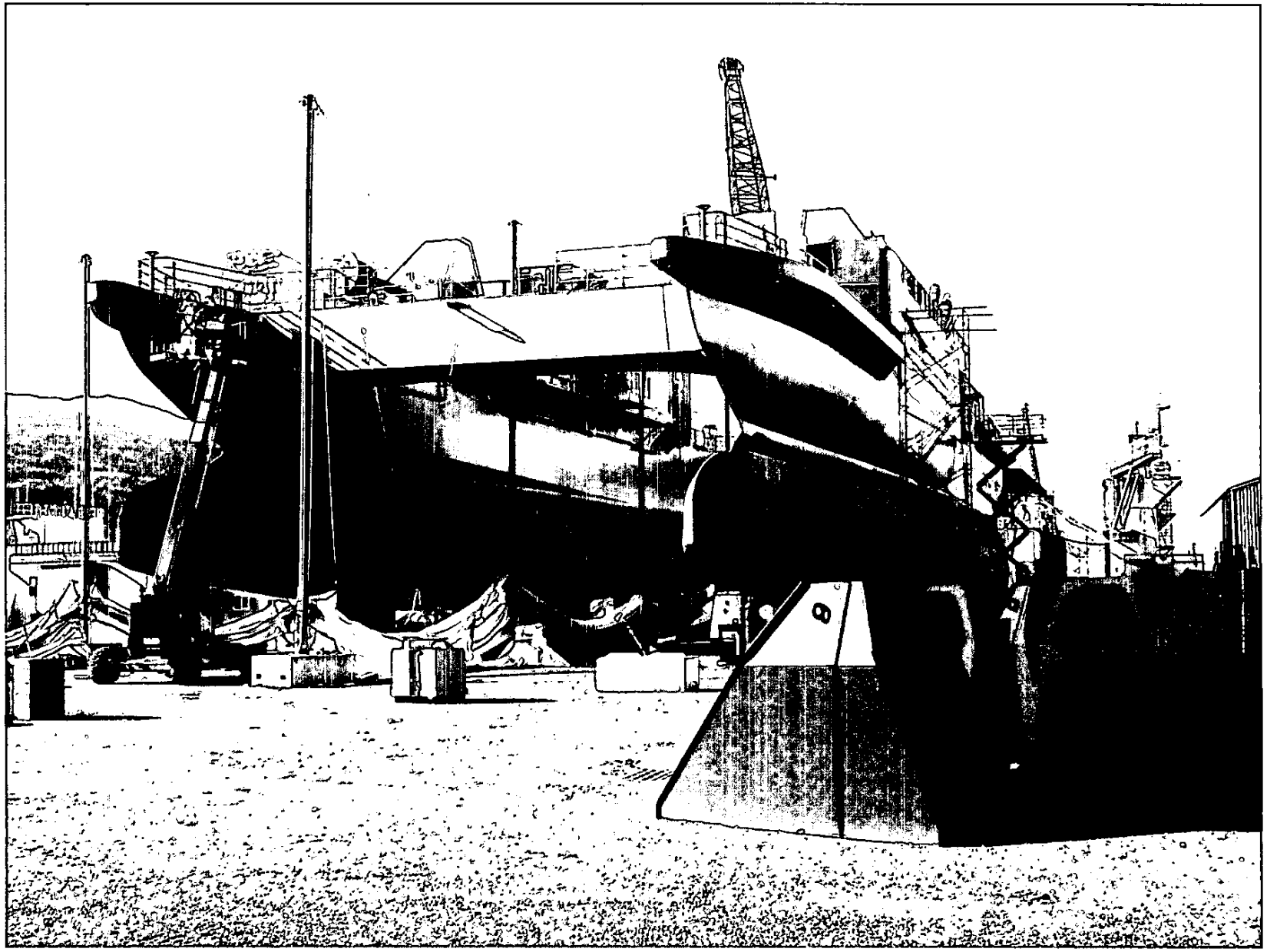


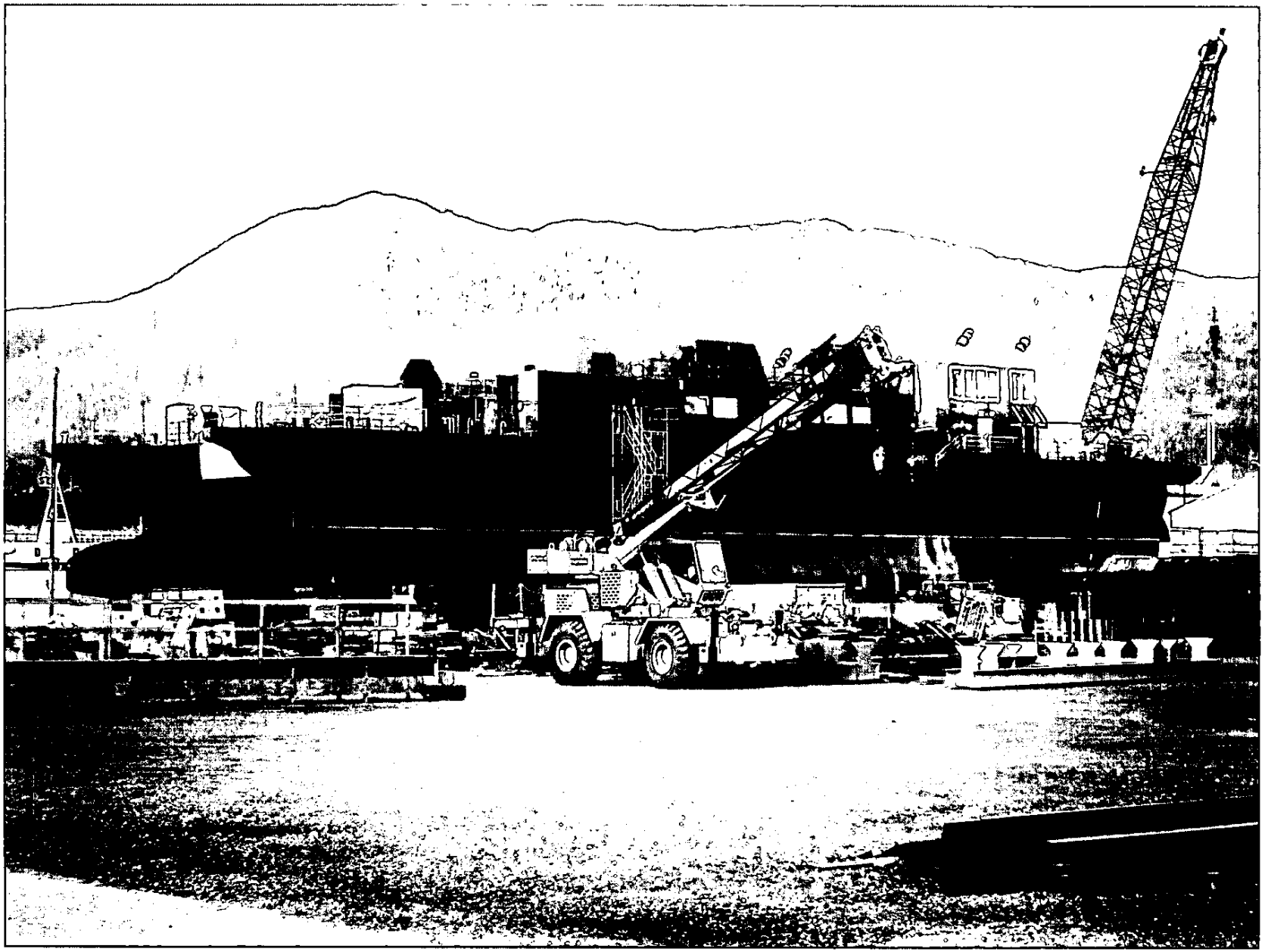
New State of the Art Ice Breaking Ferry currently under construction in **Ketchikan** scheduled to start operations in late 2011



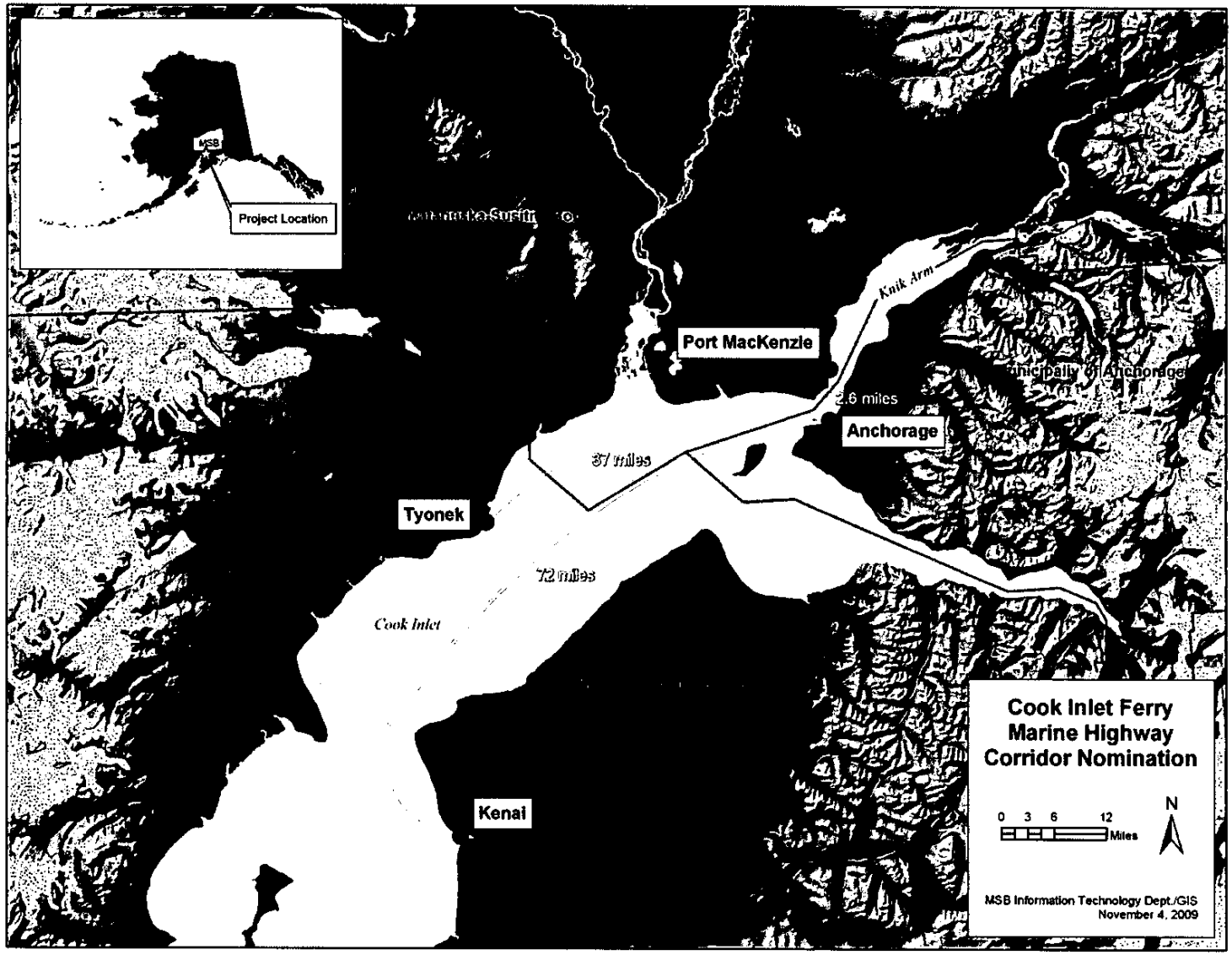




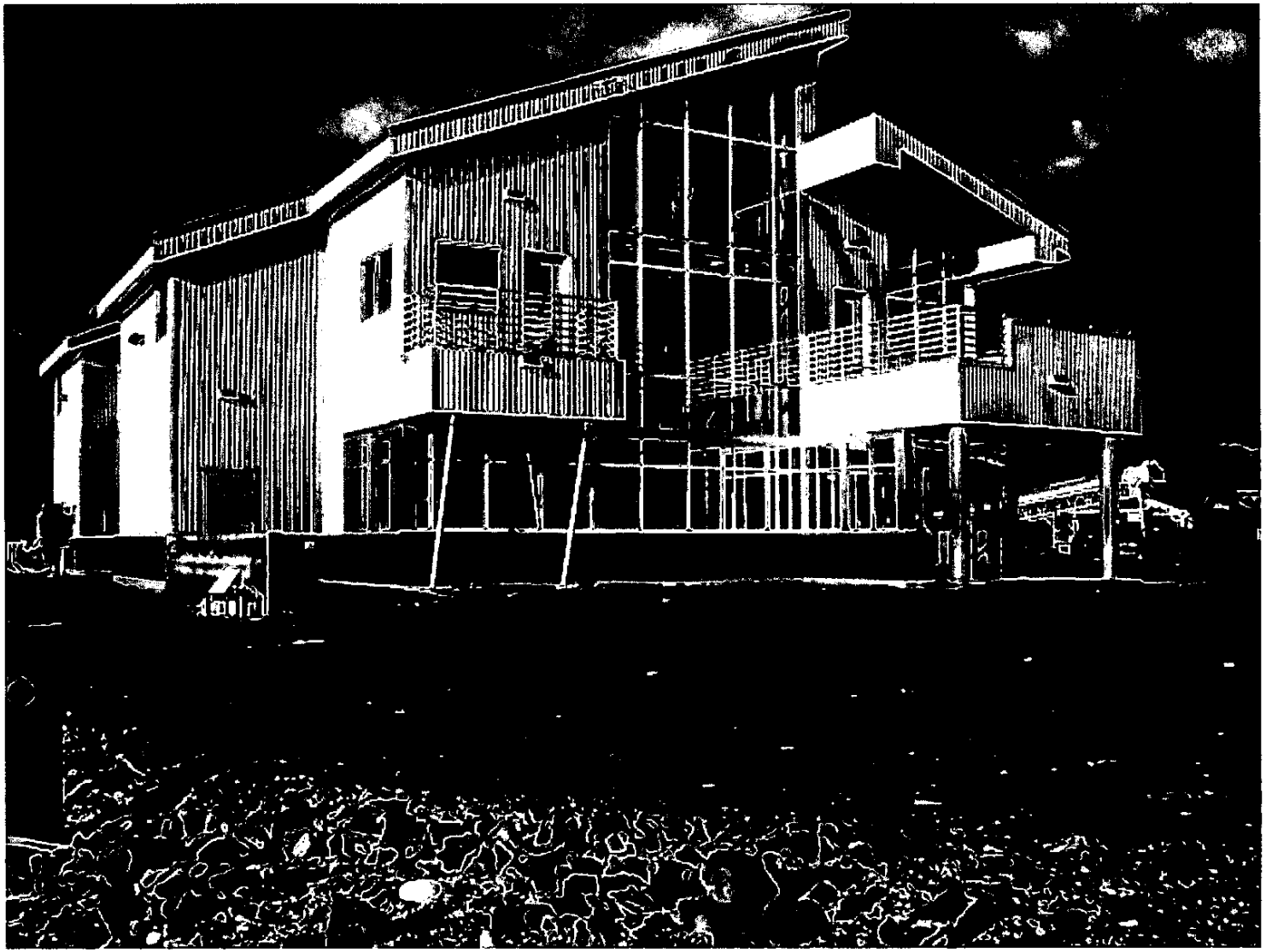




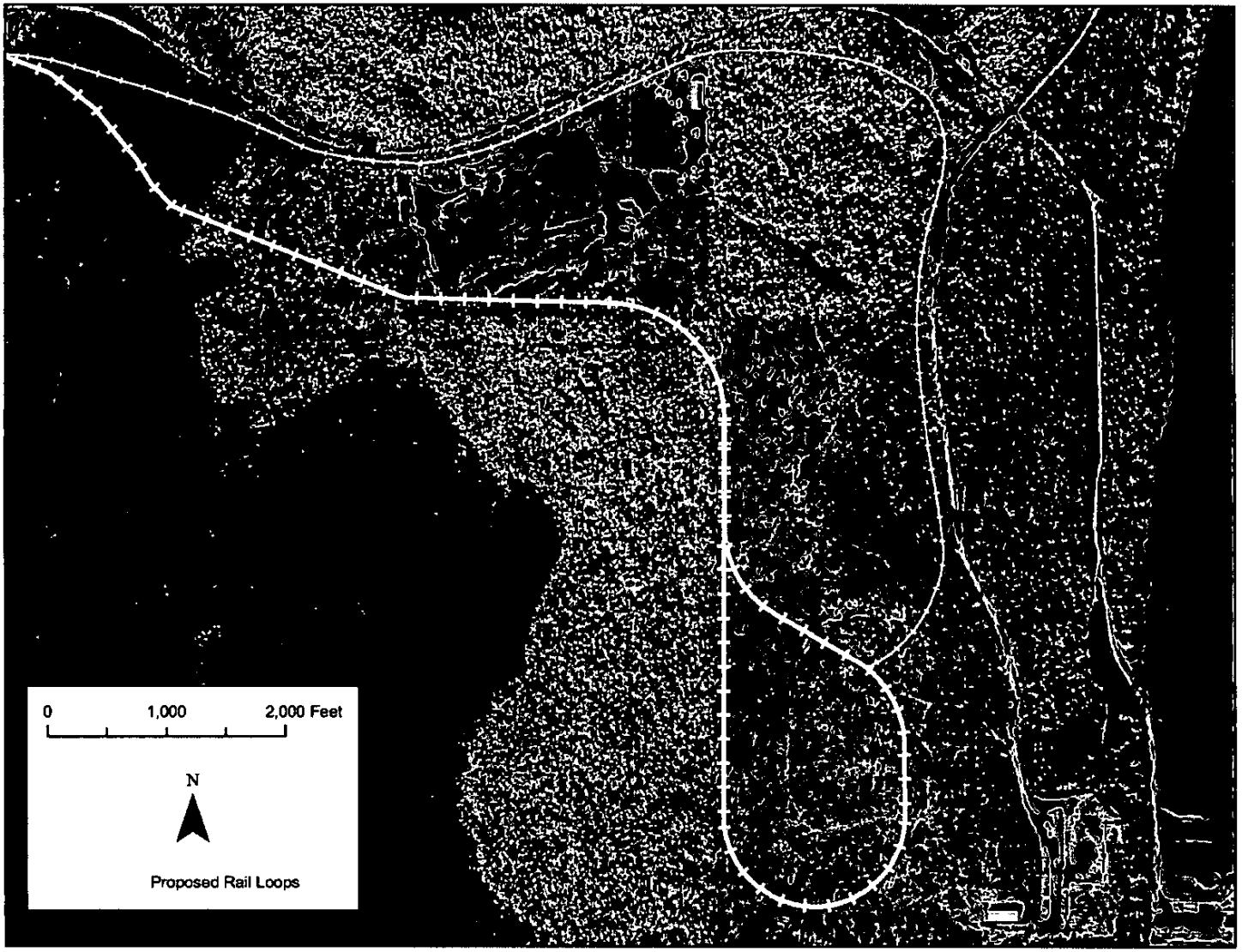
Hourly Service between Anchorage and Mat-Su Plus Service to Kenai and Tyonek



Port MacKenzie also has a Recently Constructed Ferry Terminal for **Anchorage-Port MacKenzie hourly runs**



Port MacKenzie and the Rail Extension Together are a Major Key to the Economic Development of the Region



What the Rail Extension Means to this Regional Economy

1. **Opens up the Interior to Resource Development**
2. **Facilitates the Development of a World Class Limestone Deposit in Livengood just north of Fairbanks**
3. **Facilitates the Development of a Cement Production Facility in or around Fairbanks**
4. **Opens up a development corridor along the Railbelt to exploration and extraction of strategic minerals (Lead, Zinc, Copper, Molybdenum and Silver)**

What the Rail Extension Means to this Regional Economy (cont'd)

5. **Improves the transportation of Lower Cost Fuel to Interior and Southwest Alaska**
6. **Dramatically improves the world competitiveness of Alaska Coal**
7. **Significantly reduces transportation and staging cost for the Gas Pipeline Construction <u>(Important if it goes. Essential if it doesn't.)</u>**
8. **Increases employment in the Mat-Su Borough, the Denali Borough, the Fairbanks North Star Borough and Anchorage**

Jobs Created by Rail Extension and Port MacKenzie Expansion*

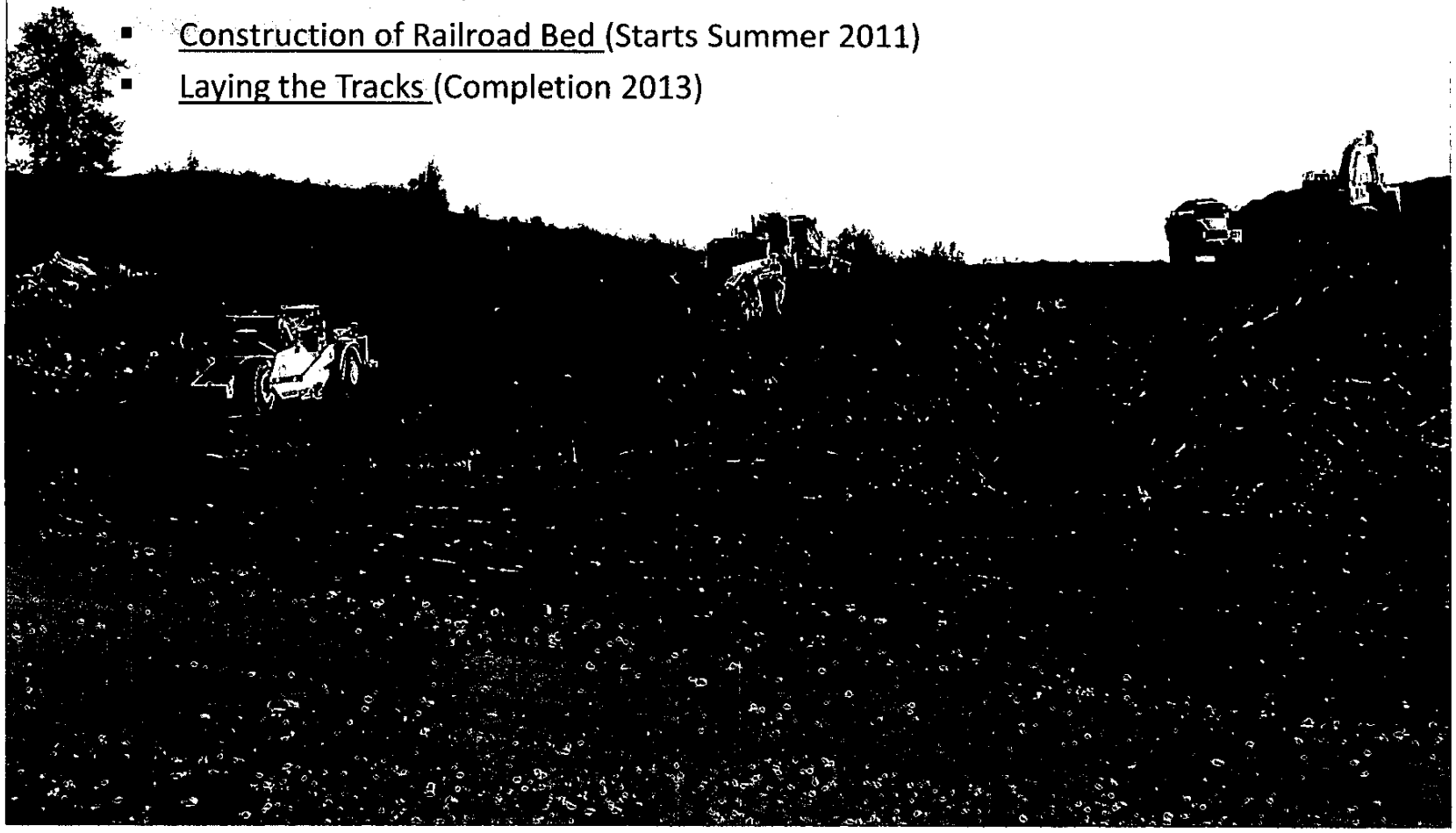
Project Segment	**JOBS**
Rail Extension Construction Related Jobs (2010-2013)	3000
Port MacKenzie Constructon Related Jobs (2010-2013)	500

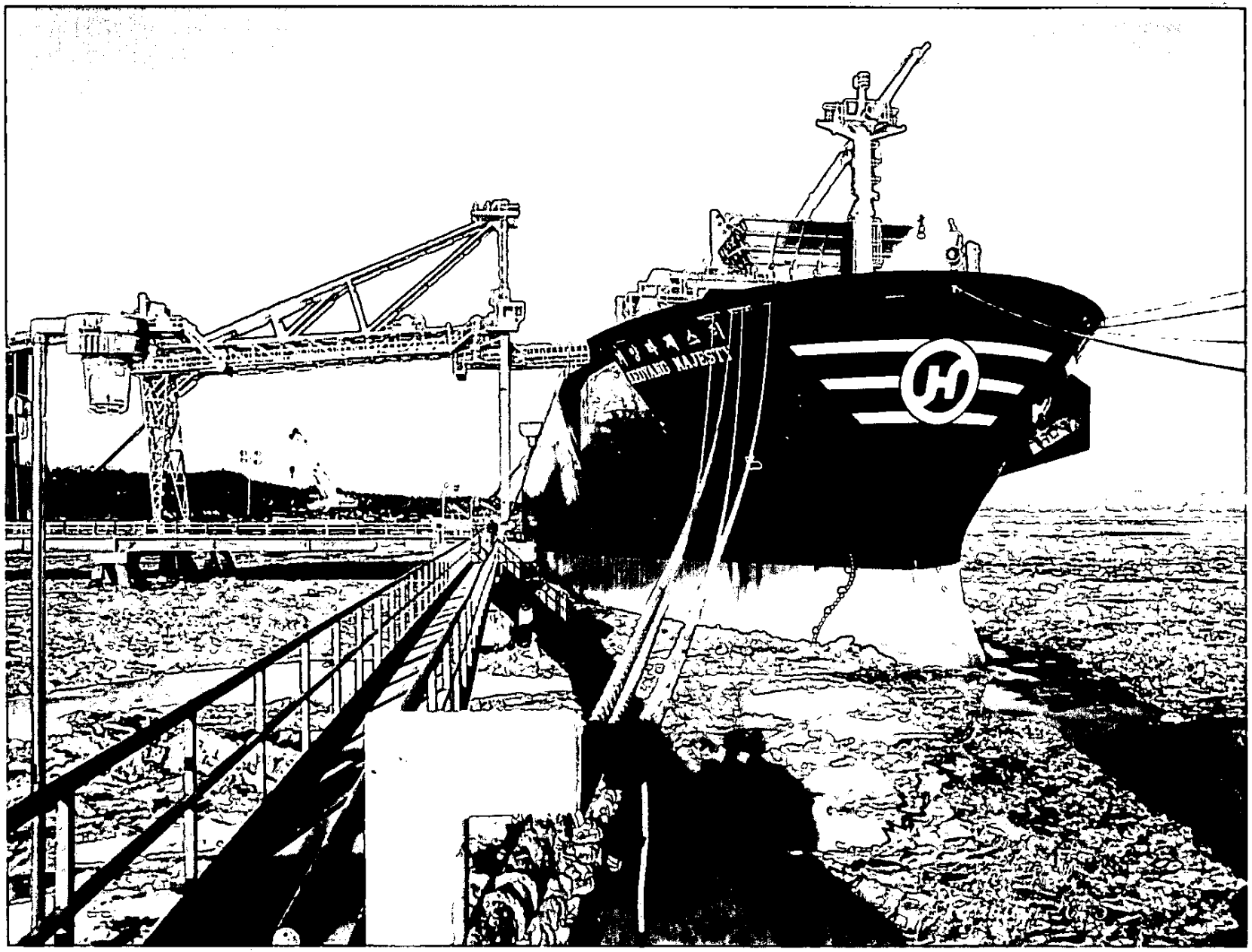
Private Development	**JOBS**
Mining Development Jobs along Rail Line	4000
Industrial Development of Port MacKenzie	3500

*Estimates by HDR and ISER

What's Next for the Rail Extension?

- Completion of the Environmental Impact Study (Spring 2010) $10 Million
- Construction of the Road/Rail Bimodal Loop (Under Construction) $17 Million
- Permitting, Design and Begin Construction of EIS Selected Alternative (Can Start Summer 2010) $57 Million
- Construction of Railroad Bed (Starts Summer 2011)
- Laying the Tracks (Completion 2013)

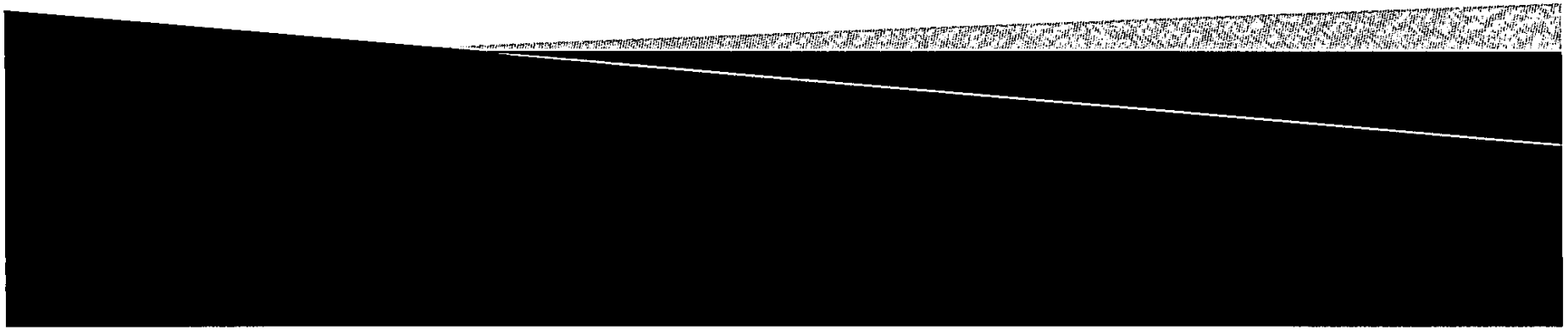


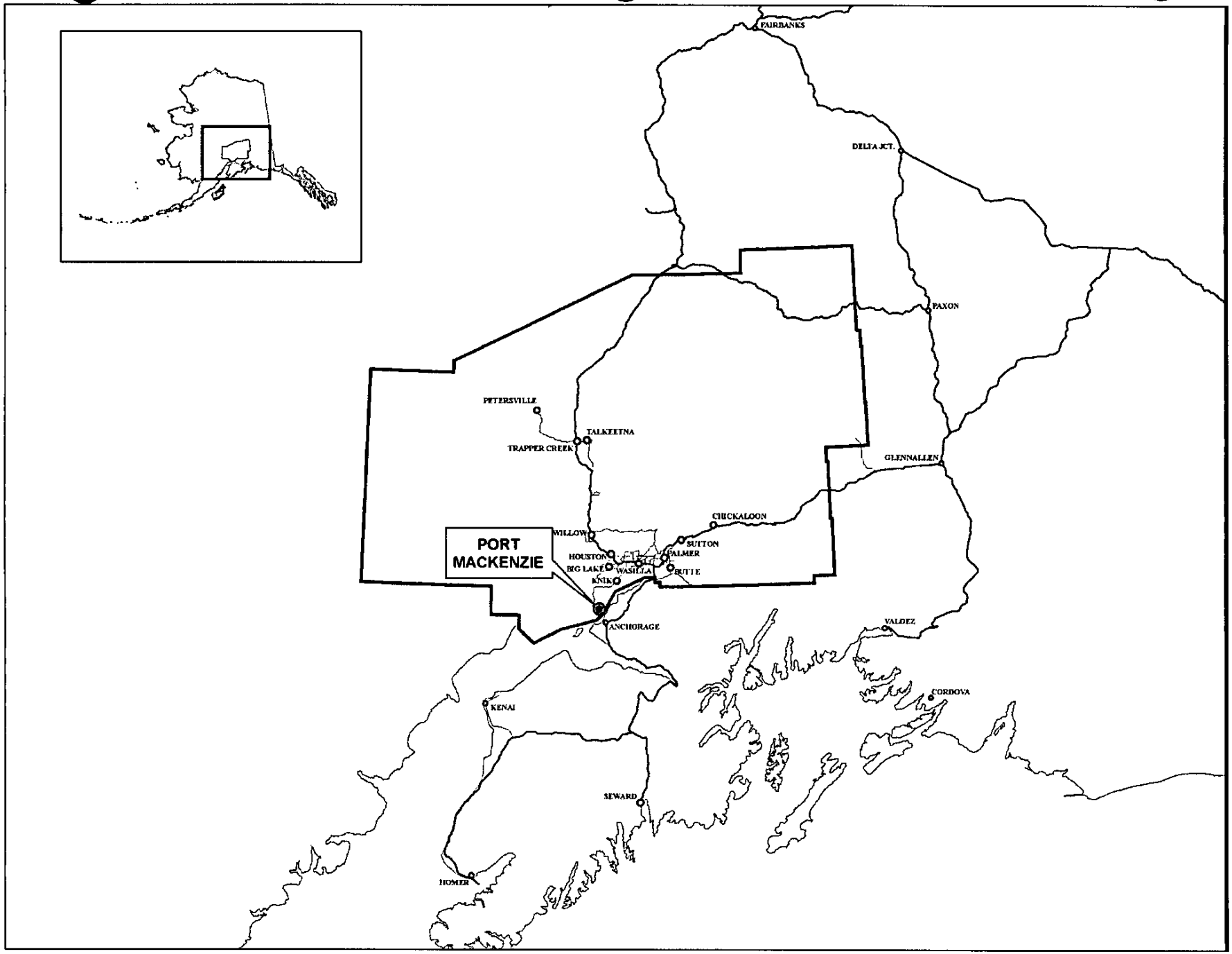

MAJESTY

400

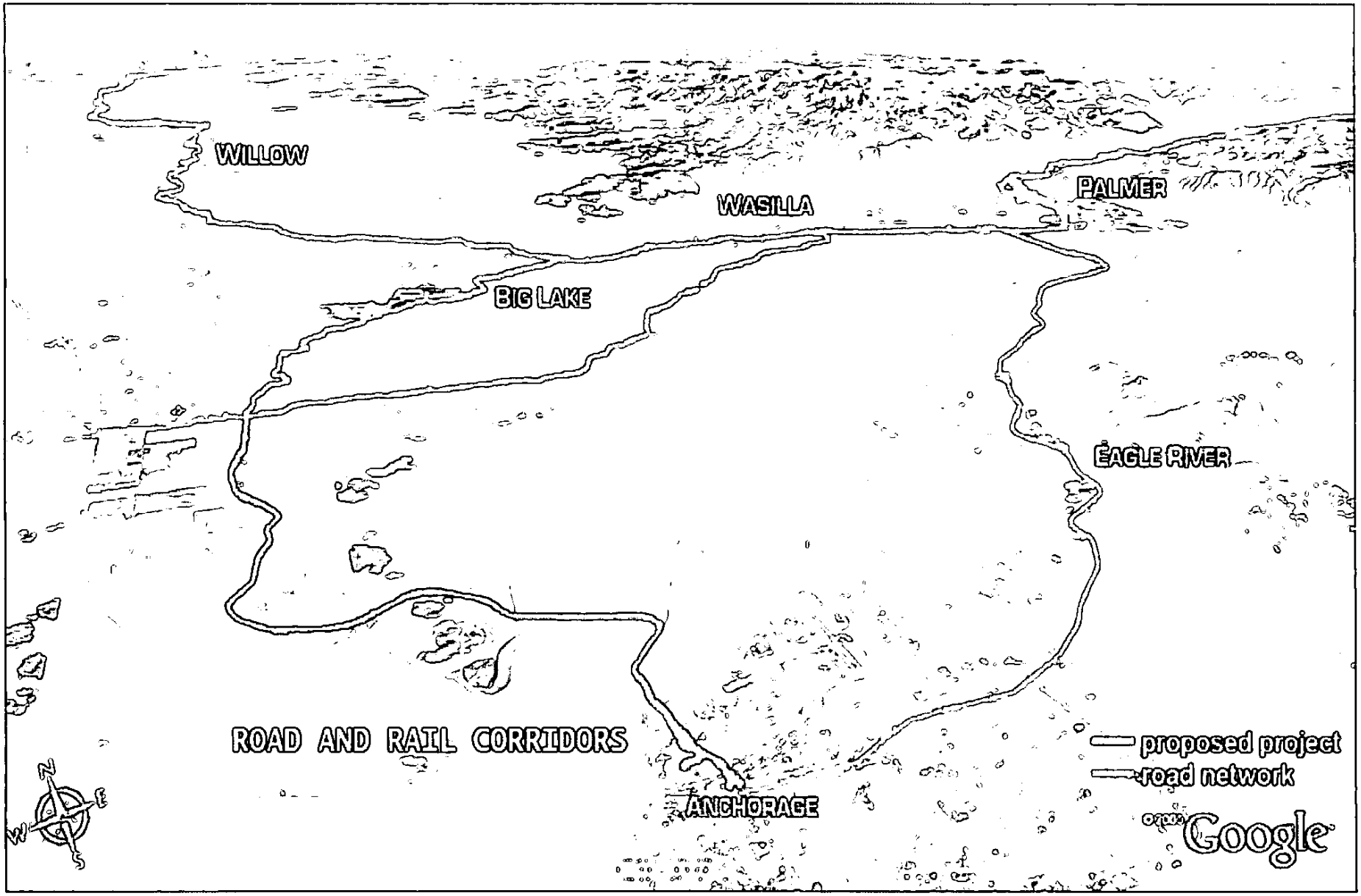
Southcentral Rail Exension Project

February, 2010

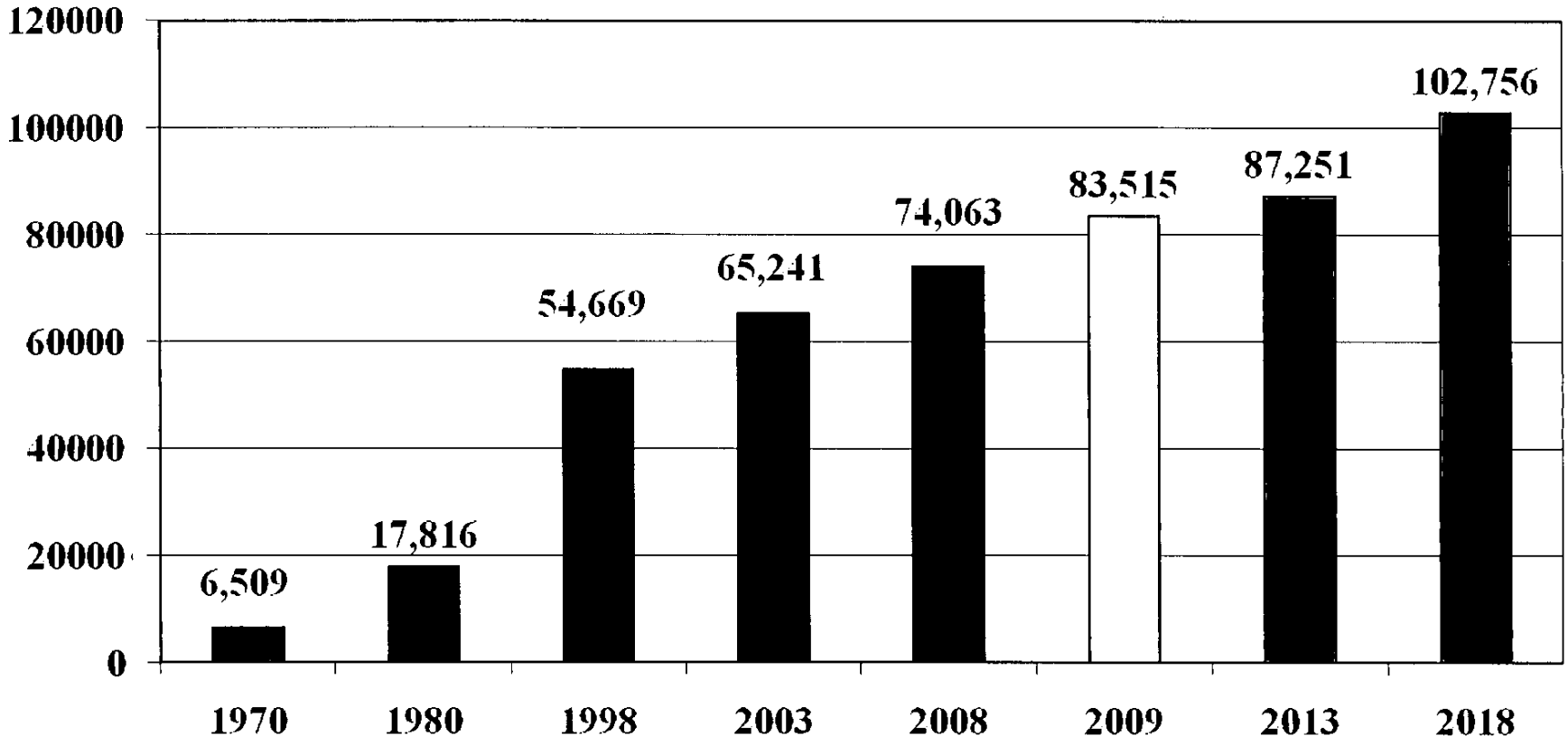



FAIRBANKS
DELTA JCT.
PAXON
PETERSVILLE
TALKEETNA
TRAPPER CREEK
GLENNALLEN
CHICKALOON
WILLOW
SUTTON
PALMER
HOUSTON
BIG LAKE
WASILLA
BUTTE
KNIK
PORT MACKENZIE
ANCHORAGE
VALDEZ
CORDOVA
KENAI
SEWARD
HOMER

Location Map



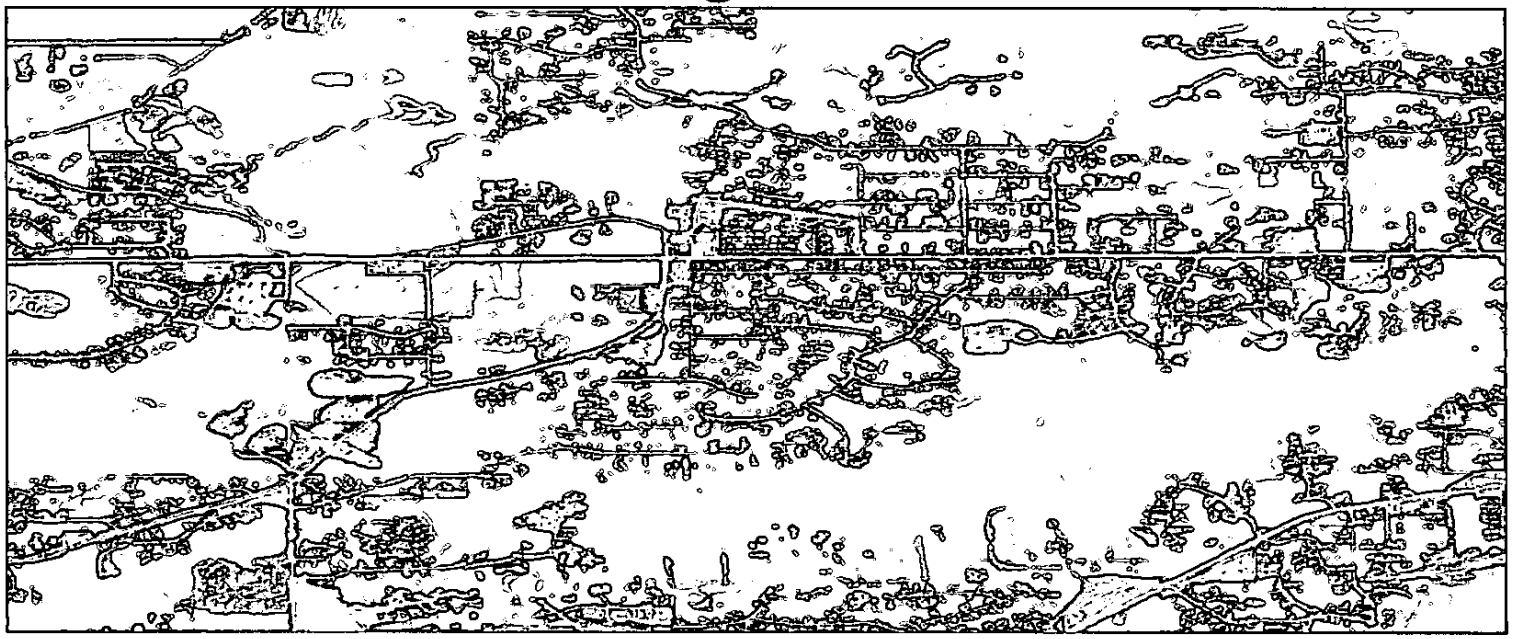
Trends-Population Forecasts



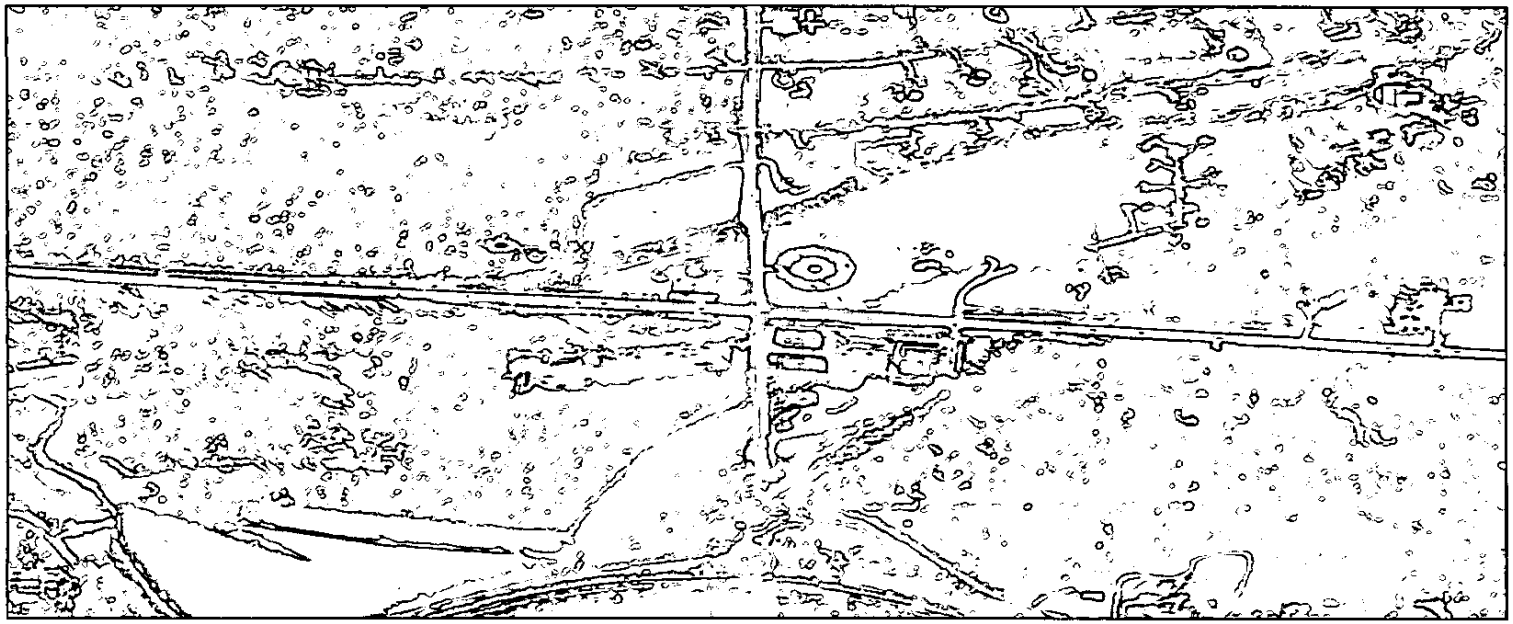
Note: 2009 is the actual population estimate.

1985 - Bogard

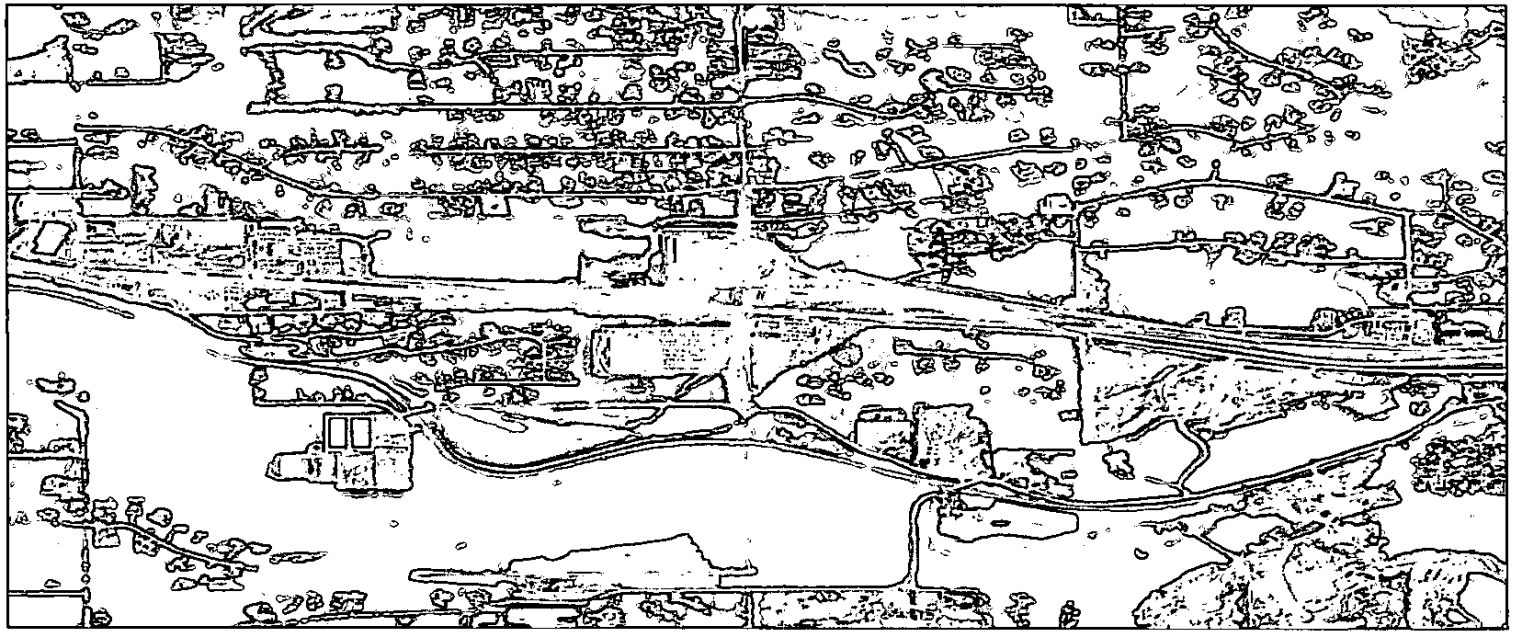
2004 - Bogard & Seldon



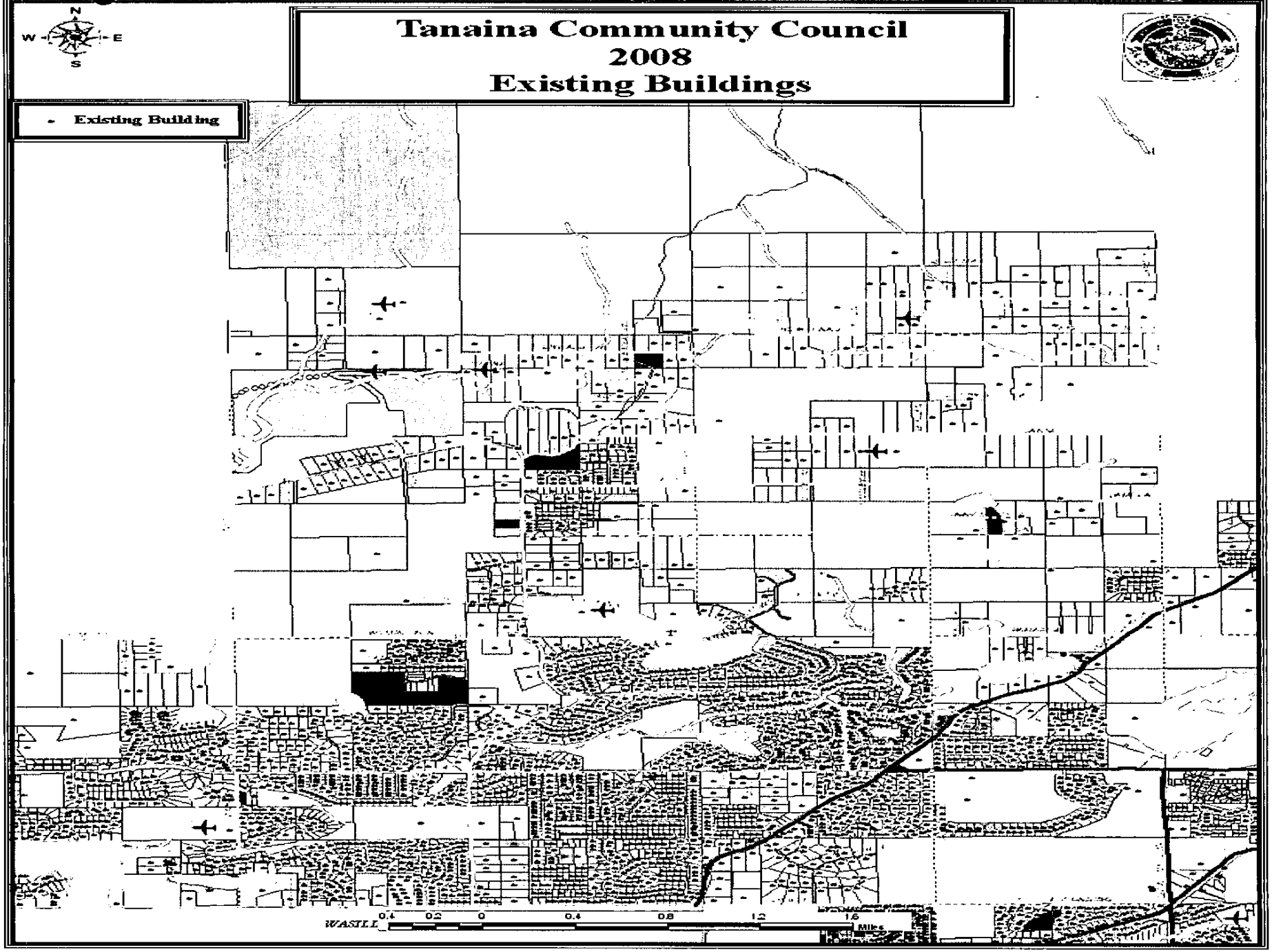
1965 - Parks & Seward Meridian

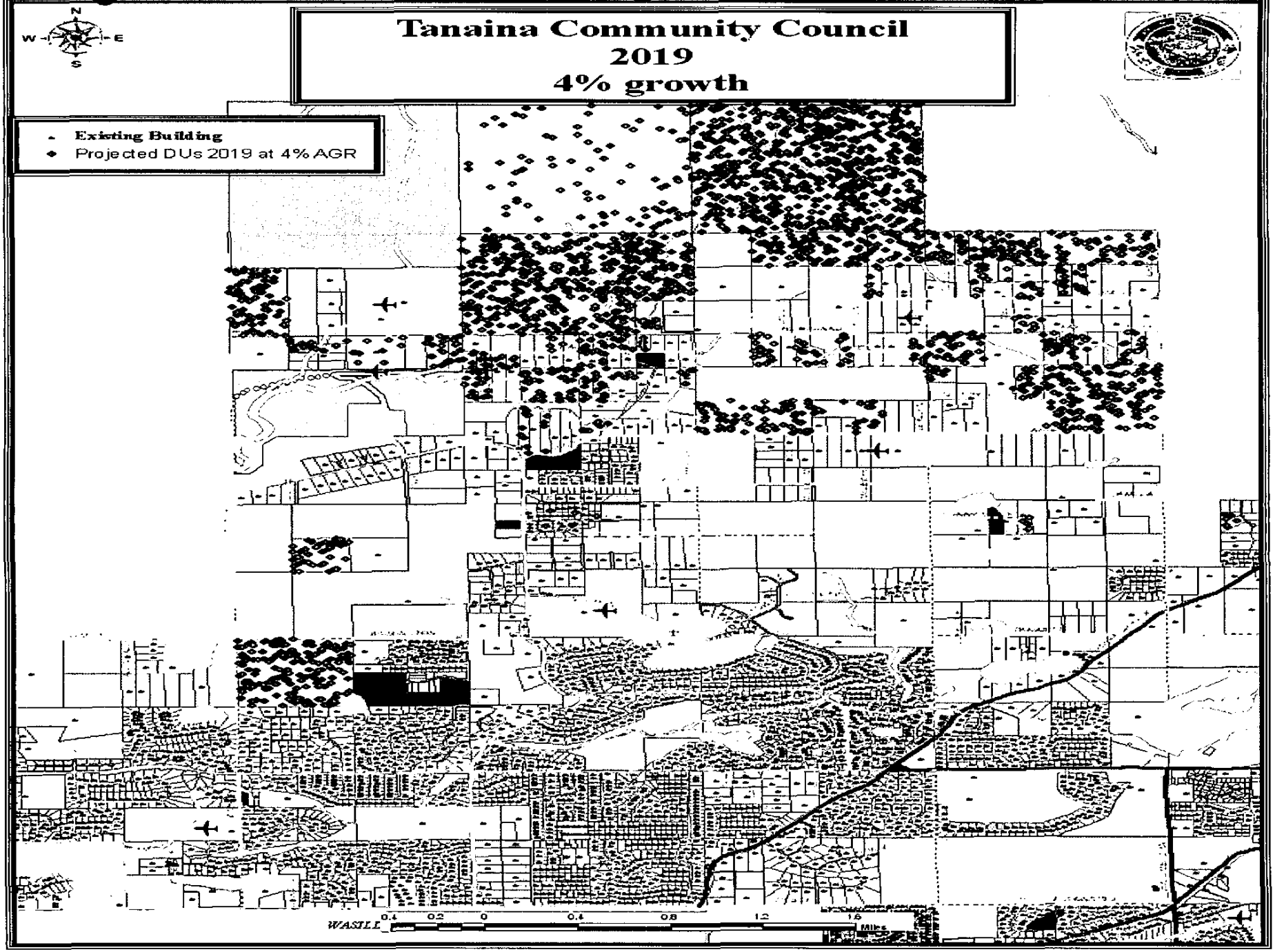


2004 - Parks & Seward Meridian



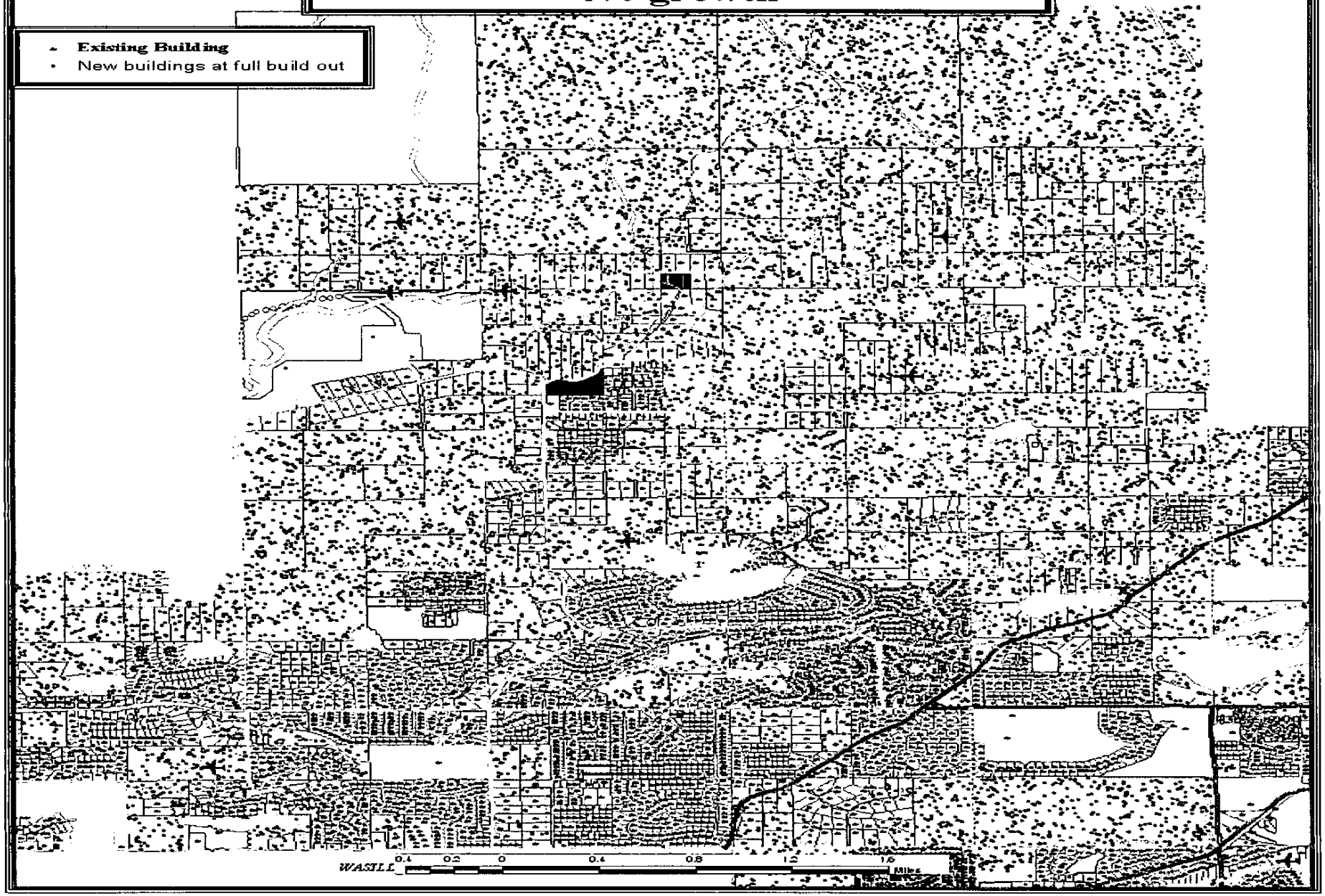
Tanaina Community Council
2008
Existing Buildings




Tanaina Community Council
2019
4% growth
Existing Building
Projected DUs 2019 at 4% AGR
N
W
E
S
0.4
0.2
0
0.4
0.8
1.2
1.6
Miles

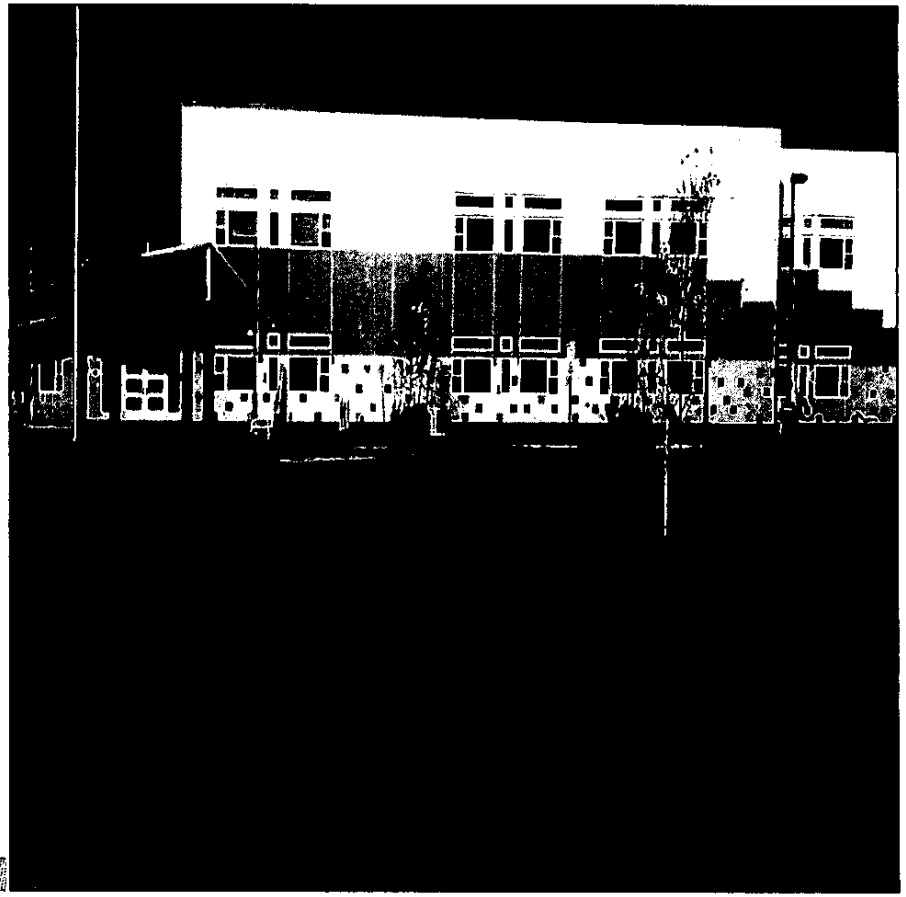
Tanaina Community Council
Full Build-out
4% growth

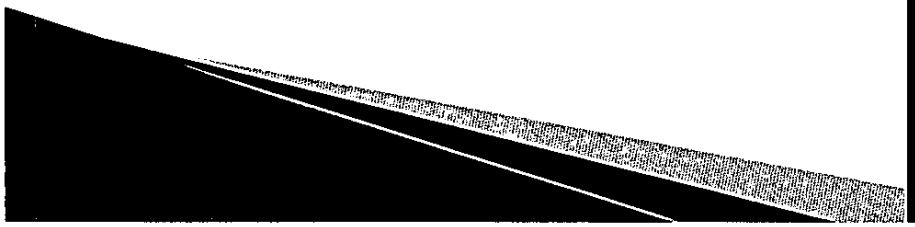
- Existing Building
- New buildings at full build out



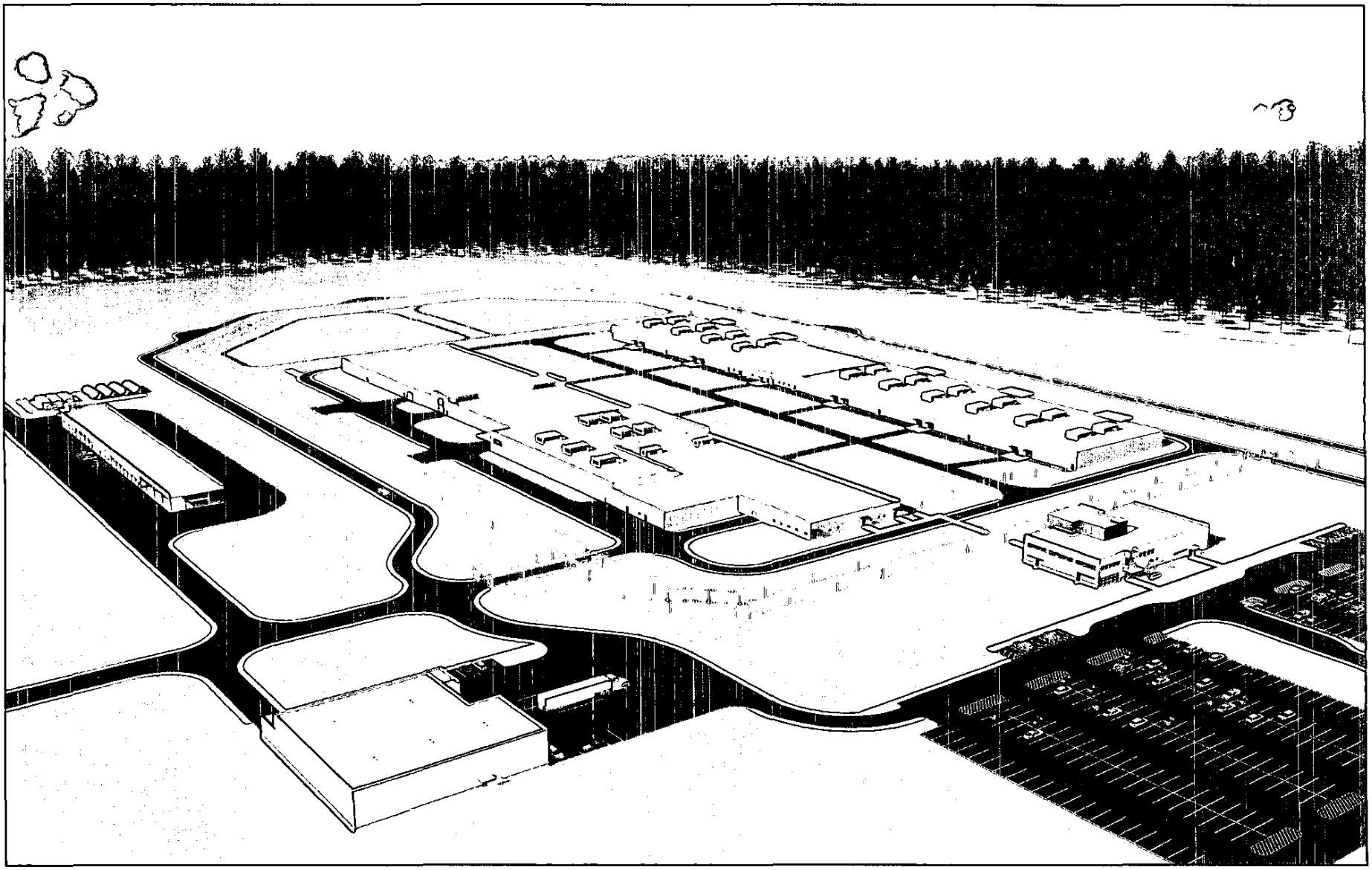
Su Valley HS

Machetanz Elementary School

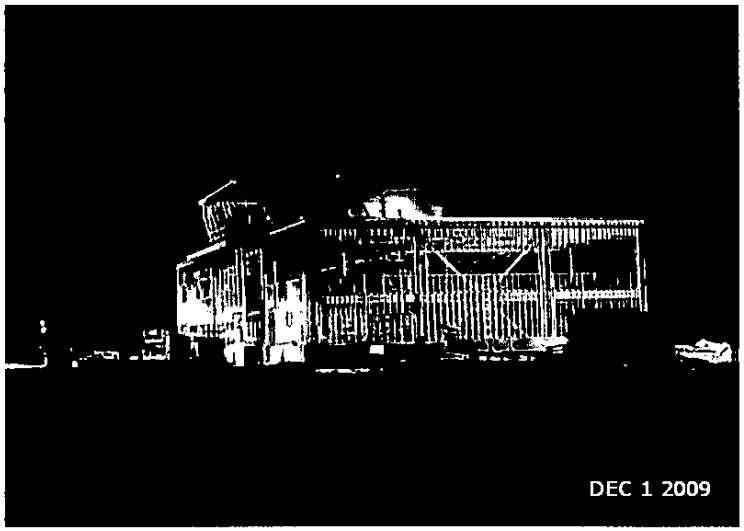


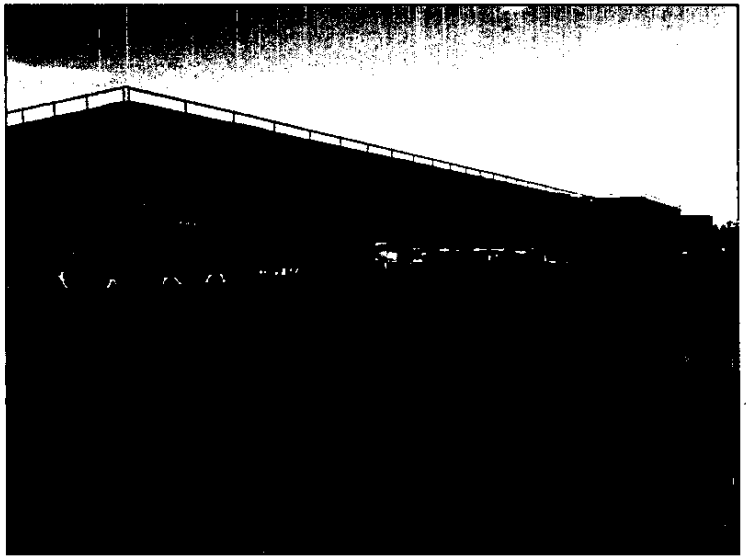


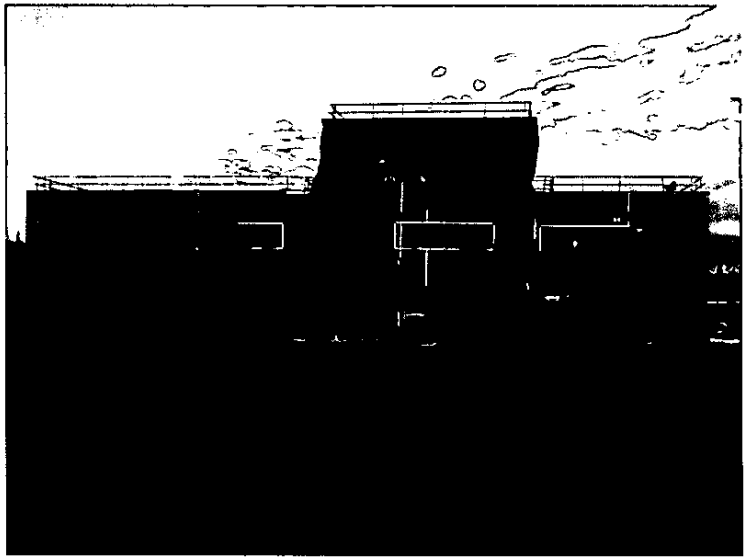
Goose Creek Corrections Facility



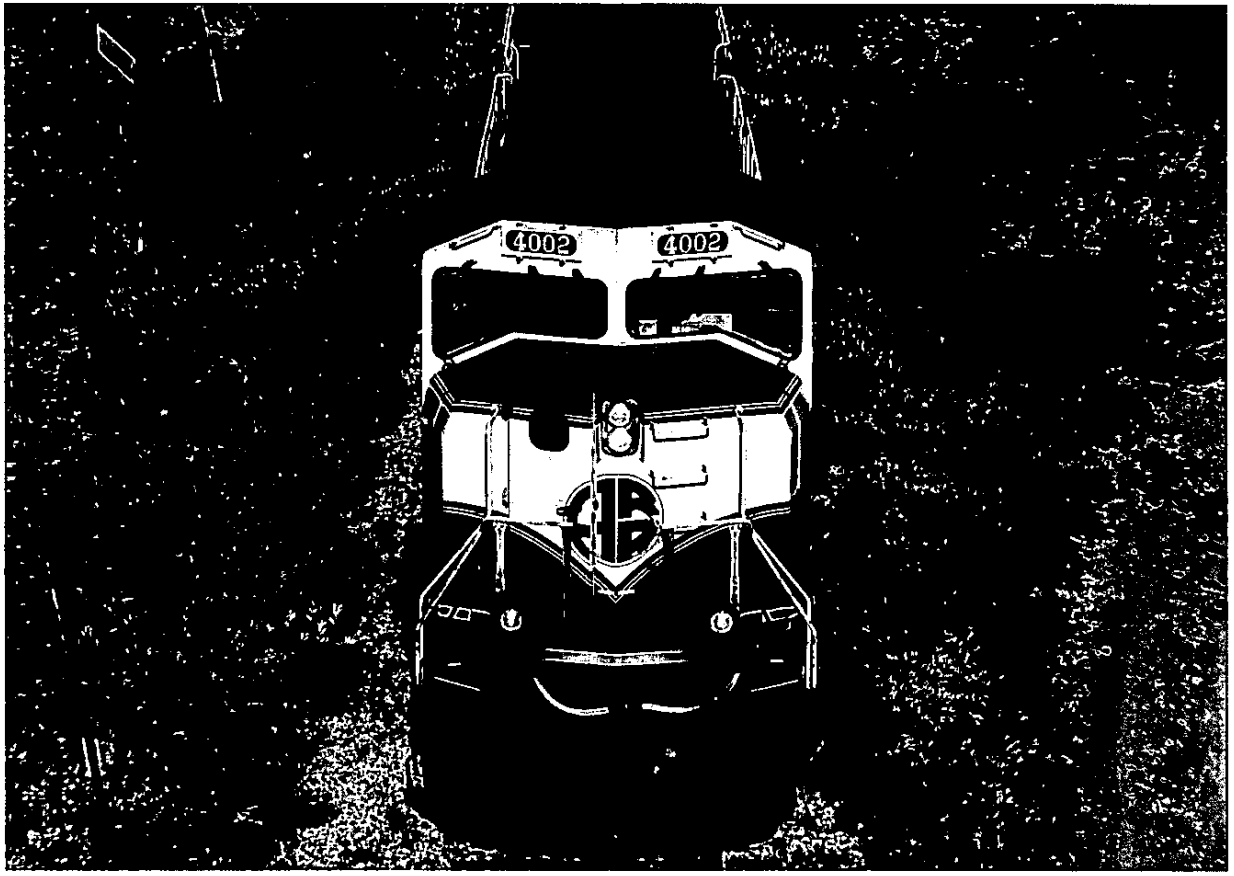
Goose Creek Corrections Facility



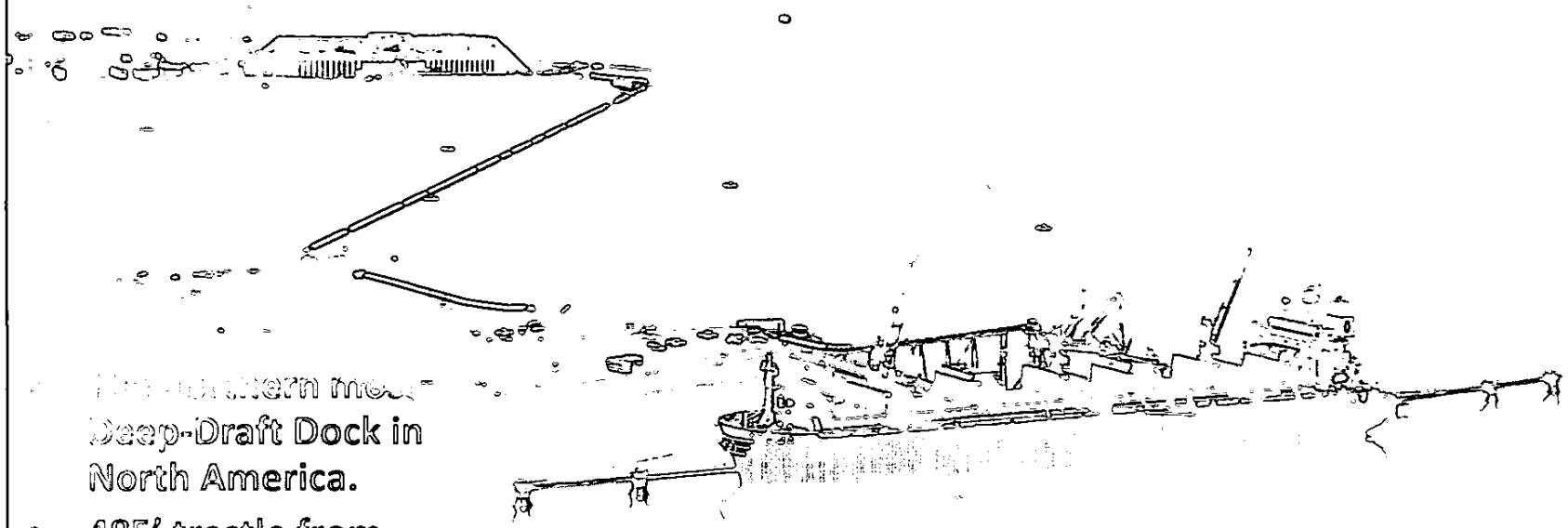




South Central Rail Extension



DEEP-DRAFT DOCK (-60' MLLW)



- Northernmost Deep-Draft Dock in North America.
- 485' trestle from existing barge dock leading to a dock face of 1,200'.

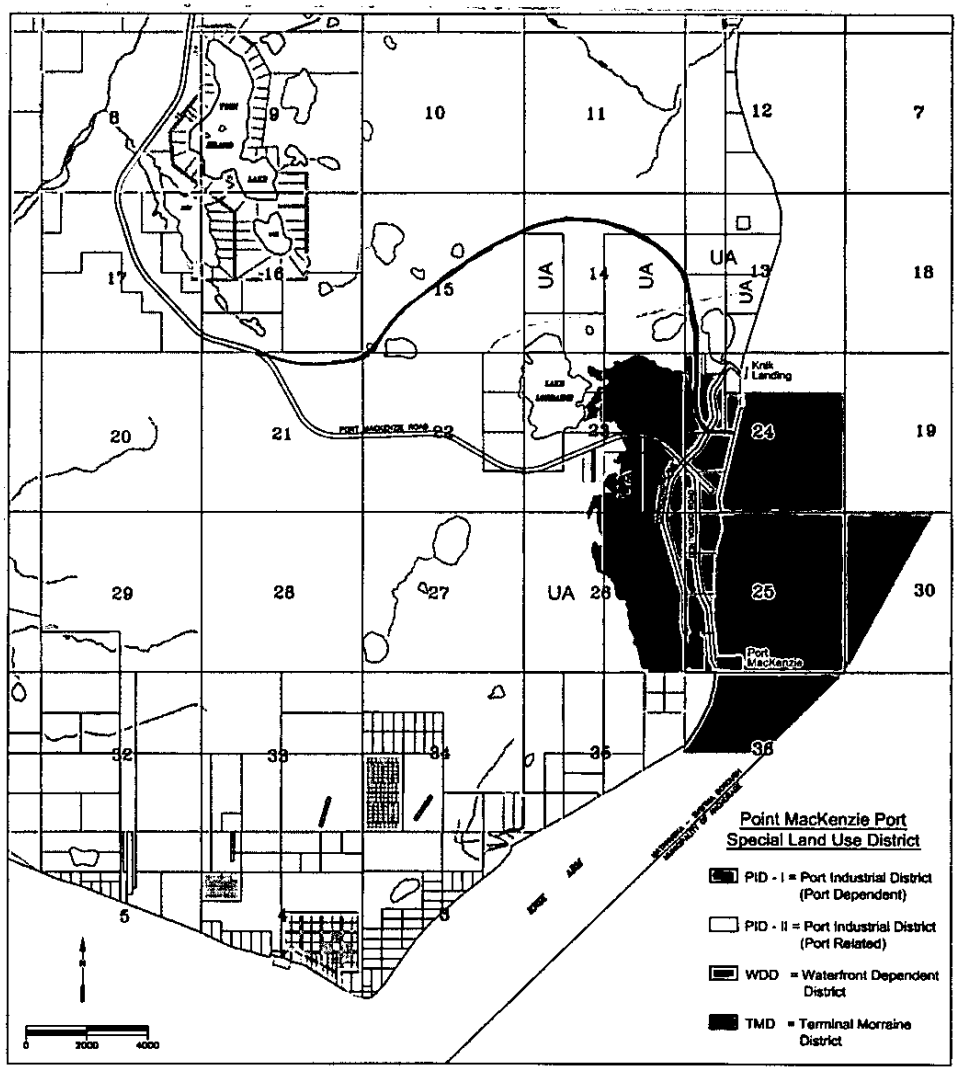
PORT DISTRICT

8,940 Acres

Commercial and Industrial Development

1,130 Acres

Borough Owned Tidelands



This is to certify that this is the official Point MacKenzie Port Special Land Use District adopted by Ordinance Serial No. 00-154. Revised by Ordinance Serial No. 02-208.

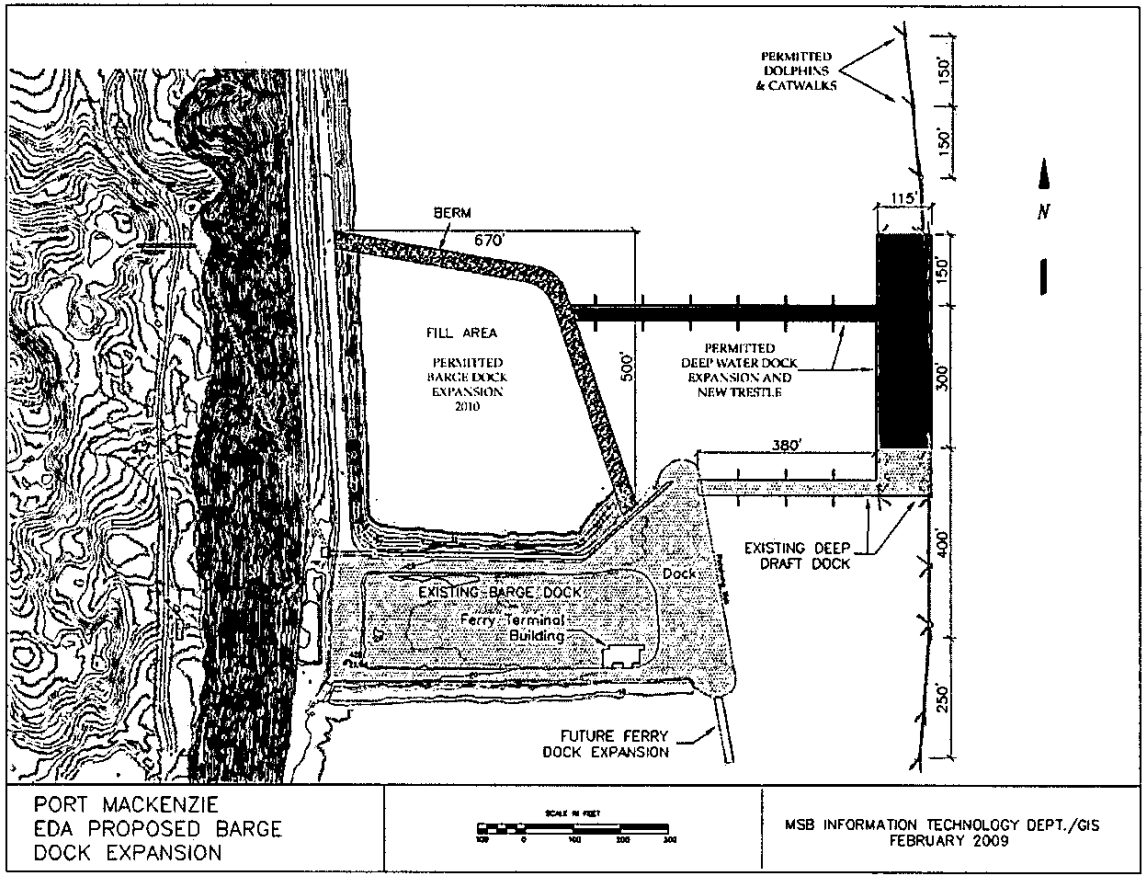
TIMOTHY L. ANDERSON, Borough Mayor

ATTEST:

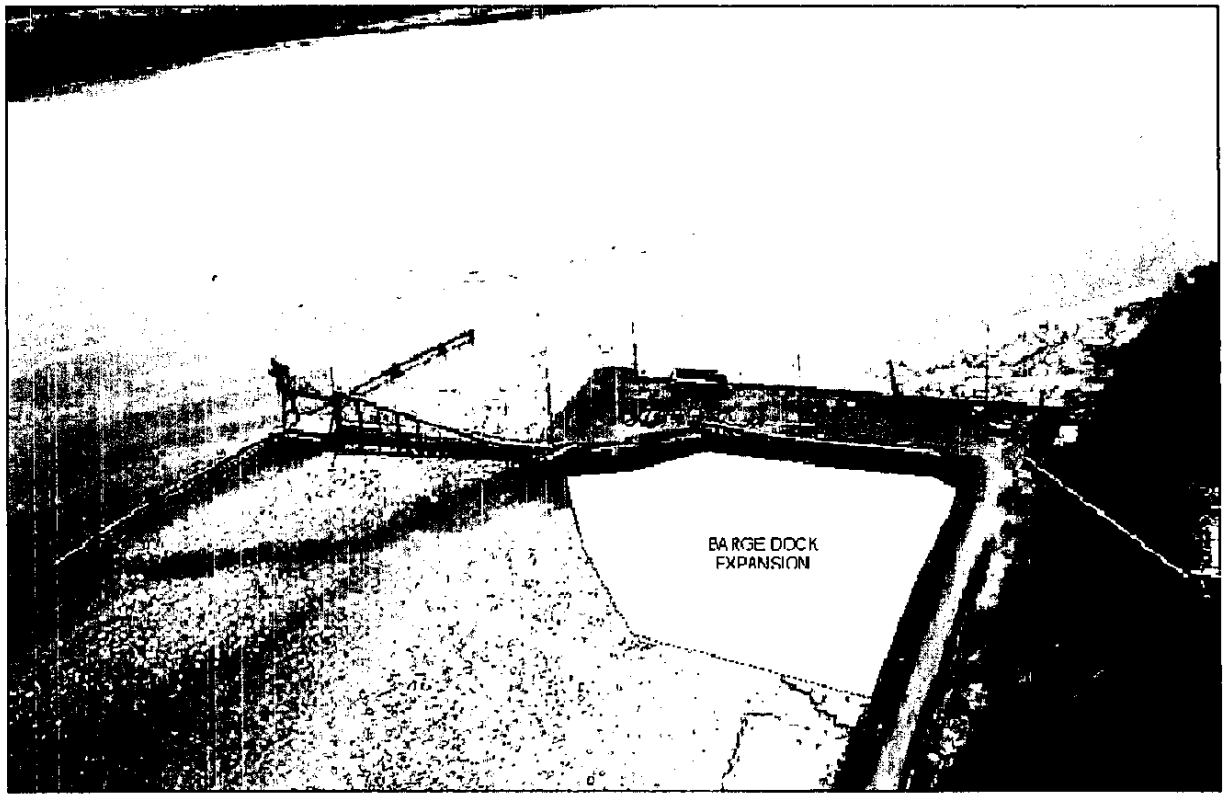
SANDRA A. DILLON, Borough Clerk

OFFICE OF INFORMATION TECHNOLOGY/GIS
February 10, 2004

Permitted Expansion of Barge Dock and Deep-Draft Dock



Barge Dock to be constructed Summer 2010

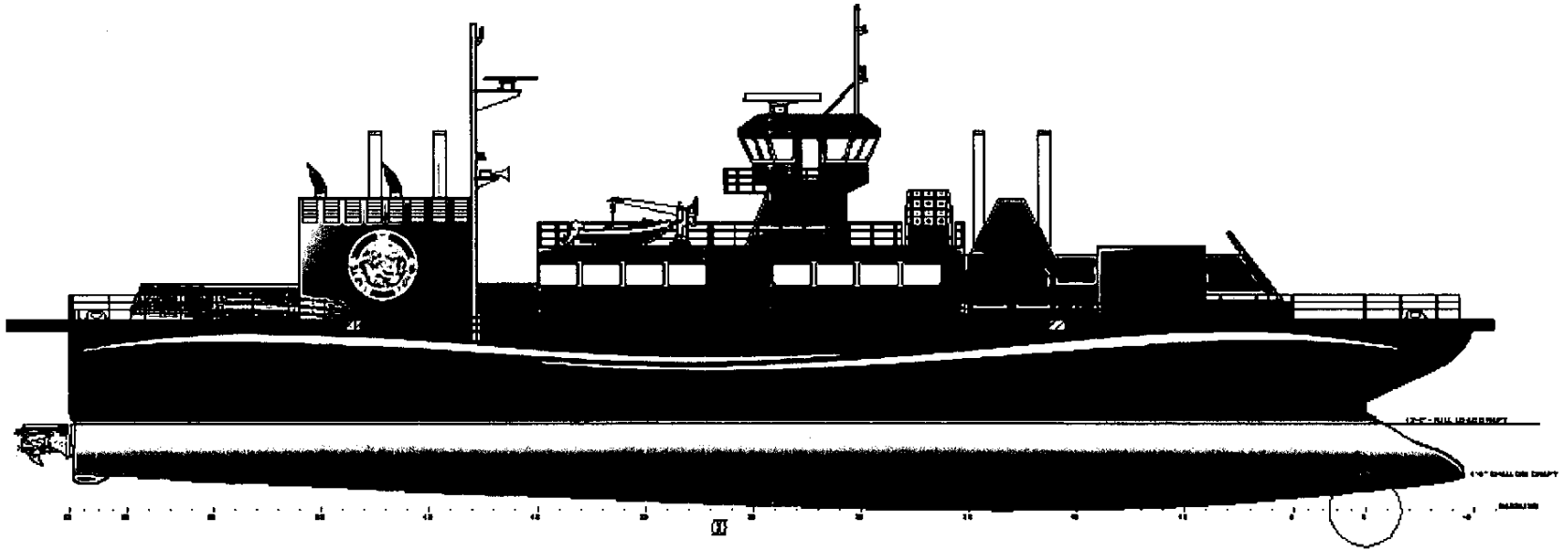


Winter/Summer Operations

Port MacKenzie Ferry Terminal Building

E-Craft

M/V SUSITNA



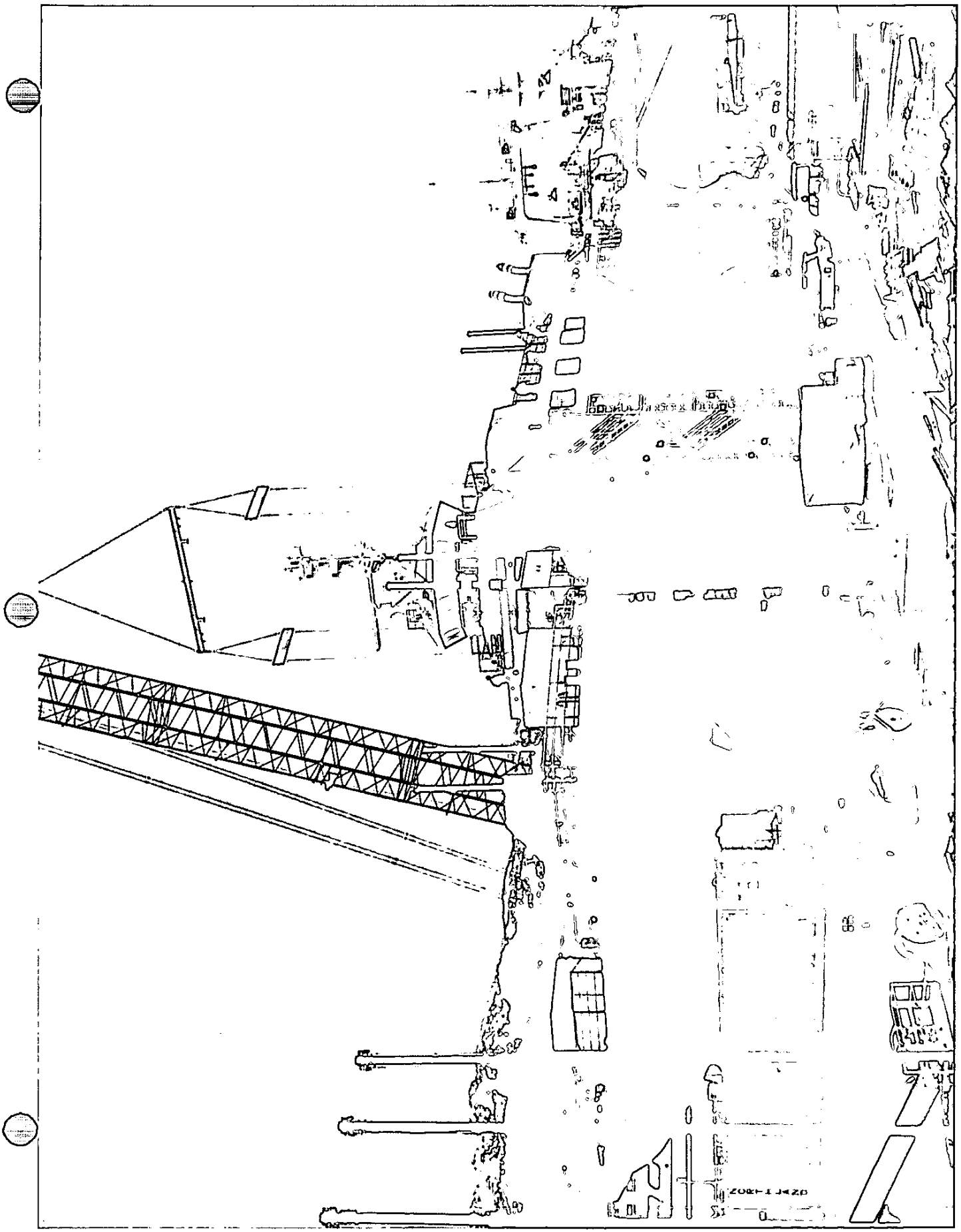
ASD
ALASKA
SHIP AND
DRYDOCK

60 Years

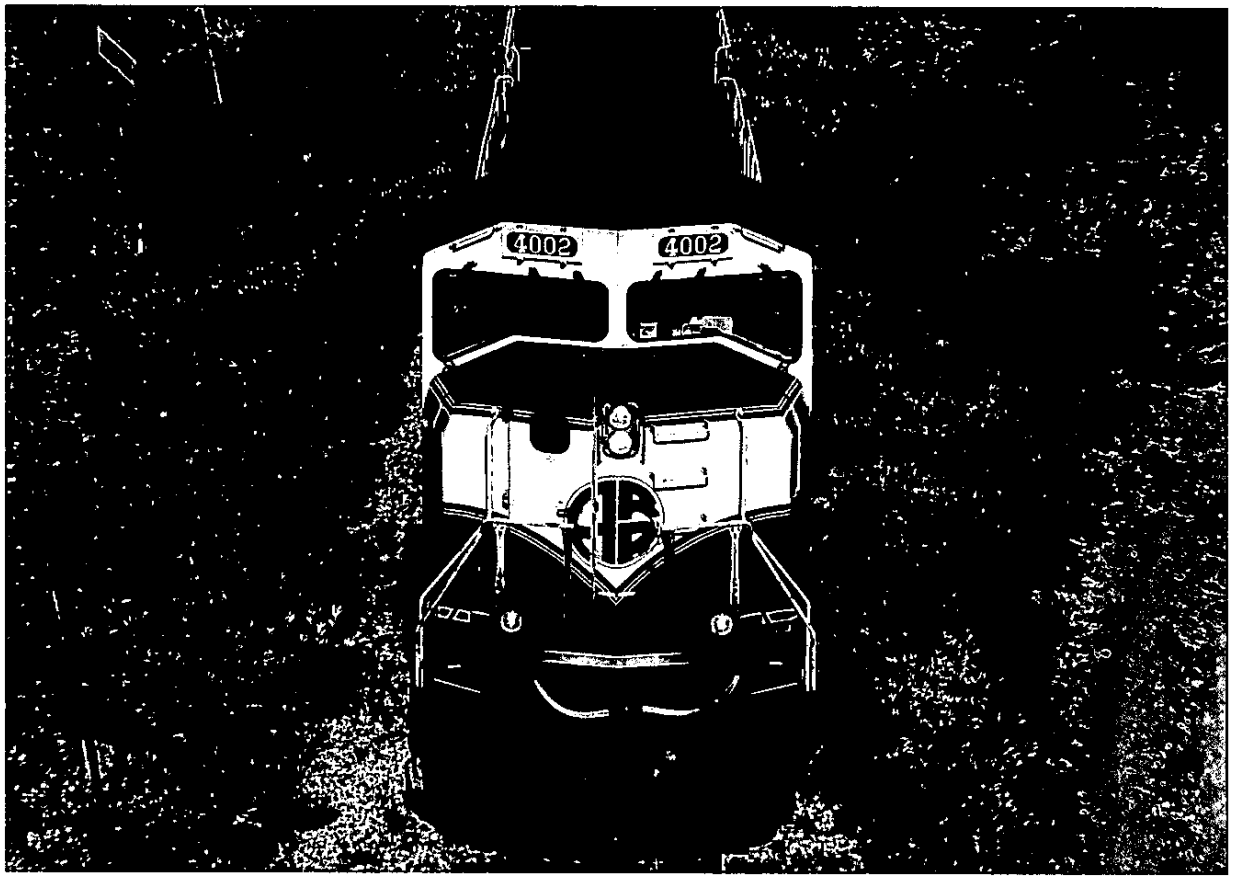
ONR

Relevant Research and Results . . . Yesterday, Today, and Tomorrow

1964
ALASKA



South Central Rail Extension



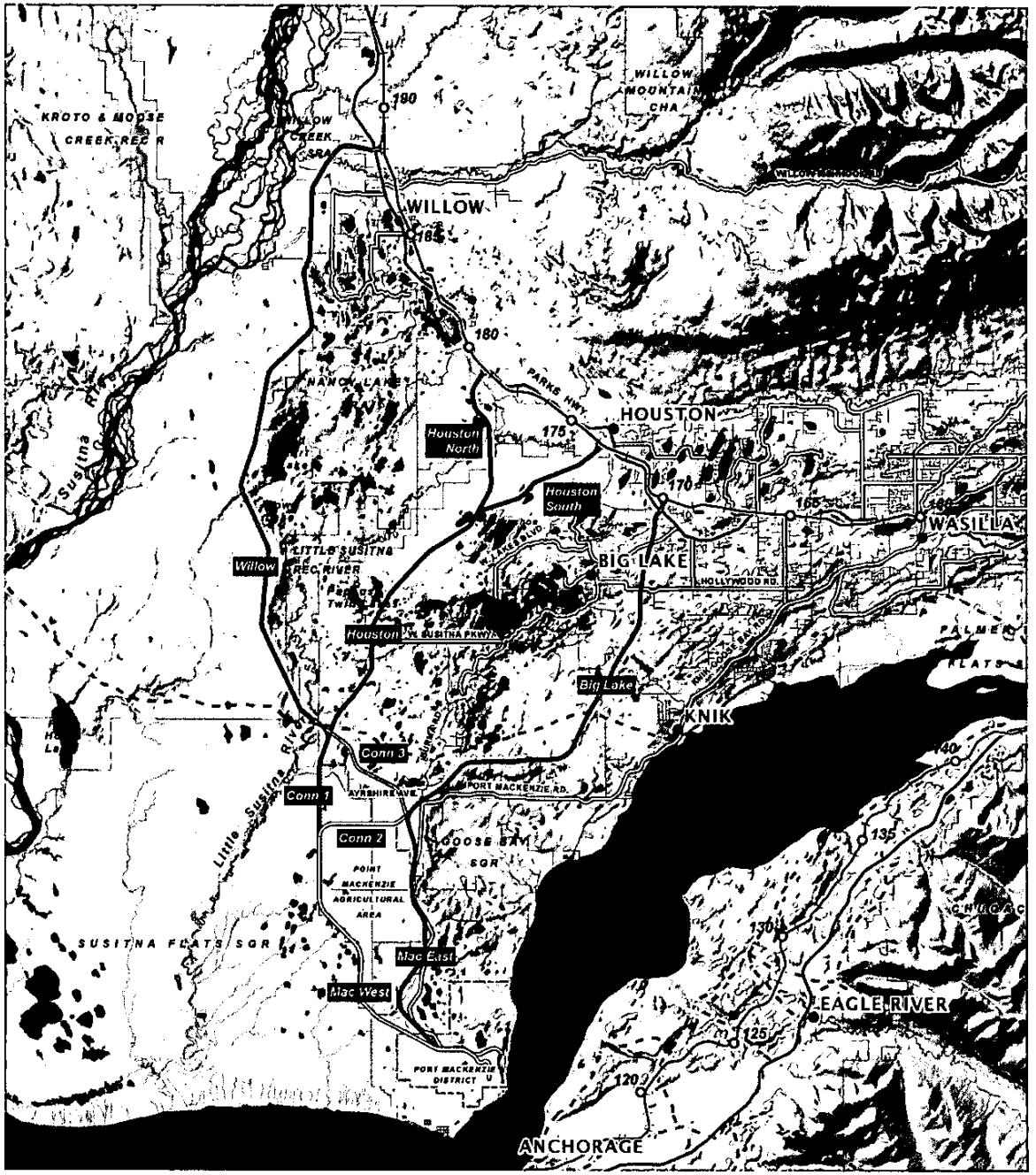
EIS Corridors Under Consideration

Draft EIS – Expected for public review in October 2009

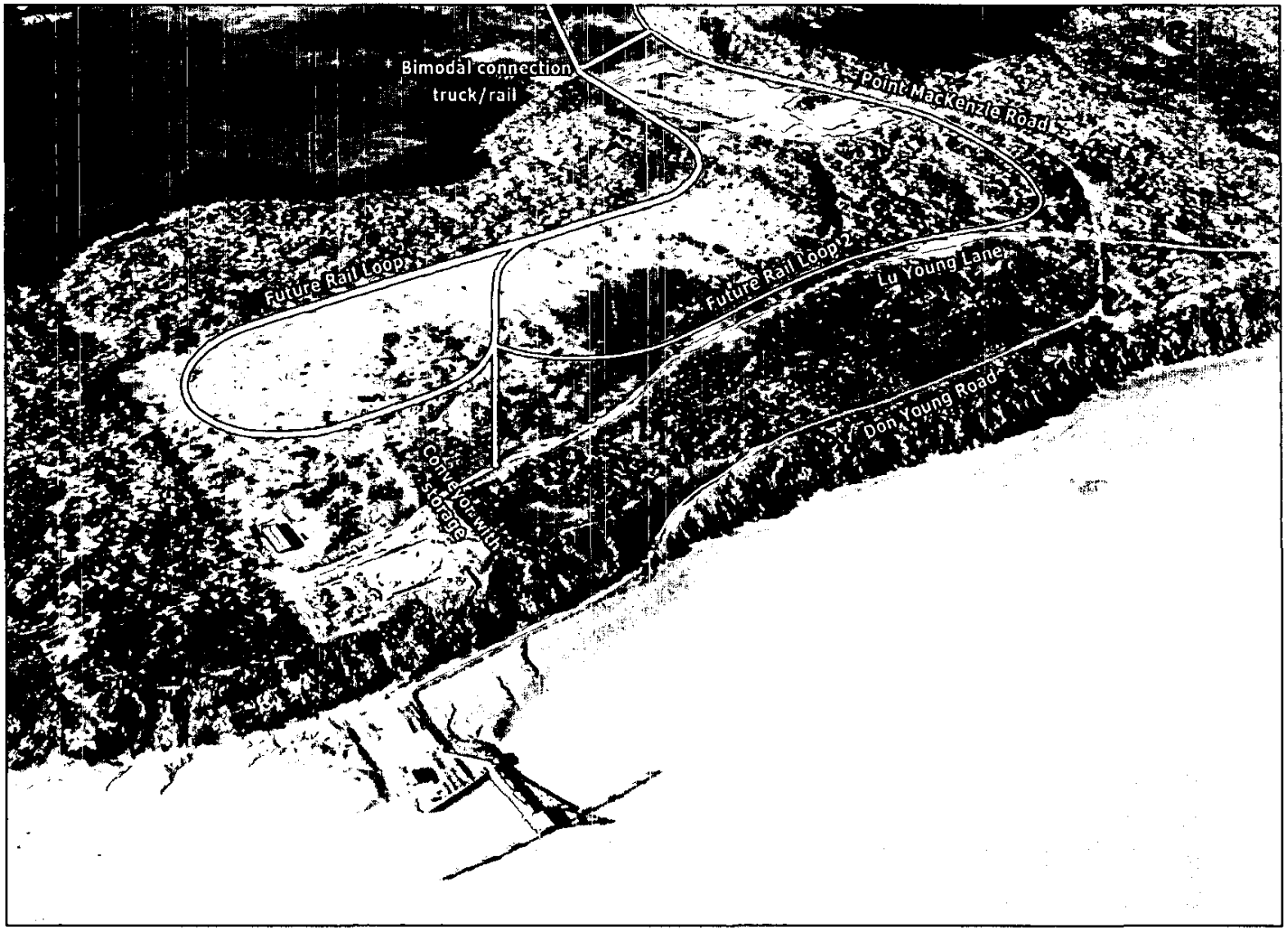
Final EIS – Expected in early Spring 2010

Note: These lines represent possible corridors and are subject to change.

3rd party contractor may arrive at additional routes as part of EIS process.



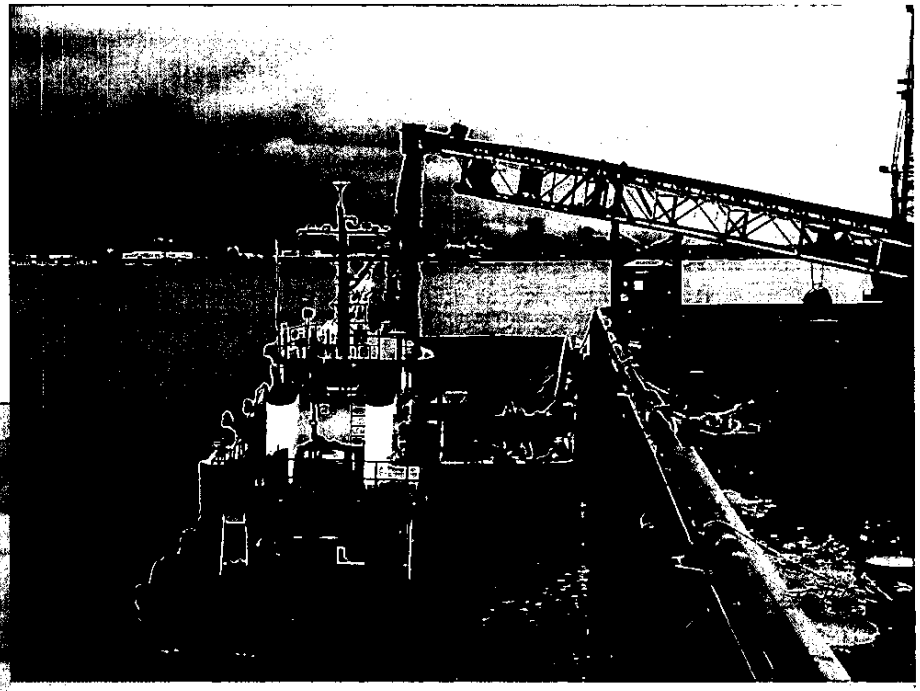
Rail Loop Under Construction

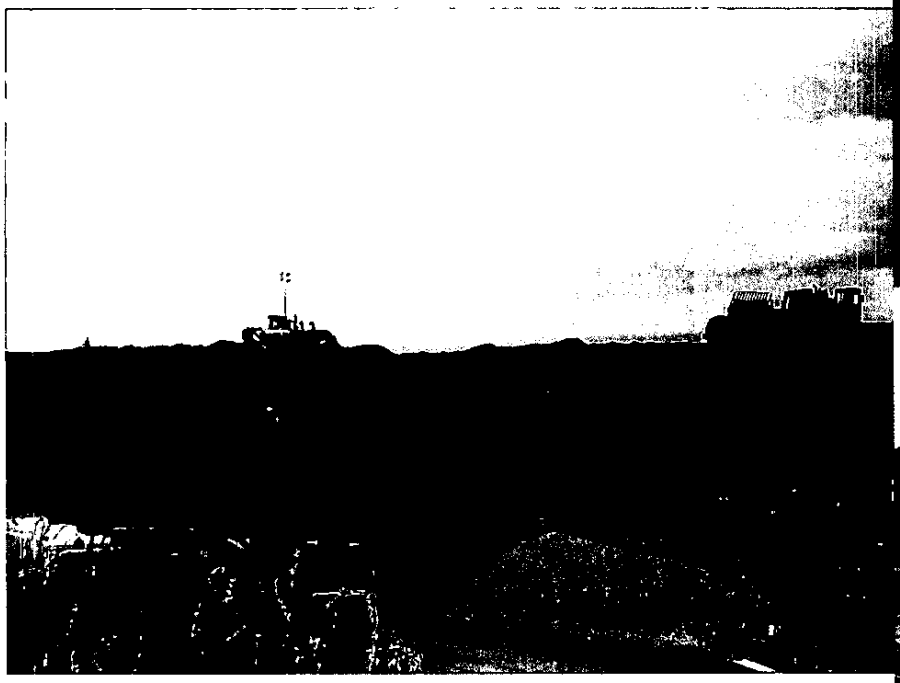


Gravel Excavation Project

451,000 tons for the Port of Anchorage Expansion Project

July 2008

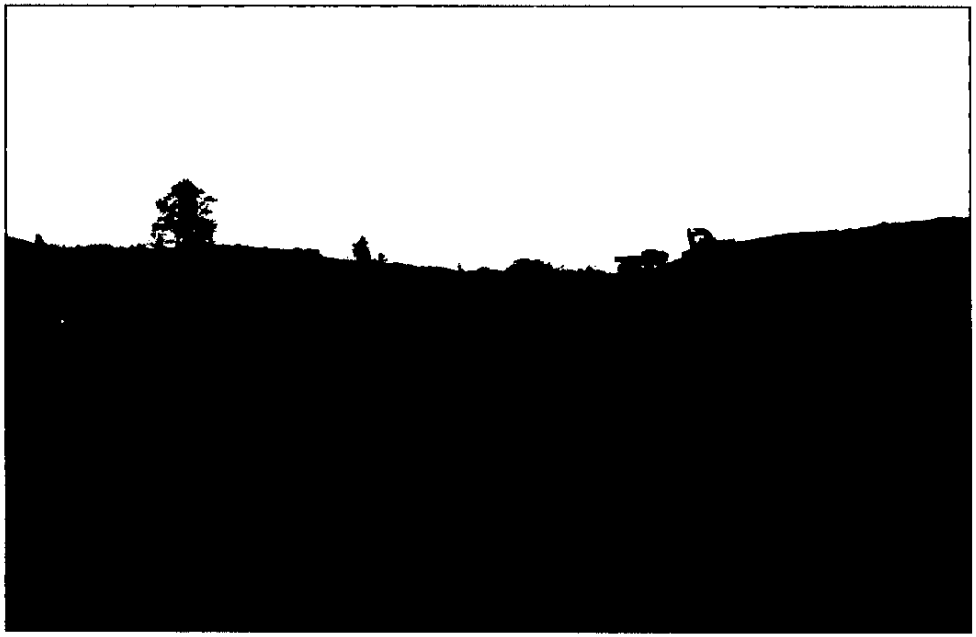




Bi-Modal Alignment Spring Tree Removal

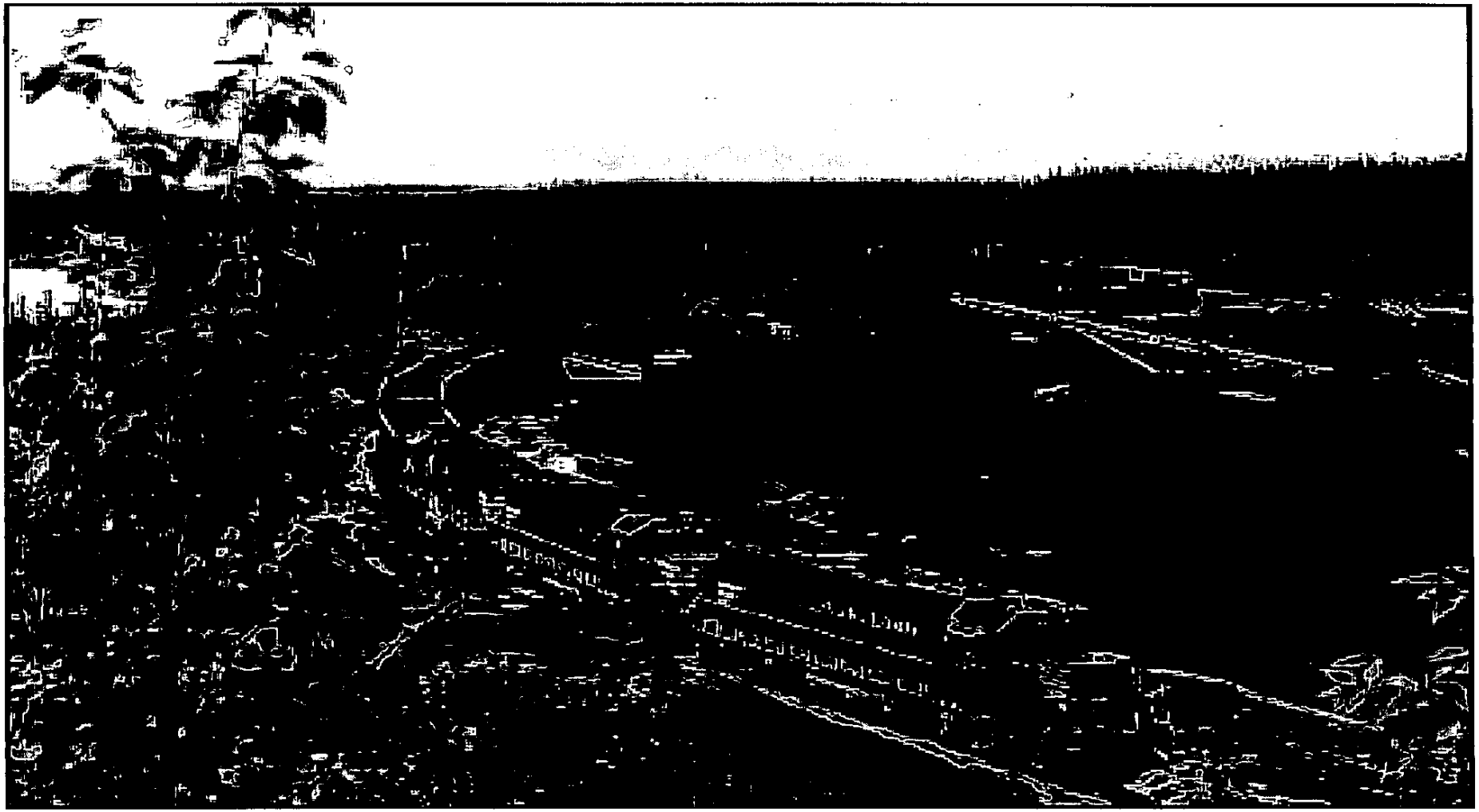
Summer Topsoil Removal Operations

Fall Excavation and Fill Work



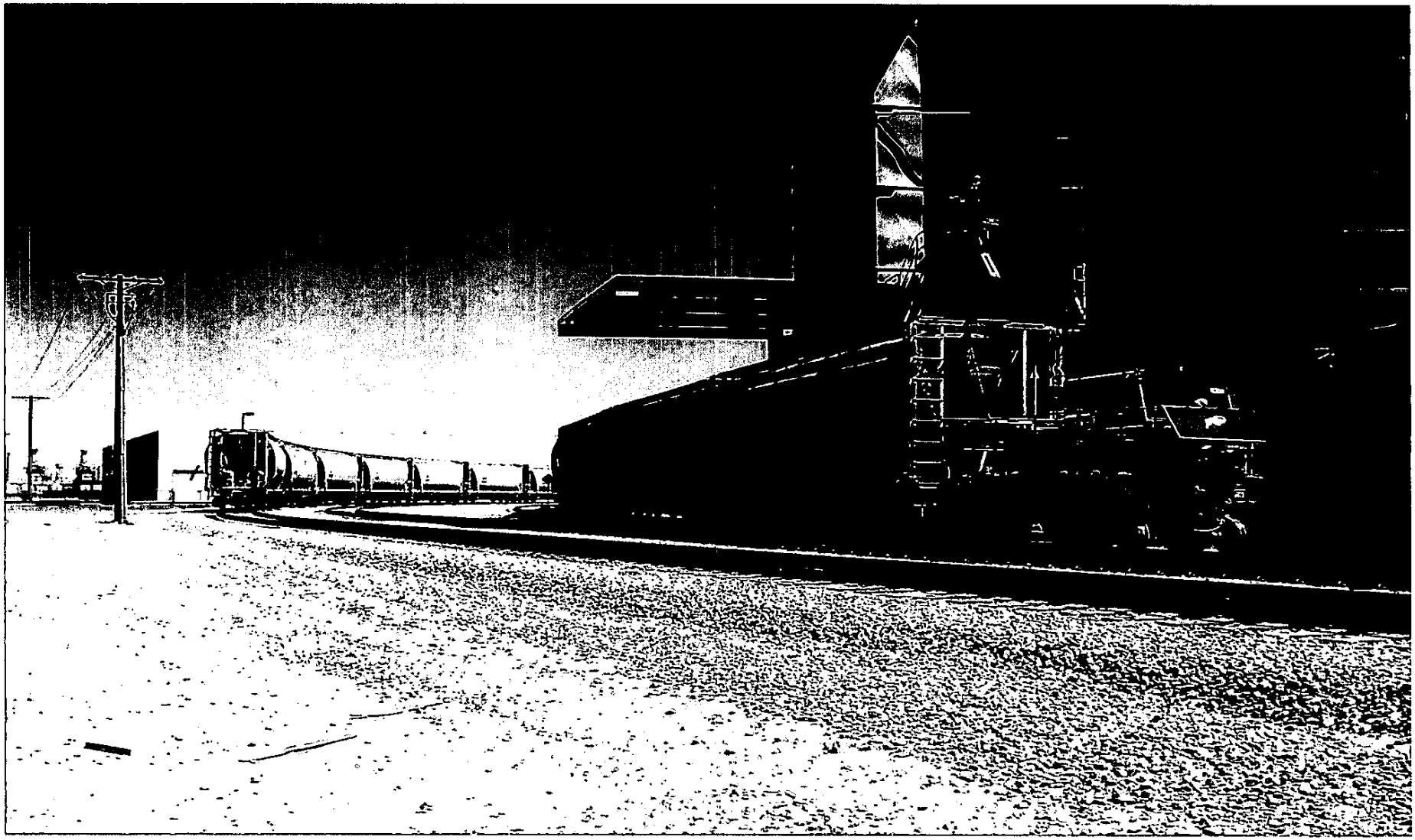
Port Mackenzie; the Shortest Distance to Tidewater

(Coal now has to travel to Seward)

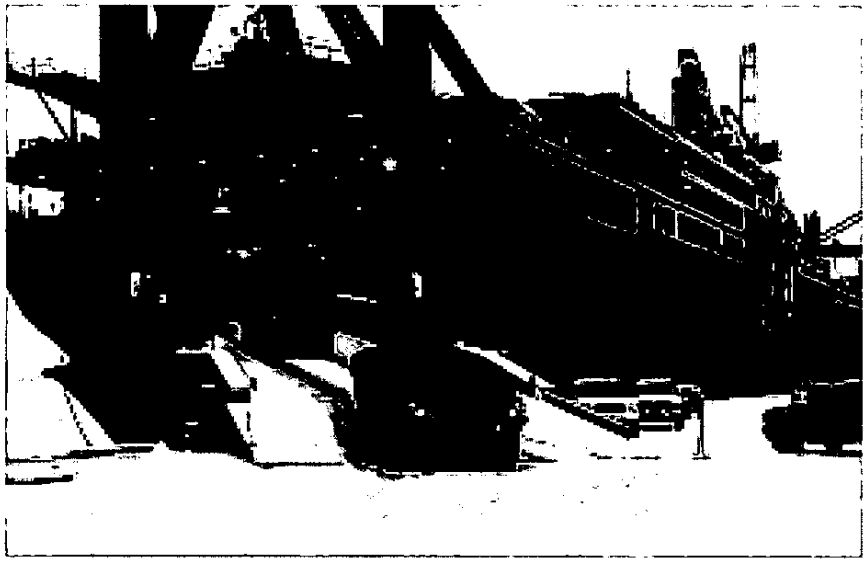


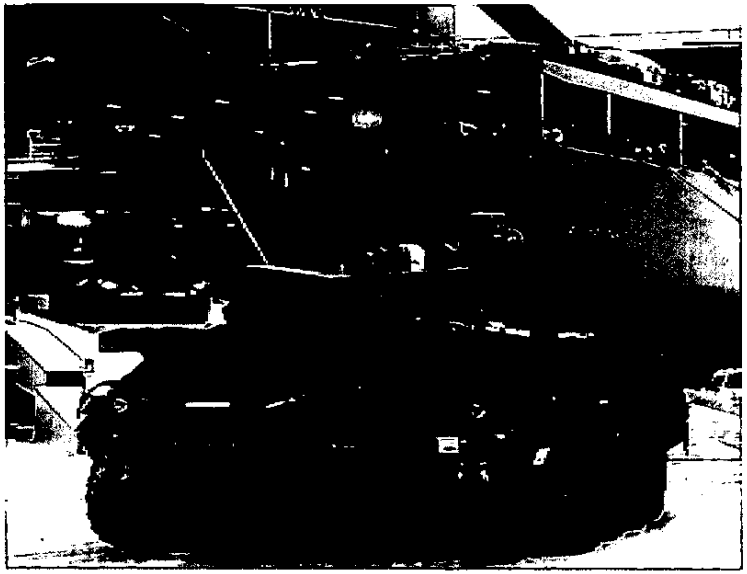
Only Alaskan Port with space for a Mile Long Rail Loop

(Example of loading cement on Loop Track)



Port MacKenzie - Military Logistics Option





Advantages and Savings of Using South Central Rail Extension to Port MacKenzie

- Transportation Savings.....$533 million
  (Benefit/Cost Ratio).....(1.9/1)

- Benefits to Alaska from New Mines
  - Gross Metal Value.....$172 billion
  - Community Benefits.....Permanent Jobs and Long-term Economic Engine

- State Revenue.....$6.3 billion

Summary of Rail Extension Statewide Benefits

- Supports Gas Pipeline Construction (mainline & spur line)
- New Interior Resource Development Opportunities
  (Benefits are $61M to $737M per year for 100+ years)
  - Limestone
  - Portland cement manufacture
  - Strategic Minerals (nickel, molybdenum)
  - Improved global price competitiveness of Alaska coal
- Transport Low Sulfur Fuel North (Interior, Southwest Alaska, North Slope)
- Alternate rail link to Interior (military mobilization/natural disaster /terrorism)
- Decreased rail congestion (Willow to Anchorage)
- Diversified Economy

Rail Project Project Scheduling

- ✓ **Phase 1** – EIS - **$10 Million**: 2007-2009

- ✓ **Phase 2** – Bi-Modal Loop & first 11 mile segment - **$17.5 Million**: 2008-2009
  - Permitting
  - Design of Bi-Modal Loop, Reserve and 11 miles
  - Right-of-way acquisition for Bi-Modal and 11 miles
  - Construction Bi-Modal Loop

- **Phase 3** – First 11 Mile Segment and EIS selected alternative – ($57 Million): **2010**
  - Construction of First 11 Mile Segment
  - Permitting, Design of EIS Selected Alternative

- **Phase 4** – EIS Selected Alternative – (*$150 Million): 2010-2011
  - Construction

- **Phase 5** – Track and Ancillary Facilities – (*$41 Million): 2012
  - Construction (laying rail, installing signals, etc.)
  - Project Completion Fall of 2012

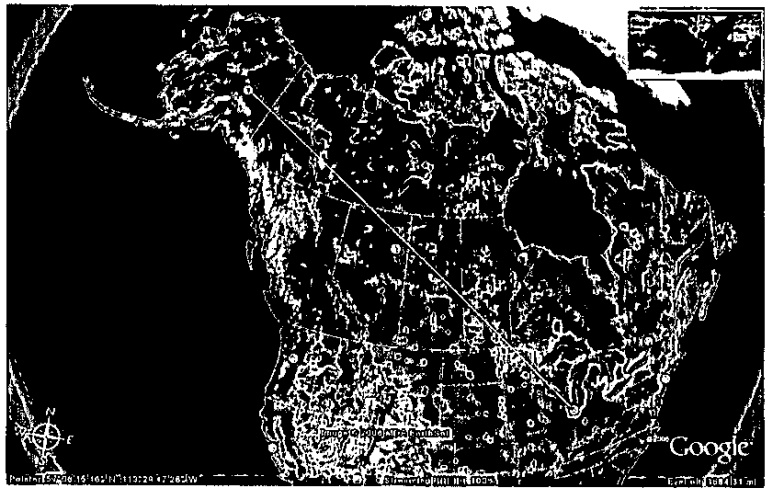
*Note: Projected cost of $274 is expected to be adequate. Cost will be dependent on alternative selected in EIS

Mineral Occurrences and Potential Sources of Freight for the Alaska Railroad Extensions – Port MacKenzie to the Canadian Border

By
Paul Metz, Ph.D., DIC, P.G.
Director, Mineral Industry Research Laboratory
University of Alaska Fairbanks
February 2007-2010

Objectives

- Estimation of the expected tonnage of mineral concentrates that would be generated within a 200 km wide corridor along the proposed route of the railroad extensions from Fairbanks to the Canadian Border over the next 100 years.
- Estimation of the expected economic impact of the mines that would generate those mineral concentrates.



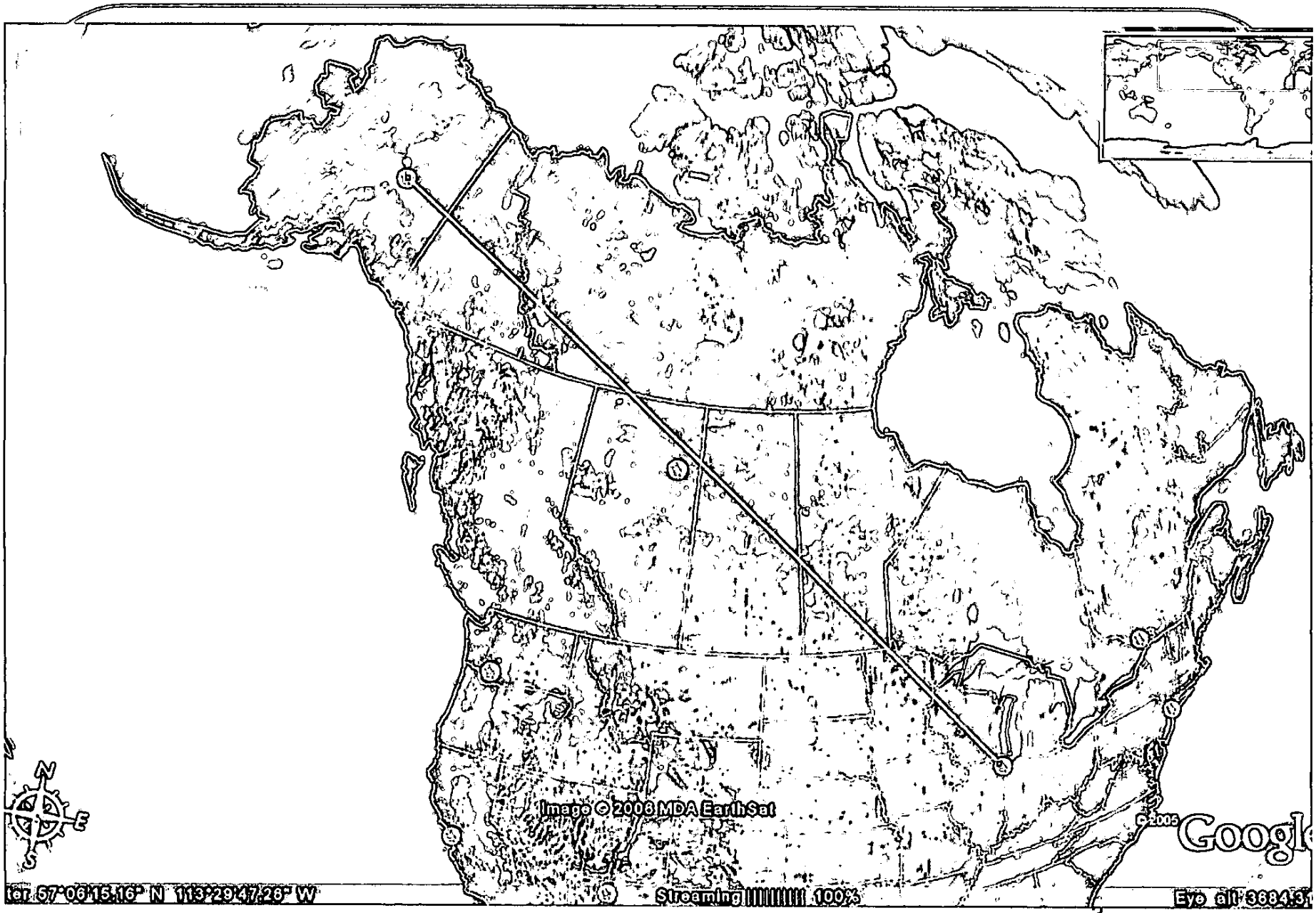
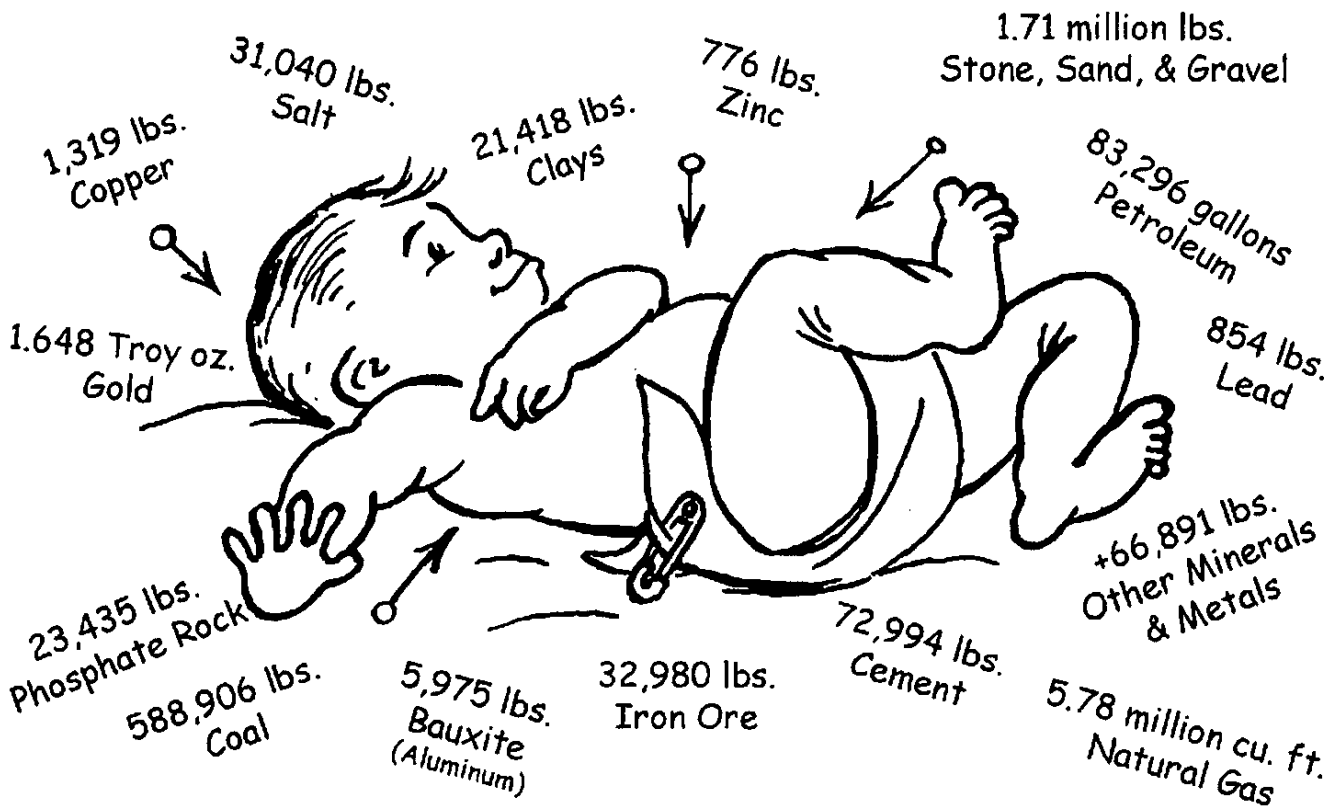


Image © 2008 MDA EarthSat
Streaming 100%
Google

Every American Born Will Need . . .



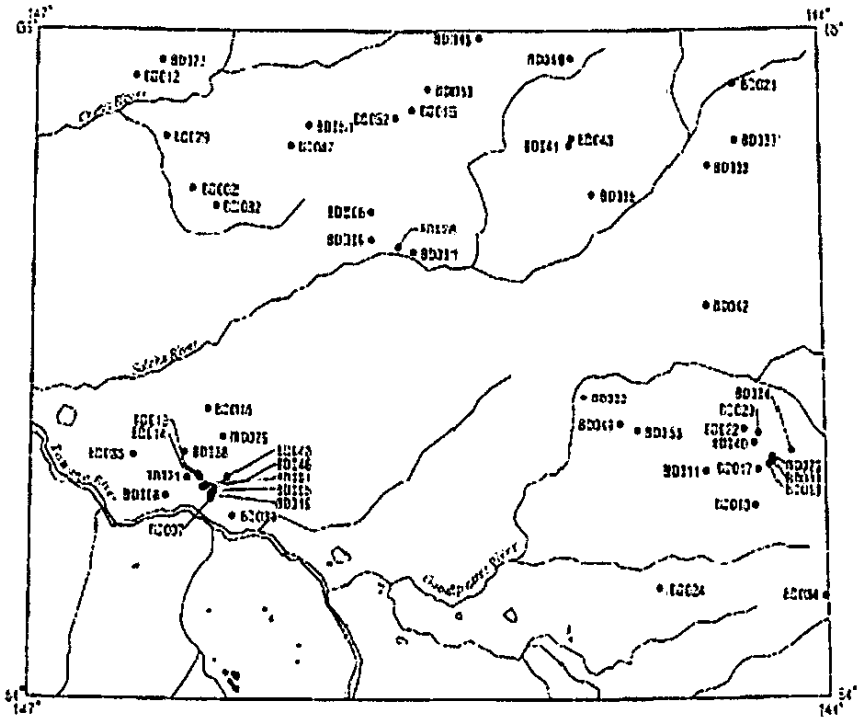
***3.7* million pounds of minerals, metals, and fuels in their lifetime**

© 2006, Mineral Information Institute

Sources of Data

- Alaska Resources Data Files (ARDF)
- Mineral Deposit Models in ARDF from Cox and Singer (1986).
- Mineral Evaluation Models developed for each mineral deposit model utilizing U.S. Bureau of Mines Cost Estimating System adjusted for current costs and mineral commodity prices.

Example of Alaska Resource Data Files Mineral Locations



Distribution of mineral occurrences in the Big Delta 1:250,000-scale quadrangle, Alaska

Example of Tonnage Curve for Mineral Deposit Model from Cox and Singer 1986

Model 16--Con

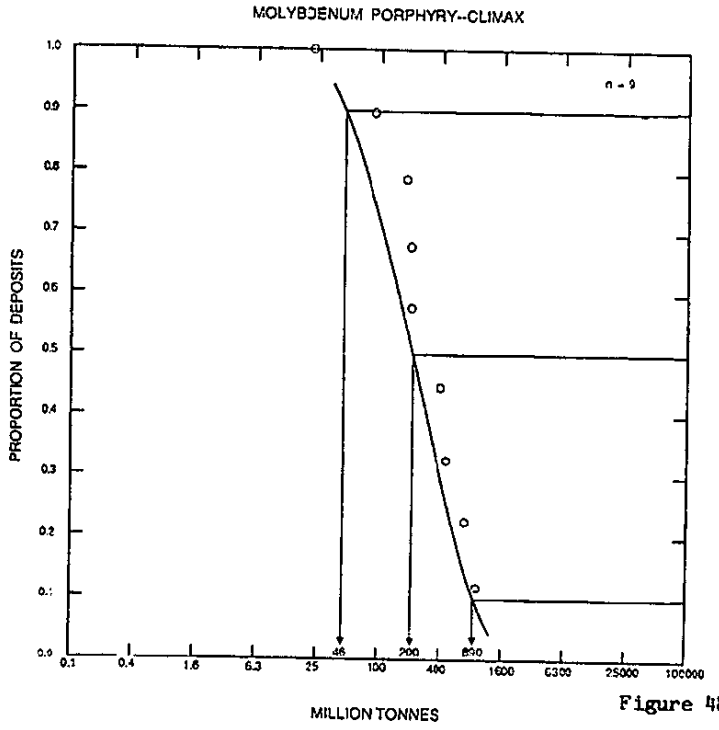


Figure 48. Tonnages of Climax Mo deposits.

Example of Grade Curve from Cox and Singer 1986

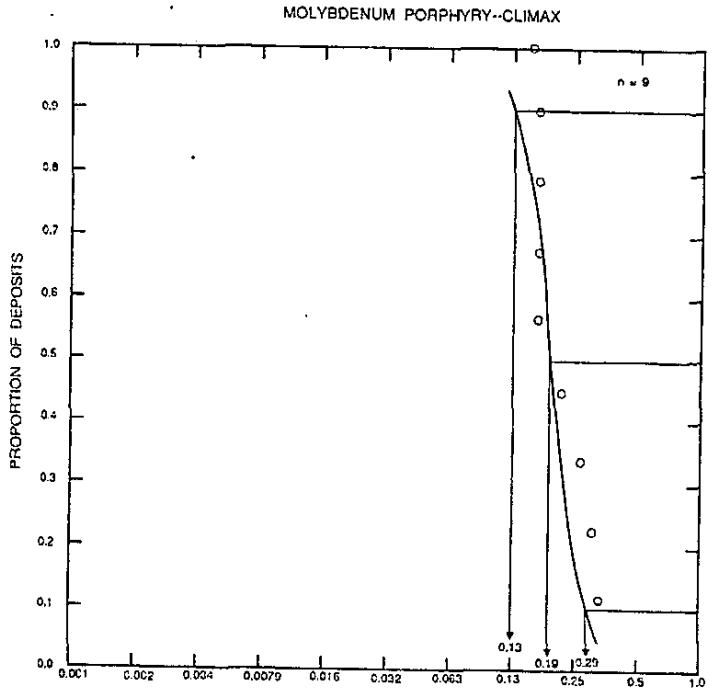


Figure 49. Molybdenum grades of Climax Mo deposits.

Mineral Valuation Models Input and Output Data

- Mineral valuation models for 50 and 90 percentile tonnage and grade for 43 different mineral deposit types.
- Deposit type.
- Surface or underground mining method.
- Total tonnage/grade.
- Extraction rate.
- Dilution/waste rate.
- Proposed mine life.
- Daily production.
- Maximum ore depth.
- Stripping ratio.
- Site haulage distance.
- Distance to power.
- Beneficiation method.

Mineral Valuation Models Input and Output Data

- Mine capital and operating cost estimates
- Mill capital and operating cost estimates
- Infrastructure and operating cost estimates.
- Revenue estimates based on current commodity prices
- Cash flow analysis base on current taxation rates.
- Minimum rate of return on capital = 10%.

Mineral Occurrences in Each Quadrangle Transected by Proposed Railroad Extension Corridor

Quadrangle	No. Min. Occur.
Tyonek	17
Anchorage	98
Talkeetna	37
Talkeetna Mts.	147
Healy	37
Fairbanks	115
Livengood	155
Circle	2
Big Delta	14
Mt Hayes	153
Gulkana	29
Eagle	17
Tanacross	21
Nabesna	45
Total	887

Mineral Deposit Model Types
(After Cox and Singer, 1986)

- 1. Stillwater Ni-Cu
- 7a. Synorogenic-synvolcanic Ni-Cu
- 8a. Minor podiform Cr
- 8b. Major podiform Cr
- 8c. Limassol Forest Co-Ni
- 8d. Serpentine hosted asbestos
- 10. Carbonatite
- 14a. W skarn
- 14b. Sn skarn
- 14c. Replacement Sn
- 15a. W veins
- 16. Climax Mo
- 17. Porphyry Cu

Mineral Deposit Model Types
(After Cox and Singer, 1986)

- 18b. Cu -skarn
- 18c. Zn-Pb skarn
- 18d. Fe skarn
- 20c. Porphyry Cu-Au
- 21a. Porphyry Cu-Mo
- 21b. Porphyry Mo low-F
- 22a. Volcanic hosted Cu-As-Sb
- 22b. Au-Ag-Te veins
- 22c. Polymetallic veins
- 23. Basaltic Cu
- 24b. Besshi massive sulfide
- 25a. Hot-springs Au-Ag
- 25c. Comstock epithermal veins

Mineral Deposit Model Types
(After Cox and Singer, 1986)

- 26a. Carbonated-hosted Au-Ag
- 27d. Sb deposits
- 28a. Kuroko massive sulfide
- 29a. Quartz-pebble conglomerate Au-U
- 36a. Low-sulfide Au-quartz veins
- 36b. Homestake Au
- 37a. Unconformity U-Au
- 39a. Gold on flat faults

Mineral Commodity Prices
(as of January 2007)

Metal Prices Use in this Investigation (January 2007)		
Commodity	Units	Price
Aluminum	$/lb	1.28
Antimony	$/lb	0.85
Arsenic	$/lb	0.45
Asbestos	$/ton	125.00
Barite	$/ton	23.00
Bismuth	$/lb	0.18
Cadmium	$/lb	0.25
Chromite	$/lb	2.18
Cobalt	$/lb	18.00
Columbium	$/lb	8.07
Copper	$/lb	2.85
Fluorite	$/lb	152.00
Germanium	$/lb	391.00
Gold	$/tr.oz	625.00

Mineral Commodity Prices
(Continued)

Iron	$/ton-unit	0.60
Lead	$/lb	0.79
Mercury	$/flask	700.00
Molybdenum	$/lb	28.00
Nickel	$/lb	6.75
Palladium	$/tr oz	286.00
Rhodium	$/oz	3095.00
Platinum	$/tr oz	1050.00
Silver	$/tr oz	12.30
Tantalum	$/lb	182.62
Tin	$/lb	2.48
Titanium	$/lb	1.30
Tungsten	$/lb	1.82
Vanadium	$/lb	1.75
Zinc	$/lb	1.94

Probabilities

- Probabilities of discovery and development at a given tonnage and grade
  - Mineral occurrence not in historic mining district – 90th percentile; P = 0.0001
  - Mineral occurrence not in historic mining district – 50th percentile; P = 0.0005
  - Mineral occurrence in historic mining district – 90th percentile; P = 0.001
  - Mineral occurrence in historic mining district – 50th percentile; P = 0.001
  - Mineral occurrence in historic mining district, adjacent to major mine; P = 0.01

Expected Tonnage of Concentrates

- 50 Percentile tonnage and grade; Expected Tonnage = 11,000,000 tons per year for 100 years.
- 90 Percentile tonnage and grade: Expected Tonnage = 26,000,000 tons per year (equivalent tonnage from the development of only one porphyry Mo deposit or one layered mafic complex Cu-Ni deposit every 10 years).

Expected Economic Benefits from the Development of the Mineral Occurrences in the Extension Corridor

- Economic benefits of the Fort Knox Mine – Information Insights, 1999 estimated $100 million per year to Fairbanks North Star Borough
- Over 12 year mine life the mine would provide economic benefits equivalent to the gross metal value of the deposit at the time of completion of the feasibility study.
- Expected gross metal value at 50 percentile = $9 billion
- Expected gross metal value at 90 percentile = $83 billion.

Benefit-Cost Assessment of the Port MacKenzie Rail Extension

Executive Summary

prepared for
Matanuska-Susitna Borough

prepared by
Steve Colt
Nick Szymoniak

Institute of Social and Economic Research
University of Alaska Anchorage

20 June 2008

Contact:
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This is the executive summary of a longer report. The full report is available at:
http://www.iser.uaa.alaska.edu/Publications/PMK_RailExtension.pdf

Executive Summary

Costs

We assume that the Port MacKenzie rail extension would cost $275 million to construct.[1] This is a conservative estimate based on a range of between $200 million and $300 million for different route options. The time horizon runs 50 years from 2012 to 2061. O&M costs are assumed to be $1.5 million per year, with a net present value of $26.1 million. The net present value of all costs using a 5% real discount rate[2] and a base year of 2010 is $301.1 million.

Benefits

The rail extension would provide two distinct types of benefits: 1) It reduces the cost of rail transportation; and 2) It is likely to stimulate significant new mines and other major development. These benefits come from a diverse mix of potential projects – thus a strength of the rail extension is that its economic viability does not depend on any one project.

Reduced transportation costs

Relative to Seward, using the extension would save 140.7 miles per one-way trip.[3] Assuming an average cost savings of 6 cents per ton-mile and a 5.0% real discount rate, we estimate that using the extension would save $572 million in avoided rail costs, avoided port costs, and avoided railroad and road upgrades. These savings are shown in the table and figure on the following page.

In addition to the above, we estimate that about 22,000 train crossings of Pittman Road and other roads would be avoided by the extension, saving motorists up to 64,000 vehicle-hours of travel time delay between now and 2061.

---

[1] AK Railroad submission to Federal Surface Transportation Board requesting license to build rail extension. January 2008.

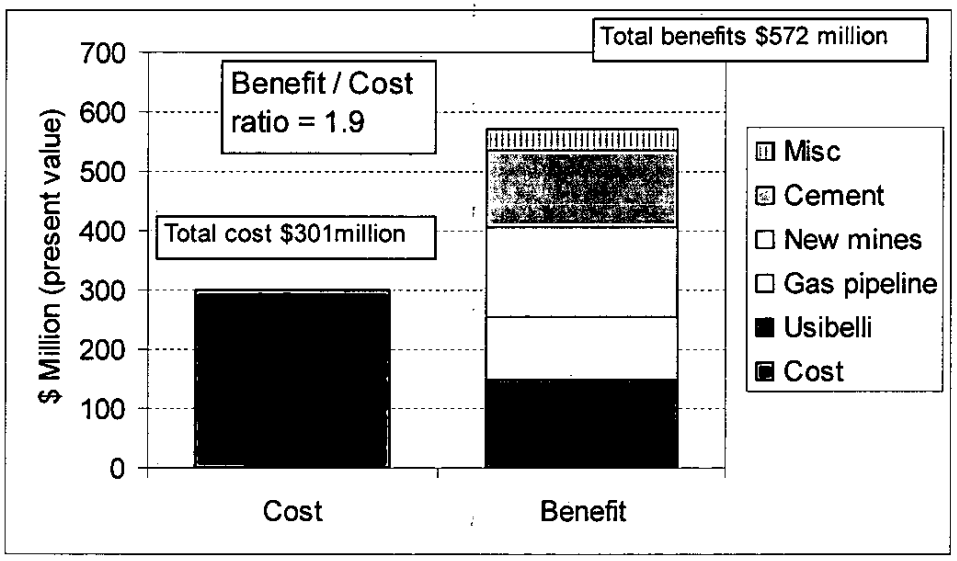
[2] "real discount rate" means adjusted for inflation. This rate is based on the real rate of return from the Alaska Permanent Fund.

[3] Paul Metz, Economic Analysis of Rail Link Port MacKenzie to Willow, Alaska. February 2007

Benefits of Port MacKenzie rail extension from reduced transportation costs
(Present value in year 2010 @ 5.0%; does not include motorist time savings)

	Tons per year	Years of operation		Benefits from reduced rail and port cost NPV at 5%	Notes
Usibelli Coal	1,000,000	2012 - 2061	$	148,711,175	
Gas pipeline materials	N/A	2013 - 2015	$	105,838,887	1
Ore from new mines	1,879,750	2017 - 2056	$	151,038,111	2
Cement plant	1,095,000	2020 - 2061	$	130,031,810	3
Misc commodities	250,000	2012 - 2061	$	36,694,410	4
Total benefits			**$**	**572,314,393**	
Construction cost			$	275,000,000	
O&M cost (NPV of $1.5 million/yr)			$	26,079,894	
Total cost			**$**	**301,079,894**	
Benefit / Cost ratio from transportation savings				**1.9**	

Notes: 1. Gas pipeline savings includes $82 million NPV of avoided rail and road upgrade costs
2. Mines would commence operation in various years; the tonnage number in this table is peak production reached after 2037. The analysis of benefits is based on the actual time profile of tonnage produced.
3. Assumes 3,000 tons per day output shipped to tidewater for export.
4. Assumes a combination of gravel, wood chips, additional fuel imports to meet growing demand, and other miscellaneous bulk commodities.



Direct fiscal return to State of Alaska

Because much of the savings from reduced rail transportation costs would flow through to increased taxable income, we estimate that direct annual fiscal returns to the State of Alaska

would have a present value of between $107 million (tied to rail cost savings) and $4.4 billion (including all mineral revenues from new mines). These break down as follows:

- Between $1 million and $3 million per year in additional corporate income taxes, with a present value of $32.7 million
- About $7 million per year in additional oil and gas revenue due to lower pipeline construction cost reflected in lower pipeline tariffs, with a present value of $33 million.
- A direct saving to the state of $41.2 million from avoided railroad and road upgrades[4]
- Assuming new mineral development and attributing it to the rail extension, $42 million per year increasing to $602 million per year from mining license taxes, royalties, and corporate income taxes. The present value of all these mineral revenues is $4.3 billion.

Economic development from new mineral activity

According to a detailed analysis by Paul Metz[5], the rail extension would provide a significant stimulus to new mineral developments within a 120-mile wide corridor surrounding the existing railroad. Metz projects likely minerals development with a cumulative gross metal value of $173 billion. This value would generate taxes and royalties to the State of Alaska starting at $42 million per year (in 2017) and increasing to $543 million per year in 2027 and to $602 million per year beginning in 2037. In addition these developments could generate up to $3 billion per year in additional economic activity in Railbelt communities.

Conclusion

This project provides a benefit/cost ratio ranging from 1.9 (based only on transportation cost savings) up to about 40 (assuming that additional mineral activity is attributable to the rail extension). In addition, there will be community benefits -- jobs and income -- that we have not explicitly considered here. These are extraordinarily good returns on an infrastructure investment in Alaska.[6]

[4] We have assumed that the state would pay half of these upgrades and pipeline builders would pay half.
[5] Metz, P. A. 2007a. *Economic Analysis of Rail Link Port MacKenzie to Willow, Alaska.* Prepared for Matanuska-Susitna Borough. February.
[6] By comparison, the Bradley Lake hydroelectric project now appears to have a B/C ratio of less than 1.5, even when based on high and rising natural gas prices. Most public projects in Alaska have not been subjected to formal cost-benefit analysis.

Benefits of the Southcentral Rail Extension to the Municipality of Anchorage

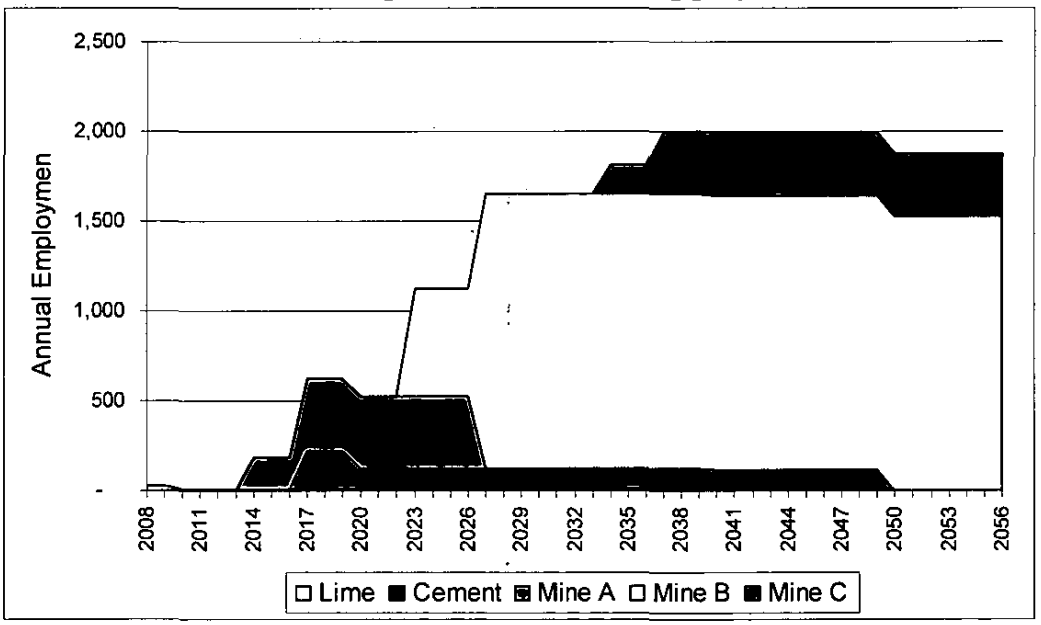
Summary of Findings

The proposed Southcentral rail extension to Port MacKenzie is likely to generate significant economic benefits for the residents of Anchorage. These benefits are due to a combination of reduced transport costs, the ability to ship bulk commodities over shorter distances, and economical access to industrial land. We considered and analyzed these benefits under a set of assumptions about job creation, transportation costs, land use considerations and future mineral development. Our major findings include the following:

Jobs

- **Port MacKenzie.** The rail extension will generate new jobs for Anchorage workers by stimulating industrial development and jobs at Port MacKenzie. Under a base case scenario with a rail extension and ferry service, Anchorage residents would gain 730 average annual jobs and $50 million of annual income during the period of 2013 -2017 from industrial development at Port MacKenzie. Hundreds more jobs would be gained after 2017. The rail extension will play an important role in this process. For example, it will allow coal exports through the port as early as 2013, generating more than 100 jobs.
- **New Mines.** Major new mines shipping concentrate via the rail extension would generate thousands of new jobs, and a significant fraction of these jobs would be held by Anchorage residents. Our detailed analysis of the potential employment from five specific mining projects indicates that more than 2,000 average annual jobs would be created in Anchorage or held by Anchorage residents once the mines are fully developed. Most of these jobs would be in mining and in professional sectors that pay good wages. Also, during initial mine development, many of the jobs would be in construction and fabrication.

Projected average annual employment of Anchorage residents due to new mining activity and multiplier effects, by mining project



- **Rail Construction.** The construction of the rail extension would generate up to 3,000 total jobs, and ongoing operations would generate up to 150 total jobs. It is likely that many of these jobs would be held by Anchorage residents.
- **State Revenues.** State mining taxes generated from new mines will boost the Anchorage economy. Estimated tax revenues and royalties would grow steadily, reaching $267 million per year by 2040. A large share of these potential tax revenues, roughly proportional to Anchorage's share of state population, would likely flow into the Anchorage economy, sustaining hundreds of direct jobs and reducing property tax burdens that would otherwise stifle private sector job creation.

Regional Competitiveness

- **New Economic Opportunities.** Port MacKenzie and the rail extension, operating together, are a significant new strategic asset for the entire regional economy. This infrastructure will create expanded opportunities for mineral, timber, and energy resource development, and the export of bulk commodities by rail through Port MacKenzie constitutes a new economic sector for the Southcentral regional economy. As the region's commercial and financial hub, Anchorage will gain jobs and income from all of this activity.
- **More Efficient Land Use.** The rail extension allows for higher-valued use of land in Anchorage. The rail extension will allow for railroad-dependent industrial development to take place at Port MacKenzie. This development would allow limited existing industrial-zoned land throughout Anchorage to be used for other, higher-value uses such as commercial development, while still meeting the regional economy's need for industrial land.

Fiscal Benefits

- **New State Revenues.** As noted above, revenues to the State of Alaska from new resource development would grow steadily, reaching $267 million per year by 2040. These revenues will reduce the need for other taxes, stimulating capital formation and job creation by the private sector.
- **Higher Local Tax Base.** Local governments will also see higher tax revenues from a higher-valued property tax base. The stimulated new development will increase the tax base and reduce the need to raise taxes on homeowners or existing businesses.

Other Benefits

- **Port of Anchorage.** The industrial and mineral development stimulated by the rail extension to Port MacKenzie will likely increase both the volume and the value of cargo going through the Port of Anchorage. For example, if large mines are developed, the goods and equipment used by the mines for development and operations will flow through Anchorage.
- **Rail Shipping Costs.** The unit cost of shipping on the Alaska Railroad is likely to fall as fixed costs of roadbed maintenance and administration are spread over a higher volume of shipments.

This is the executive summary of a longer report. The full report is available at:
http://www.iser.uaa.alaska.edu/Publications/Benefits2MOA_SC_Rail_Extension.pdf

Name	Position/Title	Organization	Presentation ?	Testimony ?	In Juneau or LIO?
John Duffy	Borough Manager	Matanuska-Susitna Borough	Yes	Yes	Juneau
Rick Mystrom	Former Mayor of Anchorage	American Multiplex	Yes	Yes	Juneau
Pat Gamble	Chief Executive Officer	Alaska Railroad		Yes	Juneau
Joe Perkins	Former DOT Commissioner	Perkins Consulting		Yes	Juneau
Dr. Steve Colt	Professor	UA-Institute Social & Economic Research		Yes	Juneau
Dr. Paul Metz	Professor	UAF		Yes	Juneau
David Talerico	Mayor	Denali Borough		Yes	Juneau
Karl Gohlke	Transportation Committee Chair	Fairbanks Chamber of Commerce		Yes	Fairbanks LIO
John McKinnon	Executive Director	Associated General Contractors-Anchorage		Yes	Juneau
Tony Johanson	Director	Associated General Contractors-Fairbanks		Yes	Fairbanks LIO
?	Executive Director	Fairbanks Economic Development Corp.		Yes	Fairbanks LIO
Steve Burell	Executive Director	Alaska Miners Association		Yes	Anchorage LIO
Lacher/Maloney		CH2MHill		Yes	Wasilla LIO
Ron Arvin	Borough Assembly	Matanuska-Susitna Borough		Yes	Juneau
?	Commercial Realtor	Anchorage		Yes	Anchorage LIO
Greg Striker (?)	Vice President	Alutiiq		Yes	Anchorage LIO
Kim Cunningham	Vice President	CIRI		Yes	Anchorage LIO
Roger Purcell	Mayor	City of Houston		Yes	Wasilla LIO

Railroad outlines plans for extension to Port MacKenzie

If the Alaska Railroad sticks to its schedule, there could be rail traffic to Port MacKenzie in three years or less.

In its project fact sheet, the railroad said the final design of the route would be complete this year. Construction would be complete by 2012. After that, the engines and cars would start rumbling down to water's edge.

If that happens, places as far away as Fairbanks can start shipping goods to this area's only deep-water port. Freighters can bring in material from distant lands. Industry will flourish statewide. Good-paying jobs will be created.

If the railroad's fact sheet is correct, this is a project that we can see in the immediate future, something we can hang our hat on — unlike the gas pipeline that continues to seem like a pipe dream.

Speaking of the gas pipeline, with lots of room to grow at the port, it would make a great staging area for the pipe project. Heavy equipment could come there by ship. The materials to build the pipeline could be stored there until needed.

This line extension, along with the port emerging as an industry hub, puts the Valley in a good position to do great things down the road.

In a press release, the railroad says it has budgeted more than $43 million for capital improvements for this year.

Much of that money is scheduled to be spent in the Mat-Su Borough. In addition to line extension to the port, there are plans for relocating tracks in Wasilla, a commuter rail study, restrooms in Talkeetna and some bridge work, including the Matanuska River.

Other than seeing a train pass by, many people don't think much about railroads. The image that comes to mind is that railroads are old school in this day of digital this and Internet that.

The fact is, railroads are the backbone of the country's freight hauling.

If you need further convincing, think back to last year when Warren Buffett, the billionaire, started buying railroads like he had Monopoly money. If Buffet thinks railroads are a sound investment, then who is anybody to argue? He's done pretty well for himself.

The rail extension connecting to existing tracks somewhere north of Wasilla will be a boon to the statewide economy and the Valley will be at the heart of it.

That can't happen soon enough.

Port MacKenzie Rail Extension

PROJECT FACTS

Project Scope

The Matanuska-Susitna Borough (MSB) and the Alaska Railroad Corporation (ARRC) jointly propose construction and operation of a new rail line to connect the Borough's Port MacKenzie to ARRC's rail system.

The port lies about 30 miles southwest of Wasilla and about 5 miles due north of Anchorage, across Cook Inlet. Depending on the route selected, the project would involve 30 to 45 miles of new rail line extending from Port MacKenzie to the Alaska Railroad's mainline at some point between Meadow Lakes and north of Willow.

Port MacKenzie has a deep draft dock that requires no dredging and can serve the world's largest ships (Panamax and Cape Class vessels). The port's 8,940 upland acres and 1,300 tideland acres provide ample room to accommodate bulk resource storage, transport and processing facilities, as well as rail and terminal facilities for efficient train loading and unloading.

The project includes completion of an Environmental Impact Statement (EIS) as required by the National Environmental Policy Act (NEPA). The EIS and associated studies include identifying and analyzing feasible alignment alternatives, completing preliminary engineering design on alternatives, estimating anticipated construction costs, and determining the project's economic, financial and engineering feasibility.

When the EIS, design and construction are complete, the new rail line would operate as part of the Alaska Railroad system.

Project Benefits

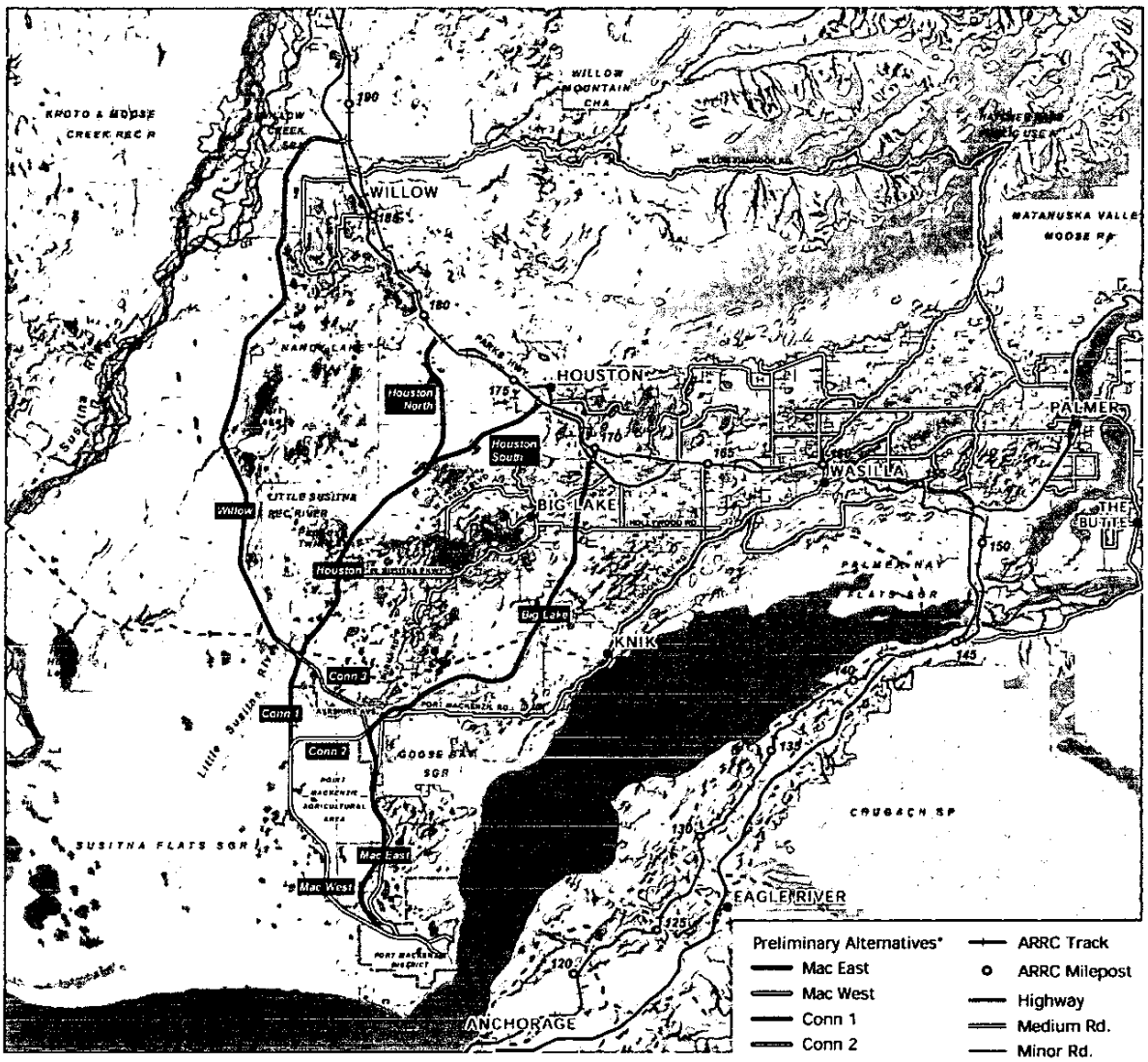
- The rail line would support Port MacKenzie's potential as a bulk resources export and import facility.
- The rail line would support natural resource development. Increased rail freight activity would benefit railbelt communities through increased employment, contributions to state and community tax base, and overall economic health.
- With room for layout and storage, Port MacKenzie would be an ideal site to supply materials for pipeline and other construction projects.

Project Status & Timeline

- In June 2007, MSB and ARRC signed a Memorandum of Agreement to pursue environmental work, engineering and alternative analysis in support of the Surface Transportation Board (STB)-led environmental document for a Port MacKenzie rail line extension.
- Ideally, the project will follow a tight schedule:
  - NEPA Environmental Study Completion / Identify Funding: 2007-2010
  - Project Final Design: 2009-2010
  - Construction: 2010-2012
  - Operation: 2012-2013
- In Summer 2007, MSB and ARRC hired HDR Alaska to assist with completing an Alternatives Analysis (AA). This entailed review of prior studies related to Port MacKenzie, as well as new preliminary engineering and environmental field work to support the NEPA process. Extensive public involvement activity took place September through December 2007, including five public meetings (Wasilla, Knik, Big Lake, Houston and Willow), and dozens of briefings and meetings with community and special interest groups, as well as with municipal, borough, state and federal regulatory agencies. A project web site was also developed, going live in September 2007 — www.portmacrail.com.
- The railroad submitted the completed Alternatives Analysis as part of an application to the STB in January 2008. See the STB NEPA

12/30/2009

Route Alternatives



Matrix Reference

Use this map as a reference for reviewing the project matrix on the following page. Footnotes regarding the matrix:

a Criteria are rated as follows: (+) Positive; (0) Neutral; (-) Negative. Criteria are not weighted and routes are not ranked.

b Large parcels of undeveloped land owned by the State (but not designated for parks or refuges), Mat-Su Borough, University of Alaska, Mental Health Trust, and Alaska Native Corporations.

c Lands designated for parks, refuges or agricultural uses.

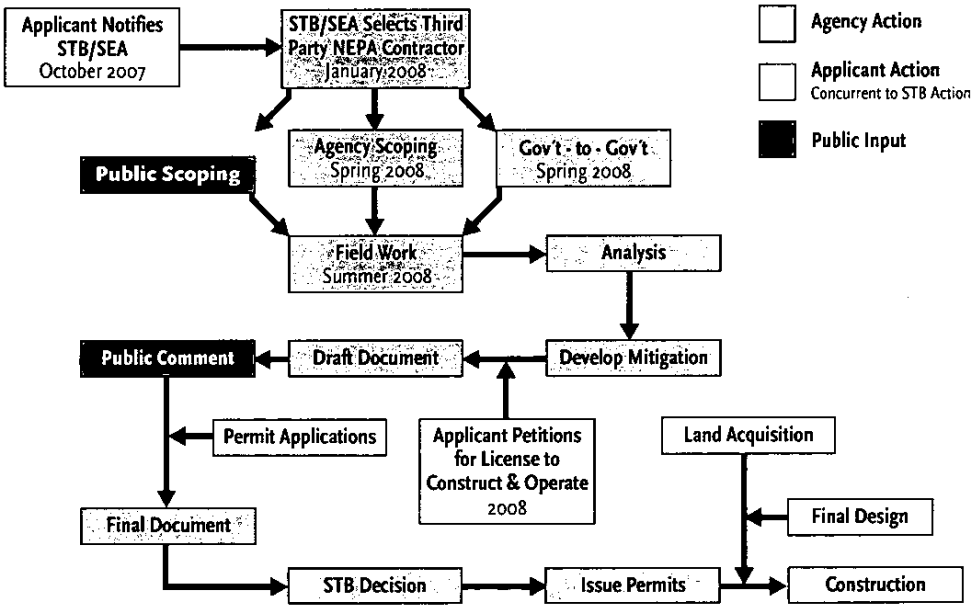
d Routes impacting greater than 500 acres were given a minus (-) and routes impacting less than 300 acres were given a plus (+).

e Costs do not include approximately $10 million for a loop track constructed within the Port. This cost is common to all of the route alternatives.

Port MacKenzie Rail Extension Criteria Matrix

PROPOSED ROUTES	CRITERION[a] 1 Poor or Highly Compressible Soil (millions of cubic yards)	2 Number of New Road Crossings	3 Land Availability[b] (acres / mile)	4 Number of Developed Parcels	5 Designated Land Use[c] (acres)	6 Train Energy Needed (horsepower-hours)	7 Wetlands (acres)	8 Number of Mapped Anadromous Fish Streams	9 High Potential for Archeological Sites (acres)[d]	10 Fragmentation of Refuges or Recreation Areas (yes / no)	+ / 0 / -	Total	Cost Estimate[e] (millions of dollars)	
Mac West • Willow	1.15 0	5 +	15.8 0	15 0	440 -	8,100 +	200 0	5 0	585 -	Yes -	2 / 5 / 3	-1	$285	-
Mac West • Houston North	1.73 -	4 +	14.6 0	13 +	440 -	7,300 0	350 -	7 -	225 +	Yes -	3 / 2 / 5	-2	$220	0
Mac West • Houston South	1.19 0	5 +	16.3 0	13 +	415 -	8,100 0	280 -	6 0	280 +	No 0	3 / 5 / 2	+1	$200	+
Mac West • Big Lake	0.66 +	11 -	11.3 -	35 -	320 -	9,800 -	220 0	7 -	530 -	No 0	1 / 2 / 7	-6	$240	0
Mac East • Willow	1.05 0	7 0	18.9 0	7 +	150 +	8,700 0	90 +	4 +	580 -	Yes -	4 / 4 / 2	+2	$280	-
Mac East • Houston North	1.62 -	6 0	18.7 0	5 +	145 +	7,900 0	240 0	6 0	225 +	Yes -	3 / 5 / 2	+1	$220	0
Mac East • Houston South	1.08 0	7 0	20.4 +	5 +	130 +	8,700 0	175 +	5 0	280 +	No +	6 / 4 / 0	+6	$200	+
Mac East • Big Lake	0.56 +	11 -	15.4 0	26 -	120 +	9,100 -	160 +	7 -	540 -	No +	4 / 1 / 5	-1	$220	0

STB NEPA Process



LYNNE WOODS
DEPUTY MAYOR
ASSEMBLY DISTRICT 1

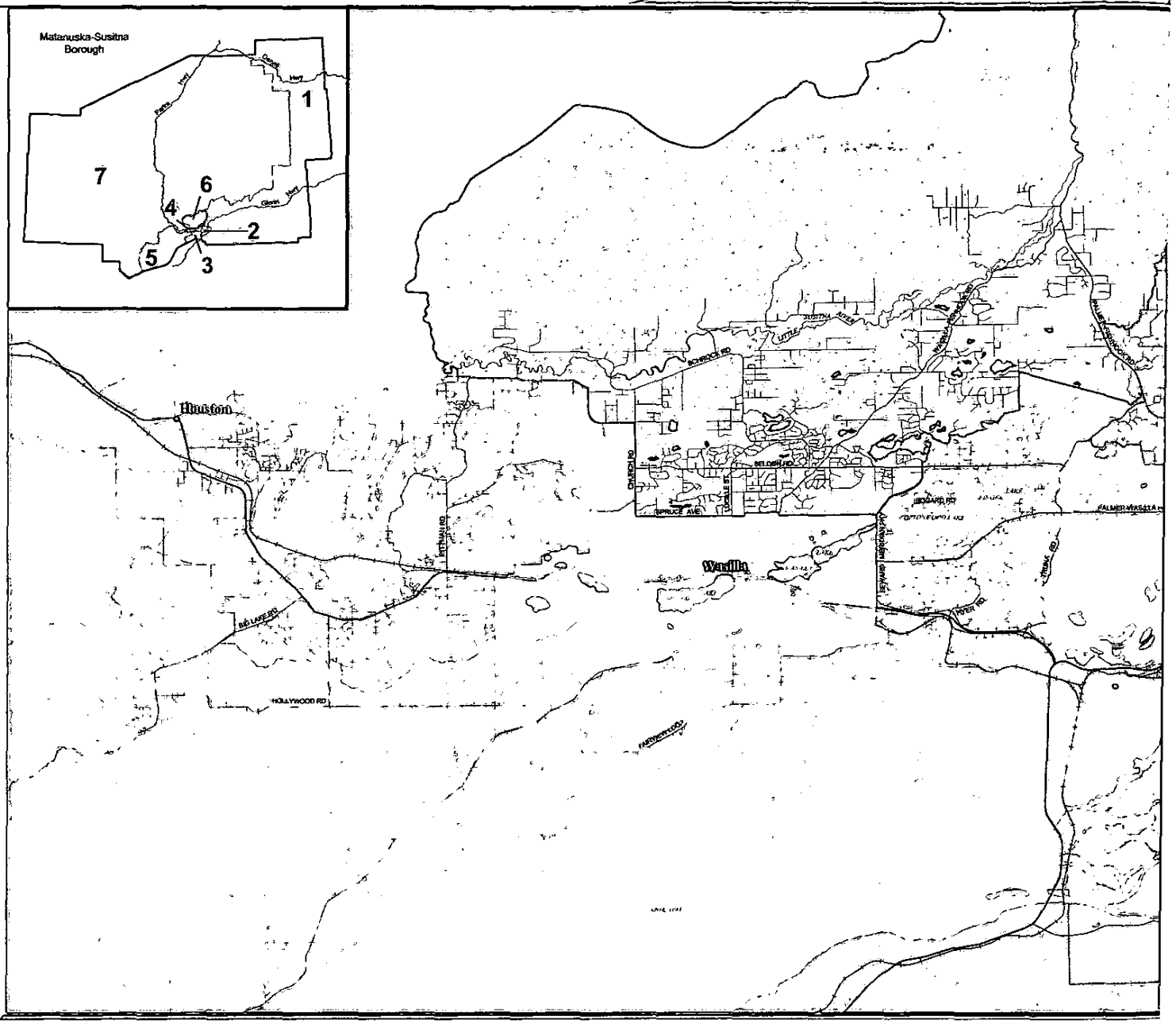
MATANUSKA-SUSITNA BOROUGH
P.O. Box 37
Sutton, AK 99674
E-mail: aklynne@mtaonline.net

PH: (907) 745-4527
CELL: (907) 232-5067
FAX: (907) 746-6359

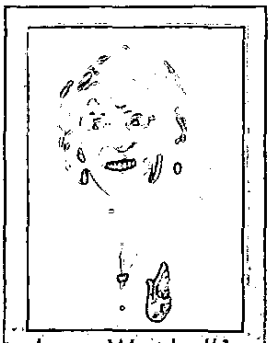
Annual Report 2009

Photos by: Patty Sullivan John Borland Cedric Godnig

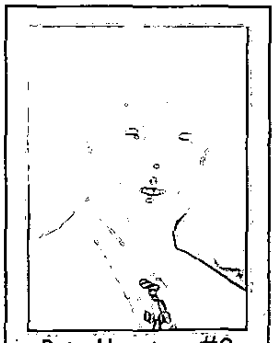
MIGHTY MAT-SU more tha



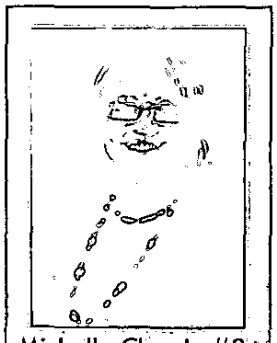
Talis Colberg, Mayor
745-9682
tcolberg@matsugov.us



Lynne Woods, #1
745-4527
aklynne@mtaonline.net

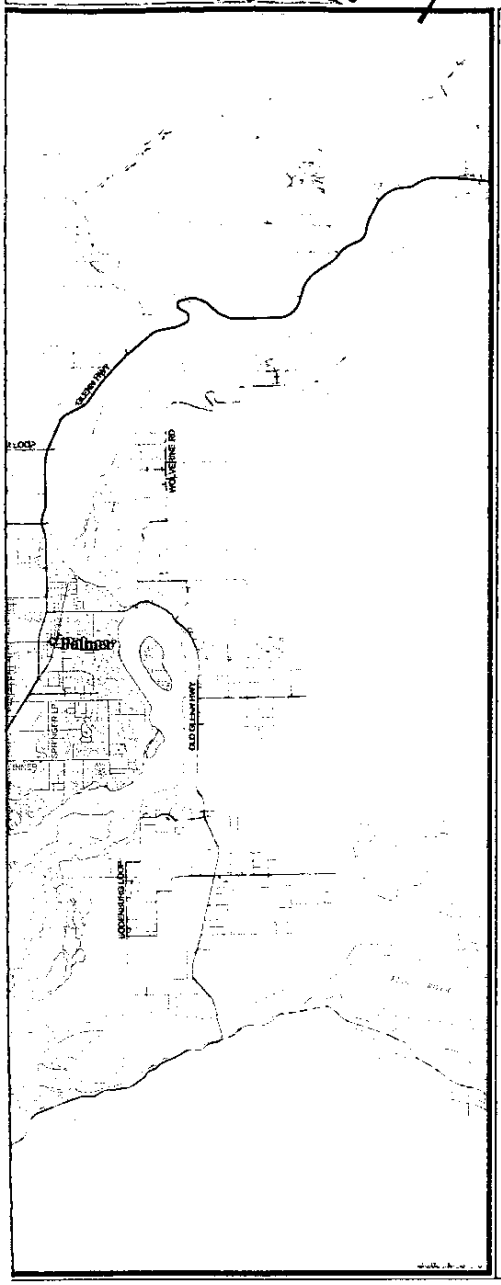


Pete Houston, #2
354-6308
akpete@mtaonline.net



Michelle Church, #3
354-1887
michellechurch@mtaonline.net

25,000 square miles
Nearly the size of Ireland!



Holding the Mill Rate Steady

The Assembly recognized that there would be local ramifications from the strained national and global economy. Fastidious spending cuts produced a lean budget for fiscal year 2010. The Assembly held the mill rate steady, despite increasing expenses and demands for services in Alaska's fastest growing community.

Agriculture is our community's heritage but also needs to be our future.

Growing our own food isn't just about aesthetics, it's about security for the state.

Michelle Church
Assemblymember

The new areawide mill rate is 9.98. The non-areawide mill rate is 0.429.

Some $3.9 million in State revenue sharing funds from local Legislators and Gov. Palin helped further reduce the tax burden on local property owners. Our school district was able to receive a $384,477 increase over last year. Assemblymembers are actively promoting tourism, agriculture,natural resources, and recreation as a means to diversify our economy.

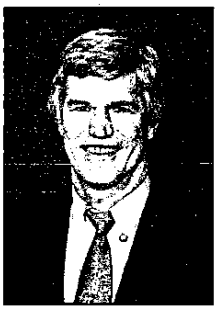
My goal is to grow the population of the Borough without growing its government and to provide the same level of services without any added tax burden.

Mark Ewing
Assemblymember

Mark Ewing, #4
864-0855
markewing@mtaonline.net

Cindy L. Bettine, #5
892-8877
cindybettine@mtaonline.net

Robert F. Wells, #6
746-5585
rwells@mtaonline.net



Tom Kluberton, #7
841-7107
tkluberton@mtaonline.net

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A Letter to the Community

Dear Mat-Su residents,

We think we have it all.
In a striking Alaska setting our amenities are growing: the first Target and Walgreens in Alaska chose to come here. Chili's, Sportsman's Warehouse, & Sports Authority, came one after the other. Independent businesses such as Cubby's market, and tasteful restaurants such as Turkey Red, and The Red Beet have opened their doors.

The Borough economic base continues to expand and diversify. Our bond ratings remain solid at Standard & Poor's-AA, Fitch Ratings-A+ and Moody's-A1 — no small feat in tough economic times. New activities at the Port are generating revenue and returning profit on 6 years of infrastructure investment. The coming industry via the Port MacKenzie Rail Extension and the barge dock expansion will help reduce the burden of taxes on the homeowner by diversifying our tax base.

Goose Creek Correctional Center is under way. The $240 million project creates up to 1,000 direct and indirect jobs in the Borough at a time when the rest of the country is searching for economic stability.

The Fred & Sara Machetanz Elementary school is not only an energy efficient new school but a magnificent building for learning. Work on the Susitna Valley Jr/Sr. High will be complete by Christmas. All three structures are LEED certified, upholding high standards in sustainability.

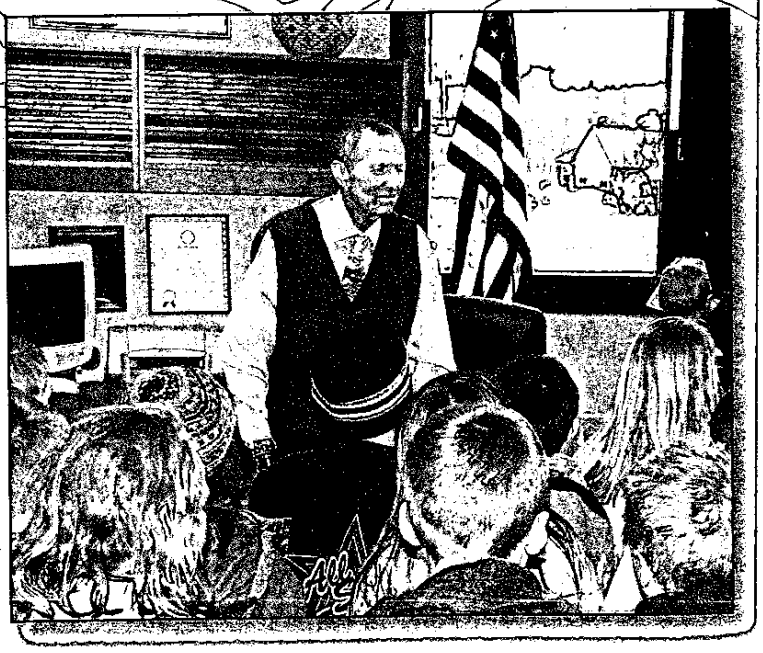
In the past decade our population grew 39 percent. We're still growing.
There's much more to tell inside.

-**John Duffy**, Matanuska-Susitna Borough Manager

Curtis D. Menard,

Former Mayor of the Matanuska-Susitna Borough
October 2006 - March 2009

Mayor, you often entered a room at the Borough chuckling, ready for a challenge. In the lows of a night meeting, you interjected a dose of humor and lifted the dull room into laughter. When you fell into storytelling it was often to poke at your own misadventure,—an undersized boat tossed—with wife—in rough seawater, a fishwheel overflowing with reds while you slept like a teenager in a truck; your missing arm you fondly called "the hook." You addressed everyone with respect: CEOS and kids alike. You led the Borough with grace and advanced us. Time passes, but you are sorely missed.



Magnet for Volunteers

The Borough Animal Care Shelter has come a long way from the days of surgery performed on a makeshift plywood exam table.

A 14,000-foot expansion has brought light and space and goodwill to what was a sick building. A classroom, three adoption rooms, a designated grooming area, and a commercial-grade laundry room are part of the upgrades. Three times the holding capacity for animals makes adoptions more likely. An artful feline mural with windows invites hallway viewing of cats beyond the wall in the cattery. The renovation of the existing 7,600 square foot structure will be complete in July.

Volunteers are buzzing about the busy new shelter, putting in loads of hours. Ashley Kjelland, 16, has volunteered 200 hours in a single month. "It makes a really big difference to see animals coming in and out, preferably out. It makes me feel better to make their stay more comfortable." Kjelland is among a group at the shelter who has earned the Gold in the Presidential Volunteer Service Award.

Just nine volunteers were on board when Volunteer Coordinator Sue Fujimoto was hired. Eight months later, 65 are active with another 30 wanting to learn how. Fujimoto says the community also gains. Kids with special needs, a woman with Alzheimer's, have noticeably gained more confidence after caring for dogs and cats.

The community interest in the attractive new shelter and the stepped-up outreach has helped lower the rate of euthanasia to half the national average.

ZONINGCODEUPDATE
A BETTER WAY TO GROW

The Borough's first television commercials were produced in-house by a team of four. The commercials were part of a larger public outreach effort on the challenges of growth in the Mat-Su. Subsequent commercials addressed the rewrite of Title 17, the zoning code. In four Borough community surveys residents consistently said they want better ways to manage growth and development. The Borough Planning Division has committed to undertake this effort and is leading the public review of our zoning regulations. Workshops, review meetings and hearings on the proposed ordinance will take place before adoption. Tell us how you want to grow and visit www.zoningupdate.info/

Willow Musher Erin McLarnon tells the camera, "How will I run my dogs when there are fewer trails tomorrow?" The commercial producers were: Project Manager & Planner Lauren Kruer, Planner Emerson Krueger, Videographer Stefan Hinman, and Public Affairs Director Patty Sullivan. Photo by Patty Sullivan

MASCOT

Two new 30-passenger buses for MASCOT, Mat-Su Community Transit, provide more seats for commuters between the Mat-Su and Anchorage.

A $500,000 grant from the Federal Transit Administration and a $125,000 matching grant from the Borough paid for four new buses and a driving simulator.

Visit the MASCOT website at www.matsutransit.com.

562-7665 Anchorage Share-A-Van

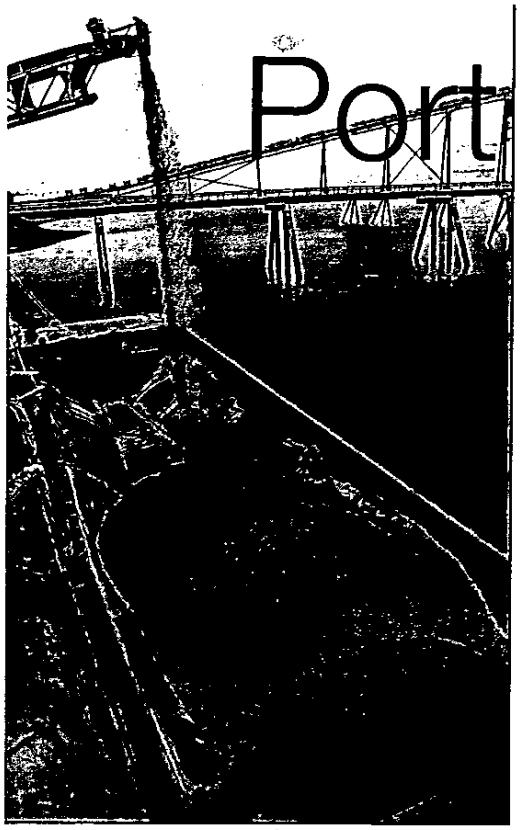
The Mat-Su now has 4 Share-A-Ride vans thanks in part to federal grants. The Borough is partnering with Anchorage in a regional vanpool program.

Public Works

The Borough Public Works Department stood out in the state for its household hazardous waste program, earning an award of excellence from the Alaska Municipal League.

"The facility allows our division to provide a significantly higher level of service to residents."

—Greg Goodale
Solid Waste Division Manager



Photos by Patty Sullivan/MSB

Port MacKenzie

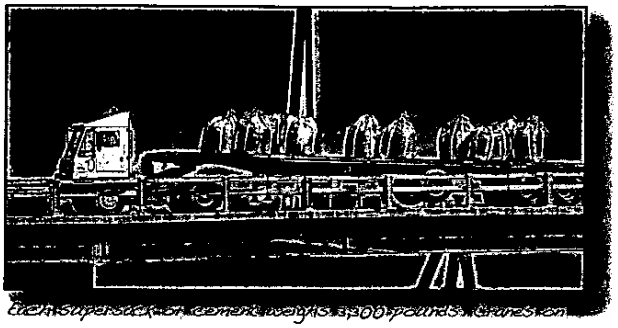
From China to the Mat-Su

In April the Clipper Tivoli arrived from China. Workers unloaded the vessel round the clock. Some 16,000 tons of cement and 3,000 tons of rebar moved across the dock. The Clipper Tivoli paid $35,000 in wharfage and dockage fees. Another cement ship is expected in fall 2009.

Earlier in the year, the Borough sold 451,000 tons of gravel, generating wharfage and dockage fees as well as royalties, about $600,000.

"It's another expansion here at Port MacKenzie," said Port Director Marc VanDongen. "And other commodities will follow like fuel and limestone."

VanDongen said this fiscal year the young Port turned a profit. "Once we get our rail line in, I expect significant net profits, in the $5-$10 million a year range, here at Port MacKenzie."



Each supersack of cement weighs 3,000 pounds. Crane-side the ship hoisted twelve sacks onto each flatbed. The loads left the dock about every seven minutes and made their way to a warehouse up the hill.

PORT MACKENZIE RAIL EXTENSION

Benefits keep adding up

The Port MacKenzie Rail Extension will give more than a $100 million boost to the most important project of our time: the natural gas pipeline. With a shorter rail distance to tide water, the transport costs will be lower at Port Mackenzie, resulting in tremendous savings in construction costs. Shipping pipe and heavy materials north on the Port MacKenzie line will save producers $122 million over going through Seward, $107 million over Anchorage, and $111 million over Whittier. The route to the Port, to date, has not been chosen. An Environmental Impact Study is expected in summer 2009.

Susitna Ferry connecting Upper Cook Inlet in 2011

The Susitna Ferry will promote economic development in the Upper Cook Inlet. Tyonek is already on board and ready to ride as regular passengers to Anchorage. Fairbanks sports fisherman want to ride to Kenai.

> "The Navy gets to test new technology and we get to keep this one-of-a-kind ship."
>
> – **John Duffy**, Borough Manager

- M/V Susitna can haul freight, more than 20 vehicles and 100 passengers.

- The world's first ice-breaking catamaran with a variable draft for landing.

ww1.matsugov.us/ferry

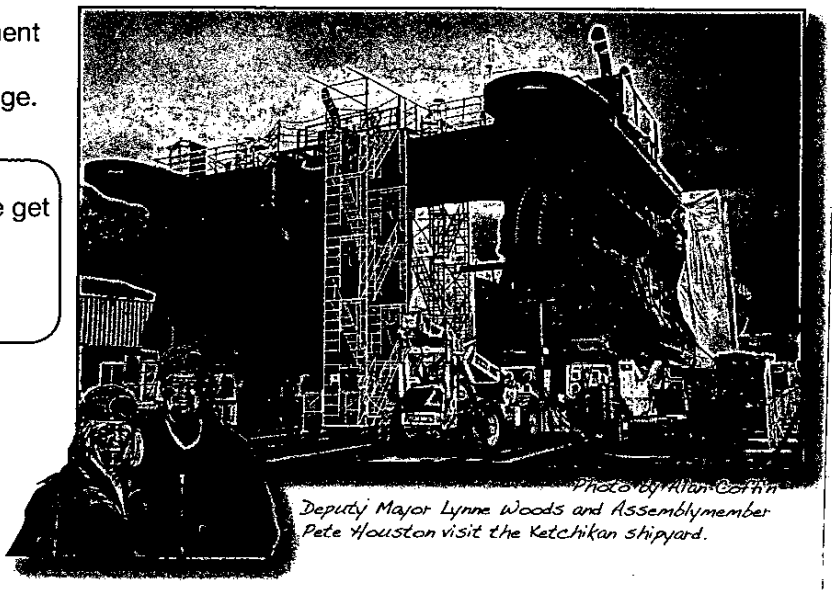


Photo by Alan Cerny

Deputy Major Lynne Woods and Assemblymember Pete Houston visit the Ketchikan shipyard.

It's about jobs

"I'm pleased to say—in this time of economic crisis—we have a major construction project underway that is providing many jobs to Mat-Su residents."

– John Duffy,
Mat-Su Borough Manager

It's about change

Up to 1,000 jobs

375 permanent Corrections jobs

650 Construction jobs over three years, $100 million payroll

Photo by Cynthia Oistad/RISE Alaska

"We protect the public, we don't exist to put people in jail."

– Joe Schmidt
Commissioner AK Dept. Corrections

"At 435,000 square feet, the $240 million project is the largest building construction project for the state in recent history."

—Russ Krafft,
project manager with Mat-Su Borough

"It may sound odd to people for us to say we are excited about building a prison. ... It's no ordinary prison. As Commissioner Schmidt has said so many times to me, his greatest hope is that some day he'll be out of a job...Some day the prisons and the programs and the rehabilitation efforts will truly pay off in the form of reclaimed lives and character of those incarcerated."

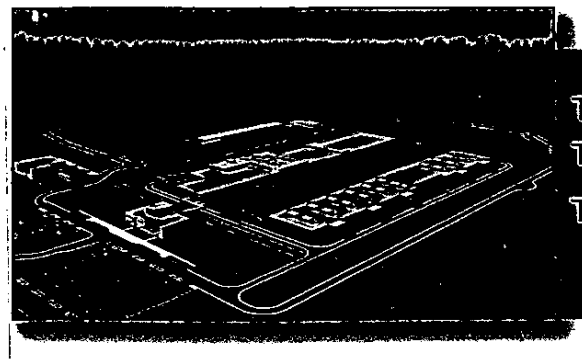
– Governor Sarah Palin

The project will also return tens of millions of dollars to the Alaska economy.

Local landowners benefit because the project is developing infrastructure in the region. Gas and telecom fiber are now available. Also a wastewater treatment plant will be developed, which could provide utility service to the public in the future.

GOOSE CREEK CORRECTIONAL CENTER

www.matsugov.us/prison



The prison site off Alsop Road is 330 acres with some 90 cleared acres.
The site is located about nine miles from the dock at Port MacKenzie.
The medium-security facility will have 1,536 beds for male prisoners.

Building a strong Future

The FIRST in Alaska

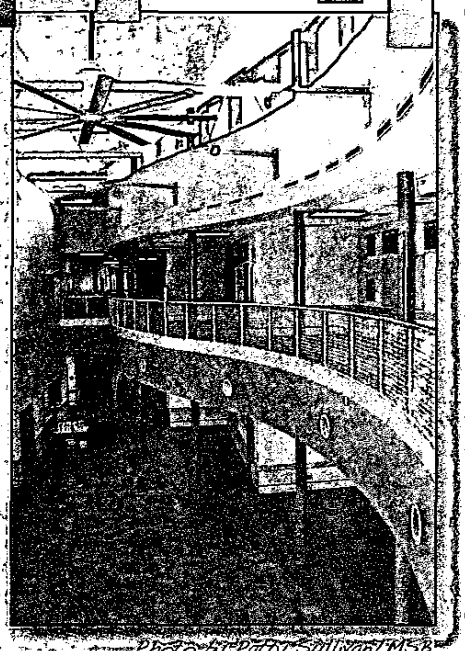


Photo by Patty Sullivan/MSB

The Fred & Sara Machetanz Elementary School is the first LEED-certified school in Alaska. LEED is Leadership in Energy & Environmental Design. The standards incorporate sustainability and efficiencies into the operation of the building.

The new prototypical elementary school design is focused on the learning environment and incorporation of technology, building system efficiencies, and collaborative learning."

–Bob Bechtold, project manager, Borough Public Works Department

The 51,000-square foot school is a magnificent space. A 39-foot ceiling in the multi-purpose area lifts to a large metal fan. Natural sunlight enters through high windows. Motion-activated sensors turn on and off lights near sinks. Banisters curve with the fluid room. Collaborative learning spaces, connected with the Ethernet, make the hallways useful for independent students on computers. A moveable wall also transforms the large open space into a private stage. In-floor heating is in the gym and kindergarten classes. Toilet handles flush up or down depending on the water demands. An elevator saves 2,000 square feet over the ramps of older schools.

Science Olympiad Top Achievers

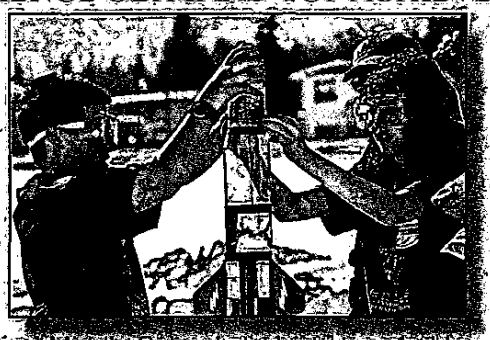


Photo by Carol Taylor

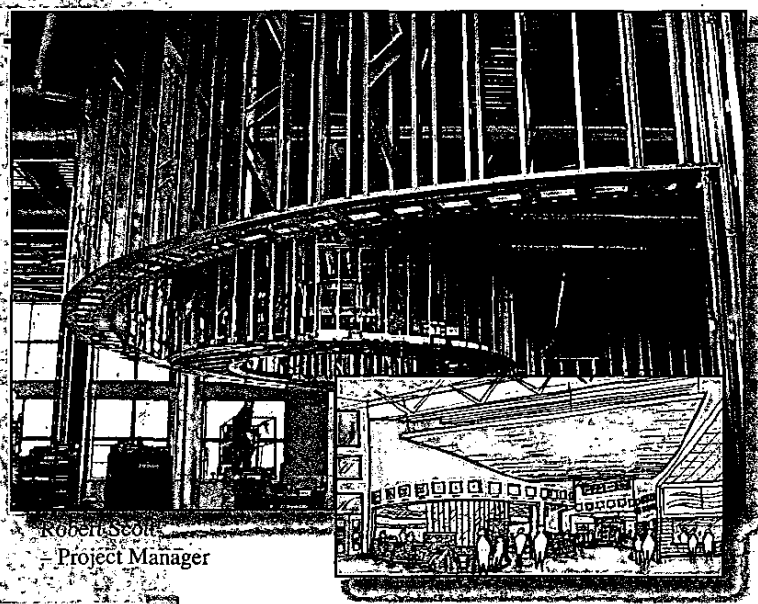
Teeland Middle School students traveled to Augusta, GA in the National Science Olympiad

Leif Kilkenny Johnson is a 2009 National Presidential Scholar from Alaska, an honor reserved for the top students in the nation.

Two students from each state are selected and are expected to be presented their gold medals by the President. Candidates for the honor must have scored in the top 3,000 students nationwide (the top 1/5th of 1 percent) on the SAT and ACT exams.

Johnson has previously represented Alaska at the national level five times.

All of Johnson's educational career has been in the Matanuska-Susitna Borough School District.



Robert Scott
Project Manager

When the doors open this winter, Susitna Valley High School will replace a school lost to fire in June 2007.

The 50,578 square-foot school will have a unique foyer. A glass and stone veneer hearth seating area on embedded boulders will give a rustic lodge feeling.

The building incorporates many energy saving and green' building materials, striving for conformance to LEED standards for the Mat-Su Borough's first platinum-rated building.

Su Valley High will accommodate classrooms with flexible teaching areas, a welding lab, a semi-circular media center and several applied science and lab areas. A new drive with lights and a new lit walkway have been added to improve pedestrian safety.

Did you Know ... the Mat-Su Career & Technical High School has won 6 prestigious design awar

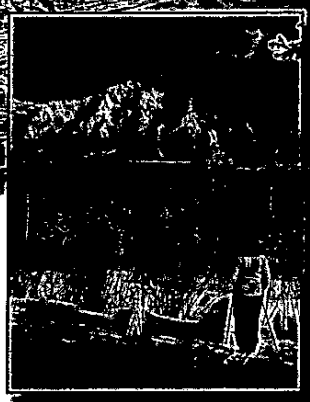
VERTICAL LIFT & Backcountry Glide

Ski lifts and Nordic trails at a regional Hatcher Pass Ski Area are getting closer than ever.

The Borough is working on building a road to both sites.

Snow sports already happen at Hatcher's.

The ski area will bring avalanche safety, restrooms, food service, a warming place, snow sports rentals, lessons, snowmaking and night-lighting. The two Alpine lifts will give downhill skiers and boarders significant vertical altitude. Around the corner on the Nordic or southern side of the mountain, 20 kilometers of trails— designed by an Olympian—will take a cross country skier through spruce to scenic views.



Photos by Ted Bell

The $19 million recreation project will spur economic development by drawing more skiers and their dollars here.

"The ski areas will bring secondary and tertiary economic benefits," said Assemblymember Rob Wells, who represents the area. The ski area will pay for itself operationally, as well."

An economic study indicates that on a typical weekend some 700 to 1,500 skiers per day would ride the lifts at Hatcher Pass. And Nordic ski clubs have expressed great demand for the cross-country trails.

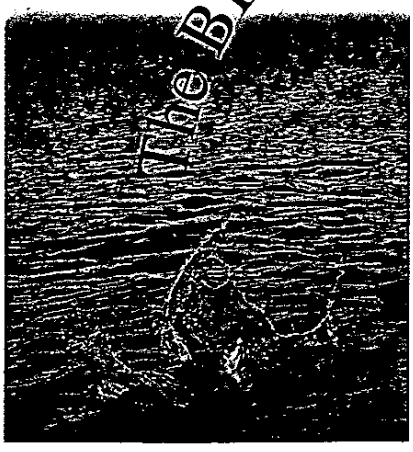
$5.6 million from the Federal Transit Administration is paying for an environmental study, access, and transit infrastructure. The Borough is researching how to fund the project. *Visit www.hatcherpass.com.*

Stop and stay awhile

A study on tourism infrastructure showed that visitors here drive through the Borough on their way somewhere else and don't know where to hike and fish.

The Assembly began a new program this year by dedicating $280,000 of the $1 million in visitor bed taxes to tourism infrastructure. Signage, information kiosks, destination trailheads and waysides with scenic overlooks and restrooms are part of the plan. This year $130,000 will jumpstart the effort at Moose Creek near Sutton. Another $130,000 will be spent on completing the trail system at Talkeetna Lakes Park.

"Because of waysides and scenic overlooks with kiosks, people do stop, they do hike, and they do stay longer."
—Dave Hanson, Economic Development Director



World flyfishing expert Phillip Rowley has dubbed the Mat-Su Borough the Stillwater Fishing Capital of Alaska.

Last summer, Rowley produced two TV shows here. The New Fly Fisher reaches 90 million households. The Borough is marketing this niche to tourists.

The Mat-Su holds an impressive concentration of quality waters and diversity of species. More than 80 lakes—wild and stocked—are all within an hour's drive.

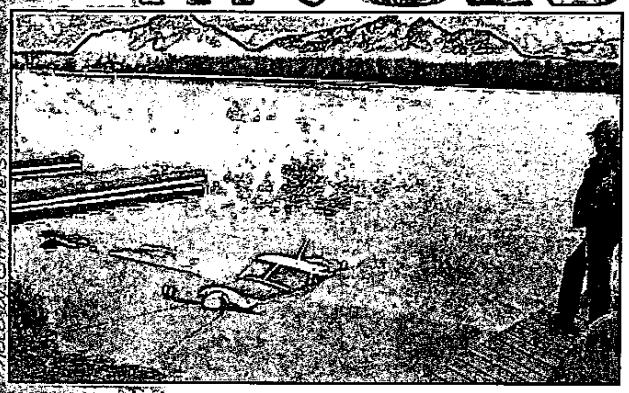
Visit the web site at
www.akstillwatercapital.com

The Mayor's Blue Ribbon Sportsmen's Committee
Their efforts continue to promote fish returns on Mat-Su rivers.

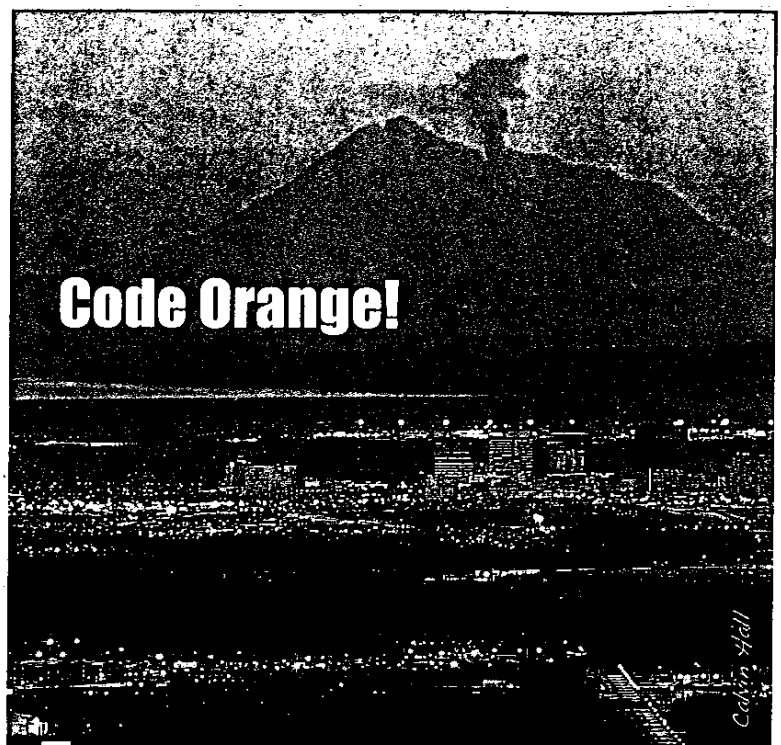
Photo by Mike Dawkins
Catch and release - rainbow trout

Did you Know: There are more than 2,030 miles of trails in the Mat-Su Borough—we have it all!

Retrieving from the WATER



In June 2009, the pilot of a Piper Cherokee 250 sputtered to a silence over Wasilla and left the pilot little choice of where to set down, the congested Parks Highway or—retracted wheels and all—on Lake Lucille? He chose Lake Lucille. The pilot did a good job of putting the aircraft down on the water without flipping it. He got out okay, but his plane was stranded in water six-to-eight feet deep with a goopy muddy bottom, said Cliff Silvers, Chief of the Water Rescue Team. Later Silvers and others went to retrieve the submerged plane. Using underwater lift bags, the crew lifted each wing and the engine with bags that inflate up to 2,500 pounds. Because the nose of an aircraft is heavier than the tail, a diver rode on the tail as Silvers guided the motor boat and plane gently toward the boat launch at the Best Western. "Our actions help mitigate the problems of fuel and oil in the water. Our actions also help the owners of taxable property to be able to salvage that property from the water," Silvers said.



Code Orange!

The night Mt. Redoubt erupted for the first time, a small crew at the Matanuska-Susitna Borough activated the Emergency Operations Center.

Radar on the web showed a trajectory of ashfall drifting toward us.

By 2 a.m. communities in the Susitna Valley were the first in the State to experience light ashfall.

The Borough was prepared for the "what if." Emergency responders in Willow, Trapper Creek, and Talkeetna were on alert.

Borough Emergency Manager Tom Smayda and Director of Emergency Services Dennis Brodigan were in continual contact with the Alaska Volcano Observatory, the National Weather Service, and the State Emergency Coordination Center as well as the Mat-Su School District. Lead Public Information Officer Patty Sullivan connected with TV and radio reporters throughout the morning and posted information immediately on the Borough's new emergency preparedness page, built earlier but linked up at midnight by Webmaster Jack Horner.

The Borough Emergency Information hotline was used for the first time, 761-3790. For future emergencies, you can find information at: *http://prepared.matsugov.us*

HAZ MAT

Cargo such as compressed natural gas regularly travels through the Borough on trucks and trains. All members of Mat-Su Borough Emergency Services receive basic Hazardous Material Awareness training annually. Responders learn to identify a hazardous material incident and to keep themselves and the public safe. A Haz Mat Response Team formed two years ago. The team is capable of dealing with minor Haz Mat incidents with detection equipment, personal protective equipment and absorbent to contain spills and to initiate evacuations if necessary. We have a trailer provided by the State of Alaska set up for this mission.

The team trains together monthly and at least annually with cooperating agencies such as the Anchorage Fire Department and the 103rd Civil Support Team. Ken Barkley is the Haz Mat Chief.

New technology for TOP LEVEL response

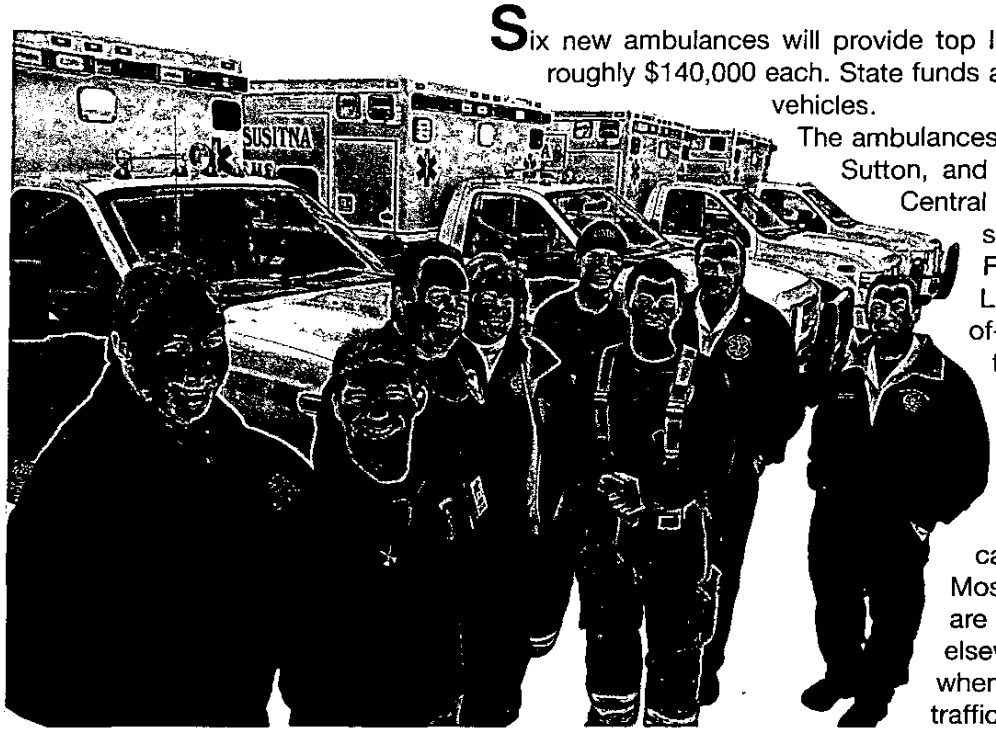


Photo by Patty Sullivan

Six new ambulances will provide top level response. The ambulances cost roughly $140,000 each. State funds and Borough funds helped pay for the vehicles.

The ambulances will be stationed in Houston, Palmer, Sutton, and two will be in the largest district of Central Mat-Su. The sixth ambulance will be stationed at Big Lake/Meadow Lakes.

Fire Chief Bill Gamble of Meadow Lakes/Big Lake Fire Dept said the state-of-the-art equipment shows support for the paid, on-call responders. "Good equipment inspires the on-call responders," Gamble said. "When the page goes out, these people get up from dinner, from bed, from work. They drop everything to respond to a call for help from our fellow citizens."

Most Borough emergency responders are not full time employees and have jobs elsewhere, but respond to emergencies when called. Gamble has been an air traffic controller for 24 years and an on-call responder here for nearly 20 years.

Knocking down fires faster

Two new state-of-the-art fire engines with compressed air foam capability will help firefighters knock down fires faster and ultimately save more property.

The fire engines are equipped with four-wheel drive to maintain traction on icy roads; heated front mirrors that require a glance rather than a turn of the head; and a full compressed air foam capability that increases firefighting efforts five times over.

"Last year our calls increased 13.35 percent over the previous year," said Central Fire Chief James Steele. The quickly growing community of Knik-Fairview is within Central's boundaries.

Central Mat-Su Fire Department is the second largest in Alaska. The engines cost $530,000 and were purchased by taxpayers of the Wasilla-Lakes Fire Service Area.

The engines will be instrumental in wildland-urban interface fires, where forest fires meet homes. With its two pump system, the fire engine can pump 1,500 gallons of water a minute and can also pump 100 gallons of fire suppressing foam a minute while the engine is rolling.

"In the Miller's Reach (fire) if we had something like this we could have gone up to one structure, coated it in foam, driven to the next house, coated it in foam," Steele said. "In those situations, seconds were what counted."

The Miller's Reach Fire in 1996 was a wildland-urban interface fire, the most destructive fire in Alaska's history, burning 443 buildings, most of them homes.

Photos by Patty Sullivan
Deputy Chief for Central Mat-Su Michael Keenan, Assistant Chief Mathew Greene, and Capt. John Burns will be among the drivers of the new engines

Financial Highlights

Fund 100 General Government

Expenditure Area	2007-08 Actual	2008-09 Budgeted
Education	$ 41,758,621	$ 44,711,888
Education/Infrastructure Debt	16,885,000	16,890,000
Assembly, Mayor Admin, Law, Clerk, Boards	3,323,114	4,499,621
GIS, IT	2,564,627	3,356,360
Finance	5,712,062	6,464,456
Planning	2,855,613	4,027,578
Public Works	3,245,229	3,859,070
Emergency Service	6,158,581	7,575,930
Community Dev. & Rec.	2,352,630	2,854,706
Common Contractual	909,404	1,300,400
Capital Projects, Roads, MSCVB, City Grants,	13,562,127	12,320,535
Total	99,327,000	107,860,544

Revenues	2007-08	2008-09
Property Taxes	$ 72,321,090	$ 78,176,230
Excise Taxes	4,528,495	5,012,000
Federal Payments	2,031,560	1,961,200
State Grants & Shared Revenues	15,076,680	16,037,141
Fees	3,463,626	4,343,100
Transient Accommodations Tax	1,038,309	1,066,900
Interest Earnings	5,022,058	2,500,000
Recoveries & Transfers	2,796,879	1,369,720
Other	33,033	40,000
Totals	106,311,730	110,506,291

Revenue Cap

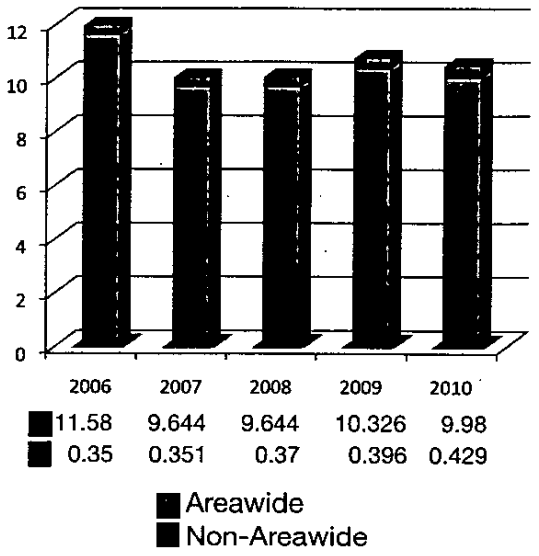
In 2005, the Assembly adopted a cap on tax revenues. A formula provides the highest allowed mill rate. Using recent numbers, the formula is:

Prior year's levy $91,380,175 +
Prior year's levy (revenue) x (Anchorage Consumer Price Index 4.63 % + 5 year average population growth rate 4.19 % = $8,059,731
+ value of new construction $232,671,355
+ new voter approved bonds if any, $0
Mill rate allowed: 11.508
Mill rate adopted: 9.98

Q: What is a Mill Levy?

A: A mill levy is the number of dollars a taxpayer pays for every $1000 of assessed value.

Mill Levies

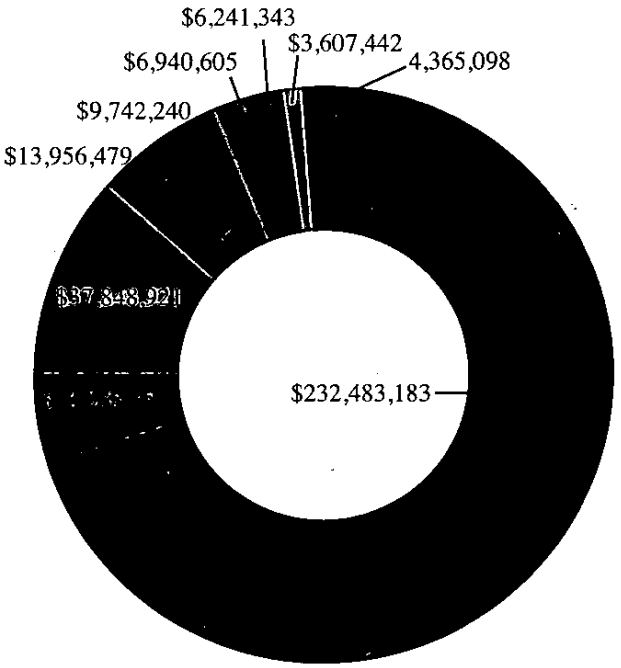


Did you Know: A homeowner will pay $2,180 on an average assessed hom

Comprehensive Borough Budget

FY 2010 Expenditures

- Education Operating
- Education debt service for bonds on new infrastructure
- 11% Areawide Services in Borough and cities: *Emergency Services/ Public Works/Planning/ Community Development/ General government*
- Capital, roads, fire, landfill, block grants
- Road Service Operations
- Port MacKenzie, Solid Waste
- Fire Service equipment/ maintenance
- 1% Non-areawide services outside cities: *Animal Care/Libraries/Economic Development*
- 1% Other



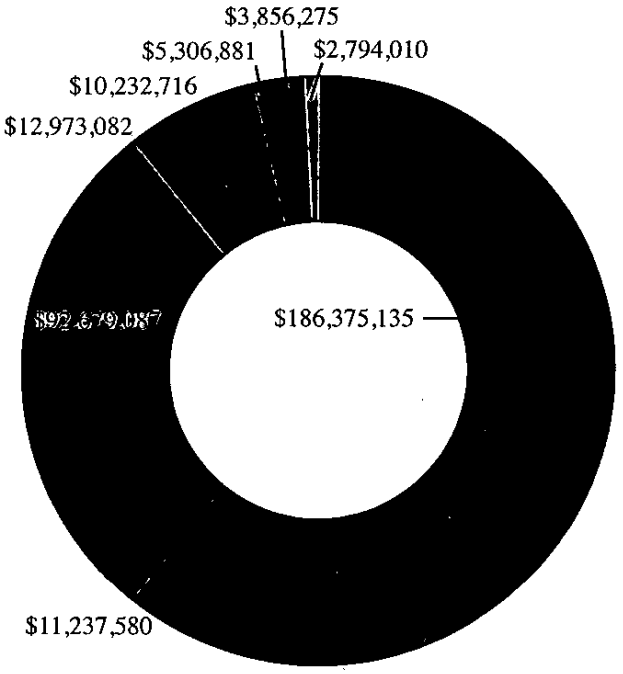
Areawide: Services and taxes in the Borough and cities such as planning, parks and recreation, emergency medical services and historic preservation.

Non-Areawide: Services and taxes outside cities such as libraries, animal care and economic development.

75 cents of every dollar the borough spends goes to education, including operations and debt on school construction.

FY 2010 *Revenues*

- Education Operating: *State and Federal annual education operating funds*
- Education Debt Service: *State annual schools capital debt payment*
- 28% Areawide Property taxes
- Road Service Area Taxes
- Fire Service area taxes
- Enterprise funds: *Landfill fees/ Port dockage wharfage*
- Non-areawide taxes collected outside cities
- 1% Other Funds



Borough Net assets: $455,134,797 (6/30/08)

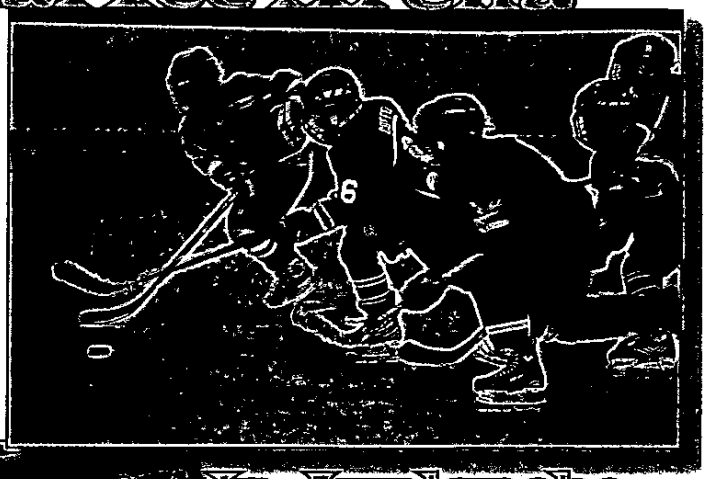
The cost to upgrade one mile of road in a subdivision: $125,000 to $175,000. If you add right-of-way or utility costs the number climbs to $275,000. Paving adds another $250,000 per mile.

2009 of $209,000. That's $150 less than last year!

Brett Memorial Ice Arena

Adult hockey is booming. Youth hockey is busting at the seams.

– Joe Miner, Manager of the Brett Ice Arena



70,246 skaters enjoyed the ice at the Brett Memorial ice Arena in nearly a year

Jr. Avalanche Squirts

Photos by Patty Sullivan/MSB
Top, from left to right: Isaiah Hall, Zach Cuffel, Reid Humphreys, Tyler Chivers, Caleb Hall

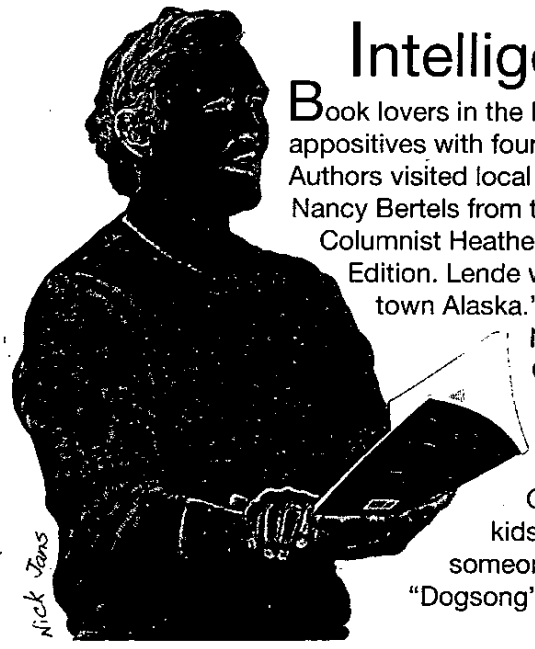
Lets go swimming!

"I've never been in a community where you had waiting lines to get into Open Swim, ever. There's lots of indicators that say we should build another pool."
– Dan Keyes, Manager of Recreation Services Division

17,478 swimmers went to Open Swim at Wasilla and
12,368 swimmers went to Open Swim at Palmer
Pool in a recent ten-month period.

Overall, 51,936 swimmers enjoyed the Palmer pool and
68,648 swimmers enjoyed the Wasilla pool in 10 months.

The cost to remodel showers in locker rooms at Palmer and Wasilla pools and to improve wheel chair access—$213,700



Intelligent Conversations

Book lovers in the Mat-Su had the chance to discuss plot and noun appositives with four famous authors this year.

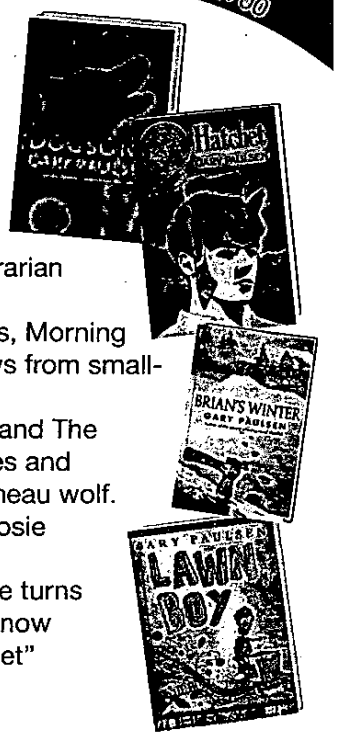
Authors visited local libraries thanks to a grant secured by Sutton Librarian Nancy Bertels from the Institute of Museums and Library Services.

Columnist Heather Lende is a contributor to National Public Radio's, Morning Edition. Lende wrote "If you lived here, I'd know your name: News from small-town Alaska."

Nick Jans, is author of "The Last Light Breaking" and The Grizzly Maze." Residents enjoyed his Alaska slides and insights on the arctic, bear encounters, and a Juneau wolf.

Local author Ann Dixon shared excerpts from "Posie Peeked at Christmas."

Gary Paulsen was the last author in the series. "He turns kids on to books," Bertels said. "They're excited to know someone who wrote a book." He is the author of "Hatchet" "Dogsong" and "The Winter Room."



Life along the Mat River

Every summer the glacially-fed Matanuska River scours out parts of its banks threatening property and sometimes taking it. This year the Matanuska-Susitna Borough began a management plan for sections of the river from Chickaloon to the lower Butte.

"We have been using a band-aid approach thus far to address erosion along this large, powerful river," said Borough Environmental Planner Frankie Barker. "It is time for us to look at better ways we can learn to live next to it."

Erosion incidents in the past have been addressed on a case-by-case basis by a variety of agencies. The Matanuska River Management Plan is being developed to create a framework to address the river, including erosion, recreational access, habitat and land use.

Qeshqa House

Athabaskan Chief's House

A beluga harpoon likely dating back to the 1830s was recently dug from the trash of a Dena'ina chief's house near the old townsite of Knik. "In the whole Upper Cook Inlet, nothing like this has been found," said Professor of Anthropology David Yesner at the University of Alaska, Anchorage. "It helps local people say, hey, here's elements of your heritage, right here, that indicate that your ancestors were beluga hunters right on this spot."

Russia sold Alaska to the U.S. in 1867. Beads and pottery found there likely came from trade with other Natives, not from direct contact with Russians.

"We've barely scratched the surface in this part of the country," said Fran Seager-Boss, Borough Cultural Resources Specialist. "That's why we're working jointly with the University. There was a tremendous concentration of villages around the upper Knik Arm, and we're losing them very fast through development," Seager-Boss said. The private land is being mined.

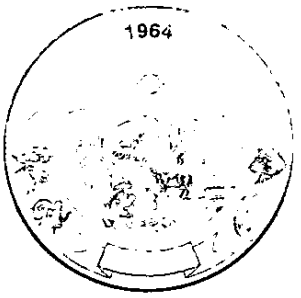
State and federal laws protect cultural resources. A federal permit triggered the salvage effort. Yesner and Seager-Boss and their team have been working at the site for eight years, paid through grants, the landowner, and the Borough. Voters in 1987 requested a cultural resources expert on staff.

Talkeetna Lakes Park

Talkeetna Lakes Park makes ten the number of Mat-Su Borough parks. Its 1,040 acres surrounds six lakes.

As part of phase 1, a new trail offers hiking, snow shoeing, mountain biking, and near by canoeing and fishing. The next phase is to develop a world class trail system for Nordic skiing.

In 2006, a trail crew with the International Mountain Biking Association visited the park and tuned up the trail designed by Chris Mannix and Karl Swanson of the Denali Nordic Ski Club. "It's a much needed and well-used, cool trail in a beautiful park," Mannix said. "It was a lot of work. We naively thought it would be easy to build a hiking loop."



Mat-Su Borough

Calvin Hall

Written and produced by Public Affairs Director Patty Sullivan
psullivan@matsugov.us 907.745.9577
Designed by Media Design Specialist Jennifer Dawkins

2-23-10 Update: Ketchikan Shipyard

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ALASKA STATE LEGISLATURE
ECONOMIC DEVELOPMENT, TRADE & TOURISM COMMITTEE

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Chairman
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Committee Members:
Representative Mike Chenault
Representative Nancy Dahlstrom
Representative Kyle Johansen
Representative Reggie Joule
Representative Mark Neuman
Representative Harry Crawford
Representative Lindsey Holmes
Representative Chris Tuck

State Capitol, Room 120
Juneau, Alaska 99801

House Economic Development, Trade & Tourism Committee Agenda

Tuesday, February 23, 2010 at 5:15 p.m. in Room 106

+ The Ketchikan Shipyard – Strengthening the Alaskan Economy: Overview of the Ketchikan Shipyard, with an Update on Alaska Maritime Workforce Development, the Building of the M/V Susitna and Future Prospects

Guest Speakers:

Douglas Ward, Director of Shipyard Development, Alaska Ship and Drydock, Inc.
Admiral Tom Barrett, Deputy Federal Coordinator, Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects

* First Hearing in First Committee of Referral
\+ Teleconferenced
= Bill was previously Heard/Scheduled

The Ketchikan Shipyard

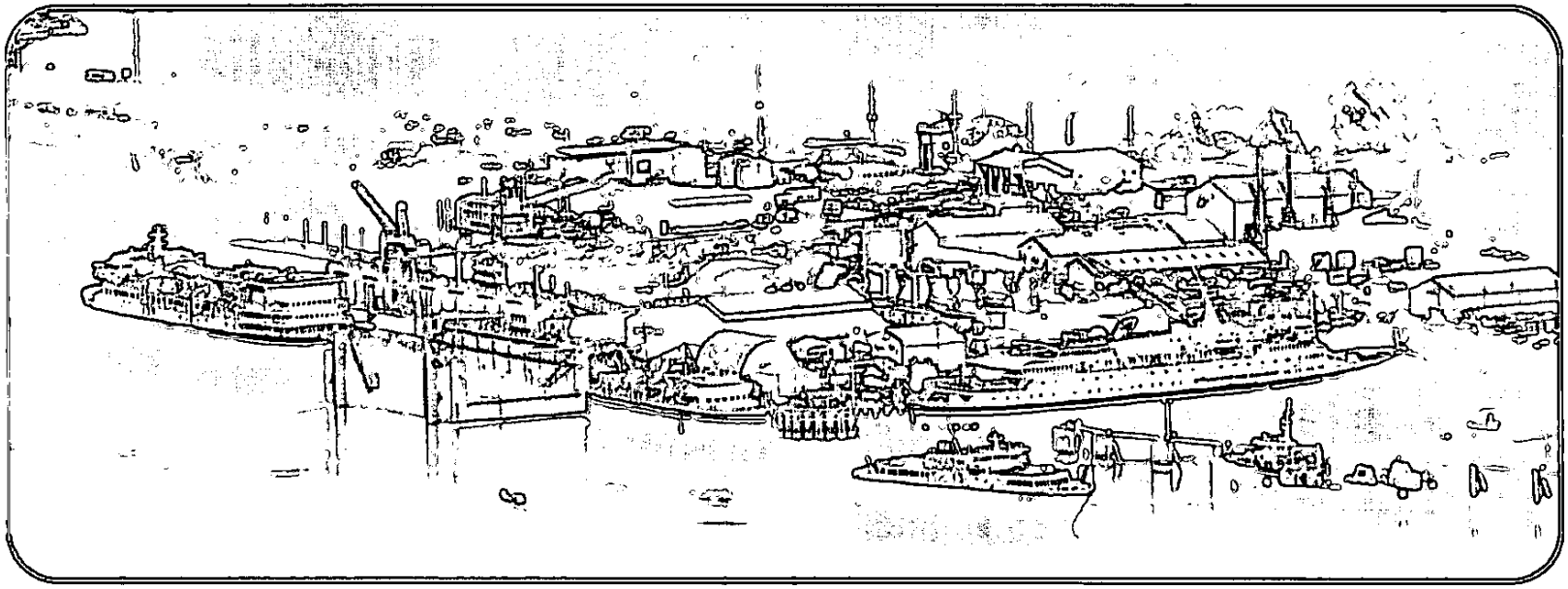
An Effective Public Private Partnership

Between

The Alaska Industrial Development & Export Authority,

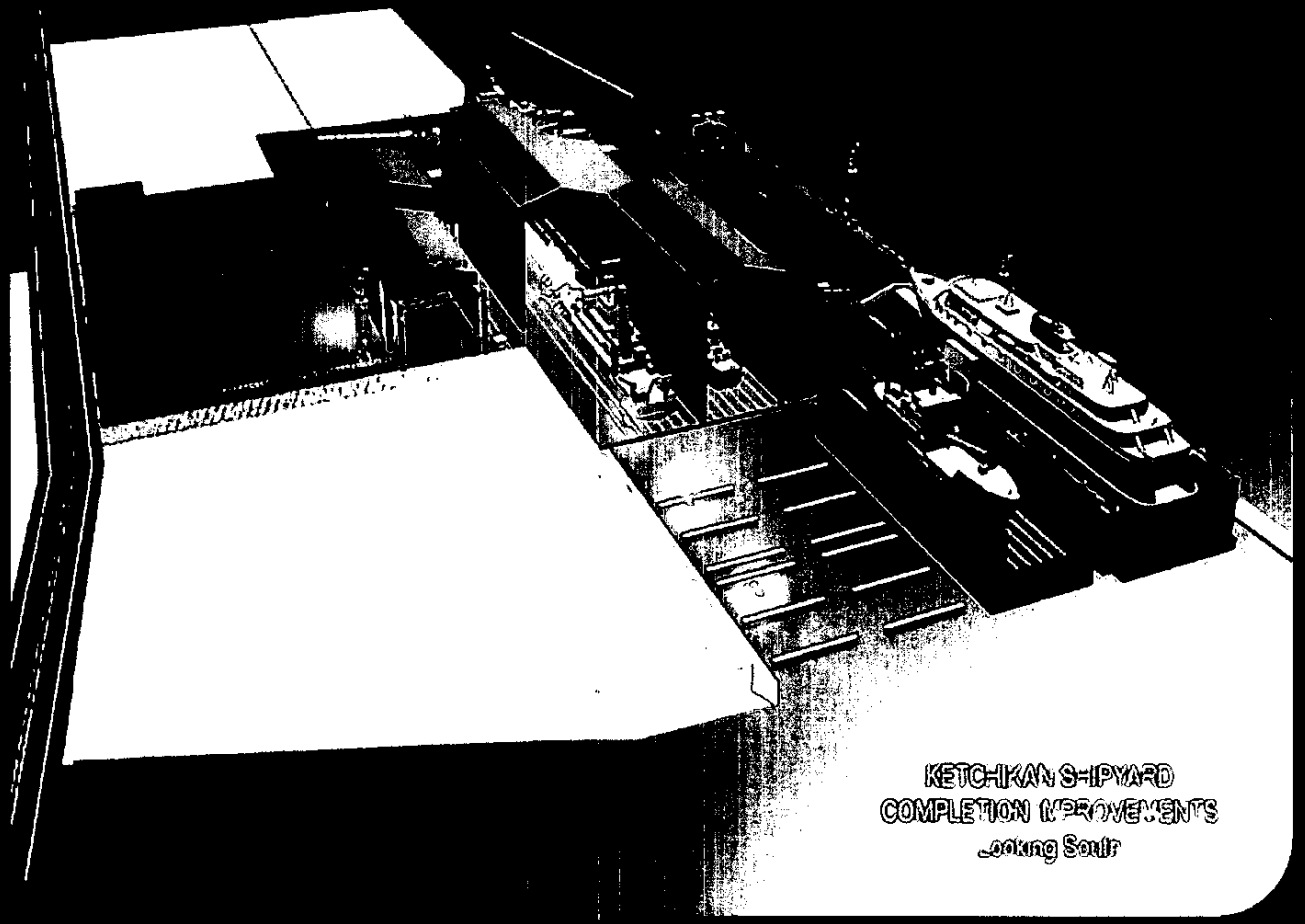
Alaska Ship & Drydock, Inc.

The City and Borough of Ketchikan

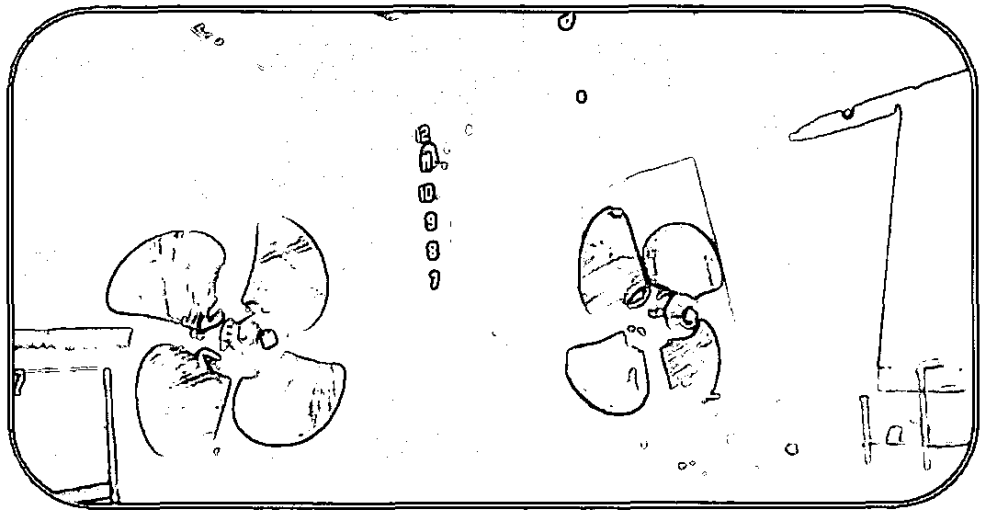


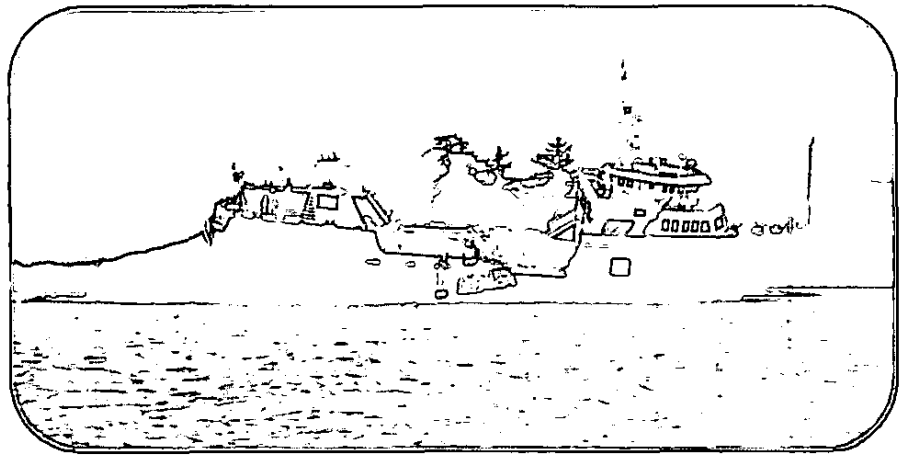
Ketchikan Shipyard Development Plan

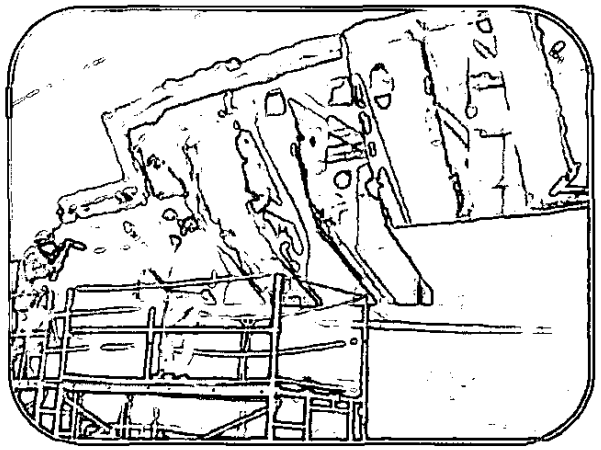
Globally Competitive Benchmarks



Reducing the Cost of Operating Alaska's Marine Transit System

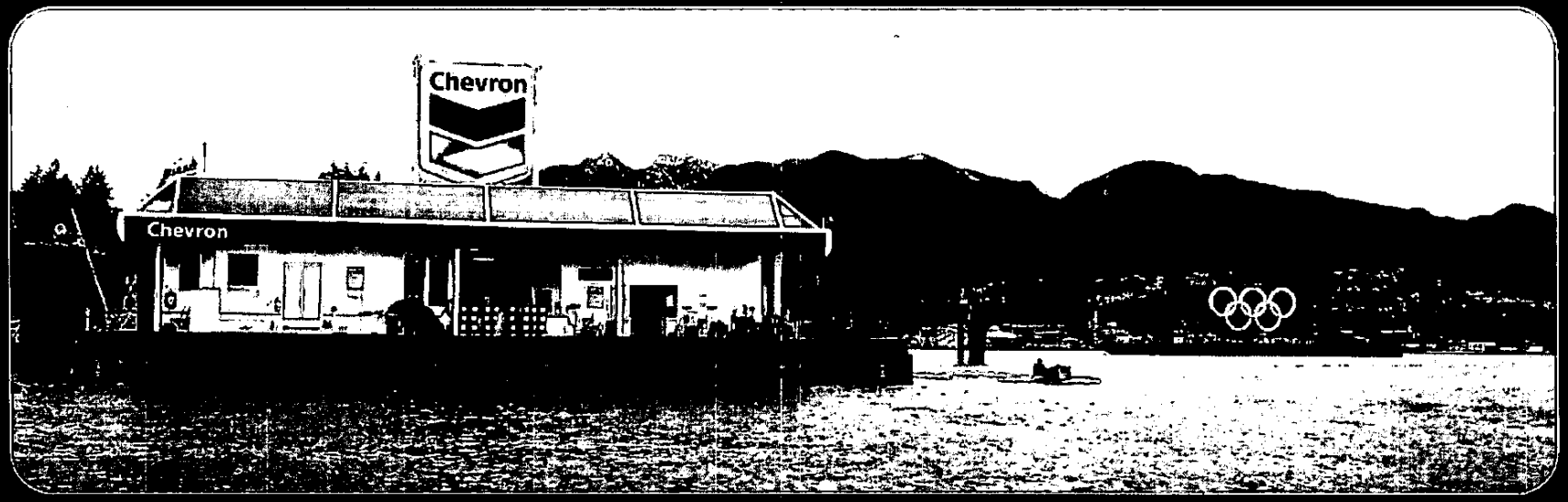






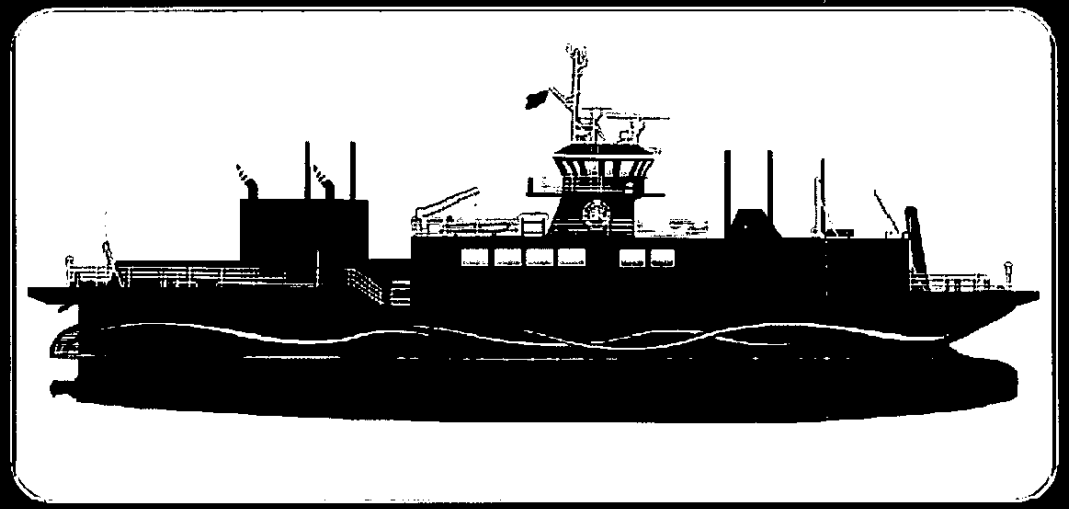
Chevron Legacy

- Registered: Made in Alaska
- A Jones Act vessel Exported to the international market



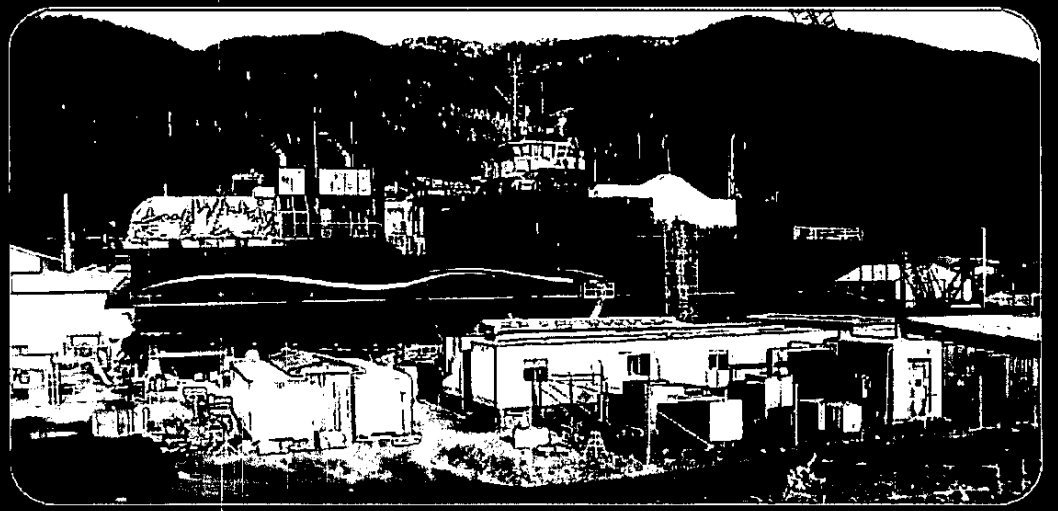
M/V Susitna

As Designed



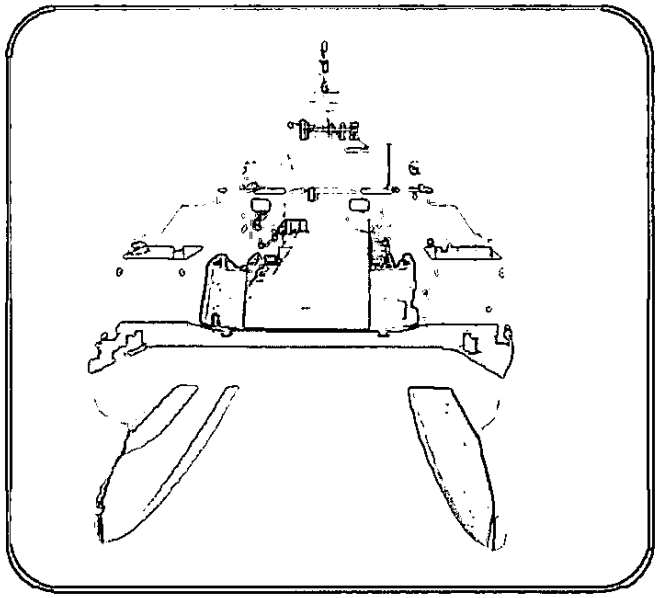
- Registered: Made in Alaska
- Innovative marine engineering
- advanced manufacturing best practices

As Built



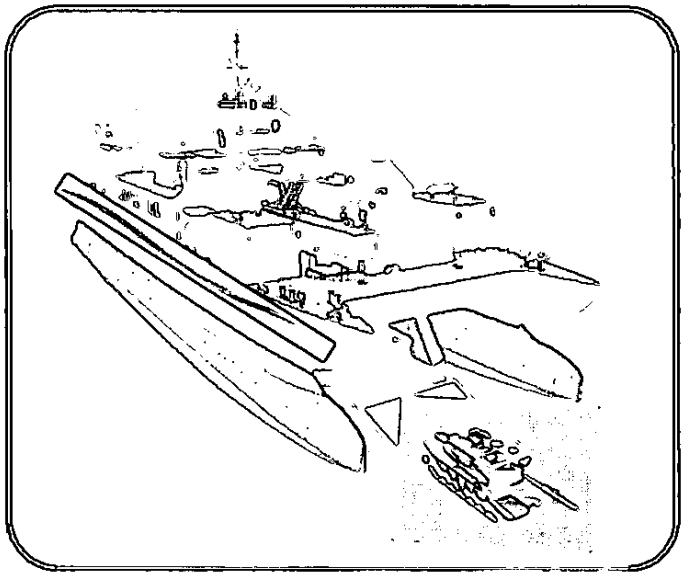
M/V Susitna

Cargo Deck in Raised Position for High Speed, High Sea States, Large Payloads over Long Distances

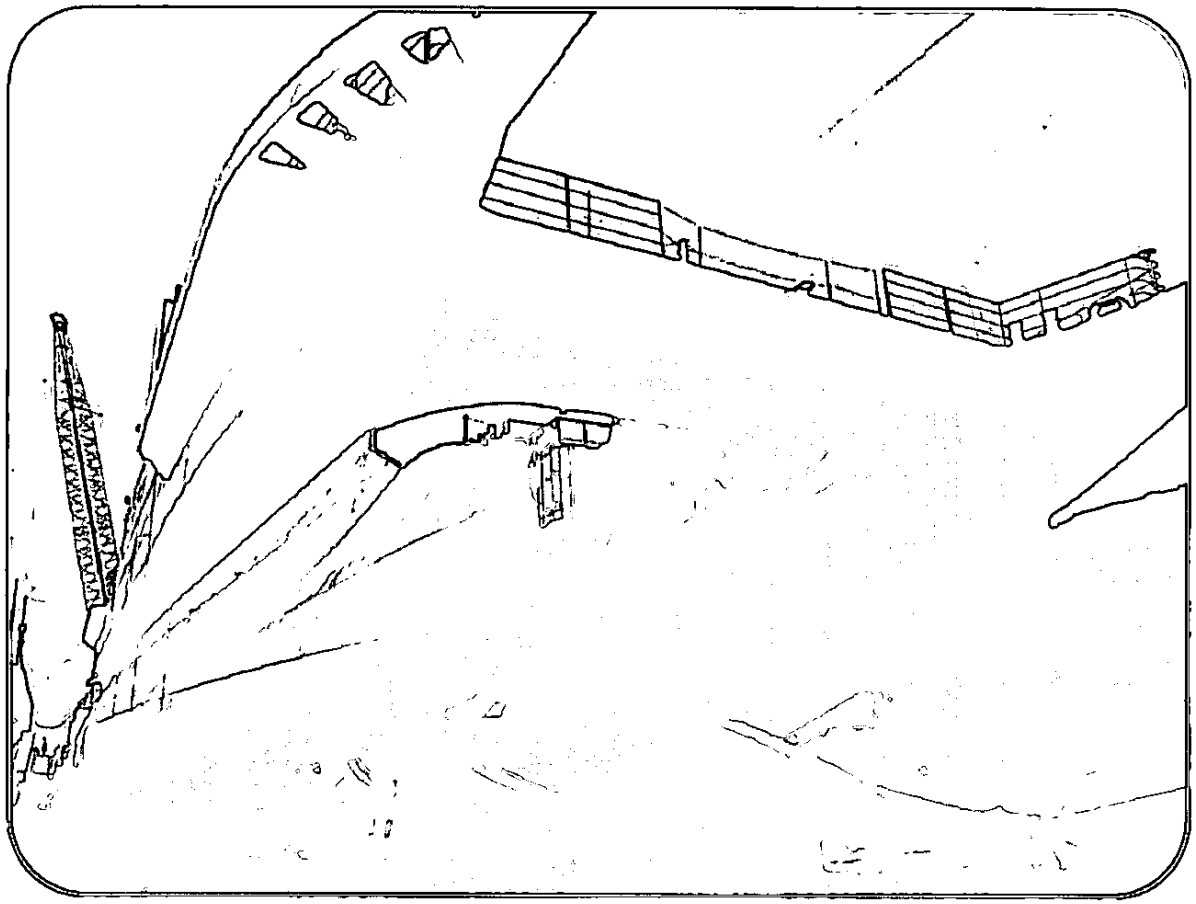


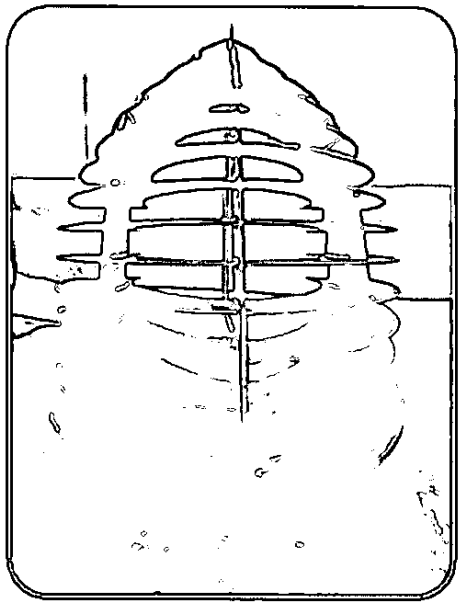
High Speed Mode
Cargo Deck Raised

Landing Craft Mode
Cargo Deck Lowered

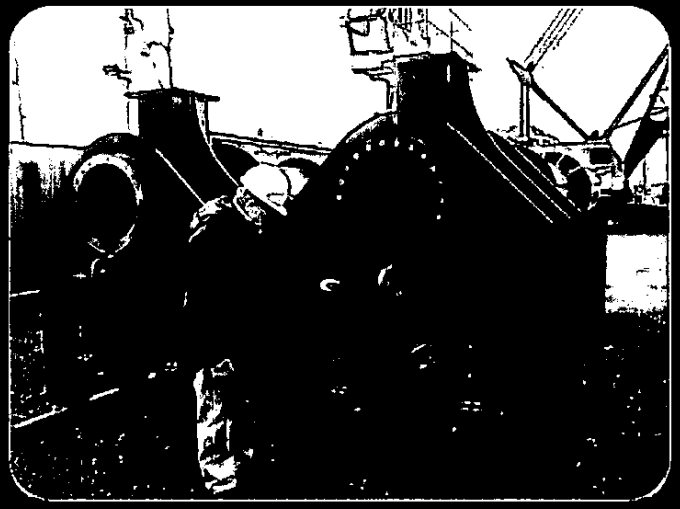


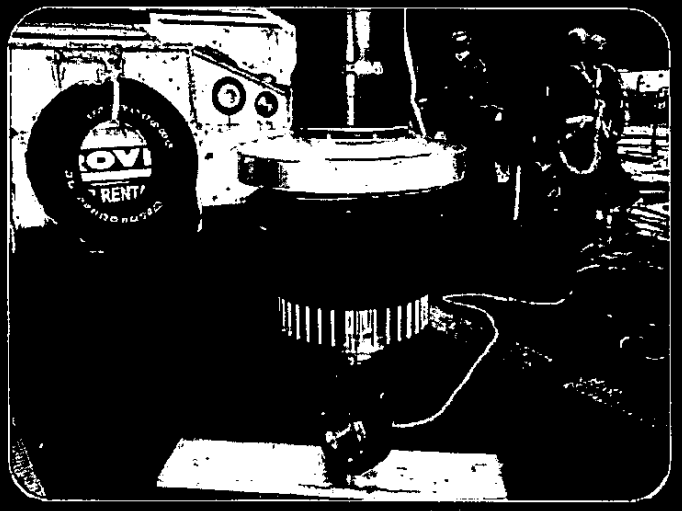
Advanced Hull Forms

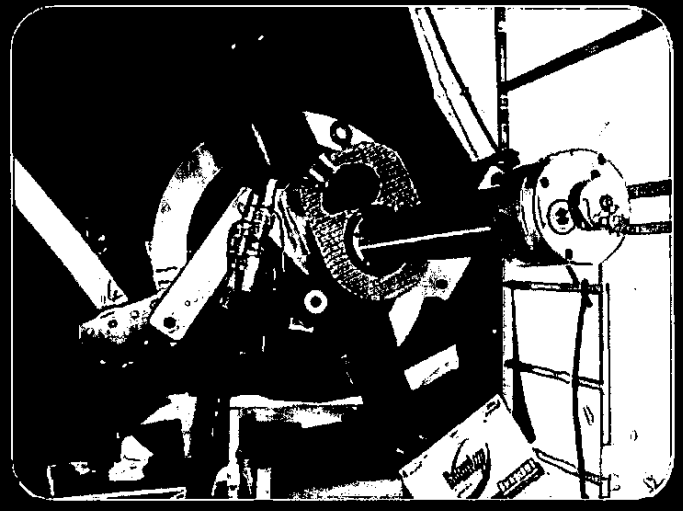


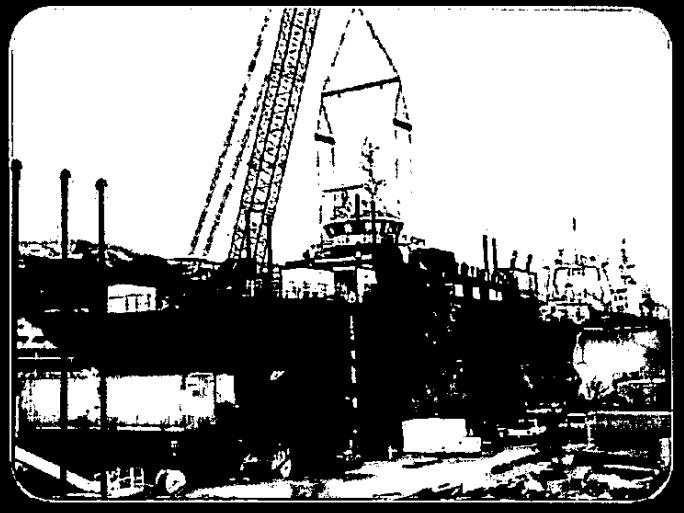


Advanced Manufacturing supporting Alaska's Energy and Resource Industries

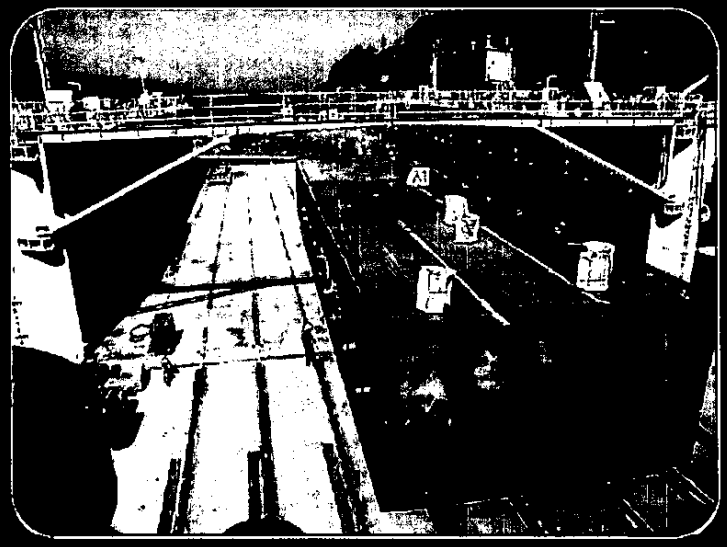


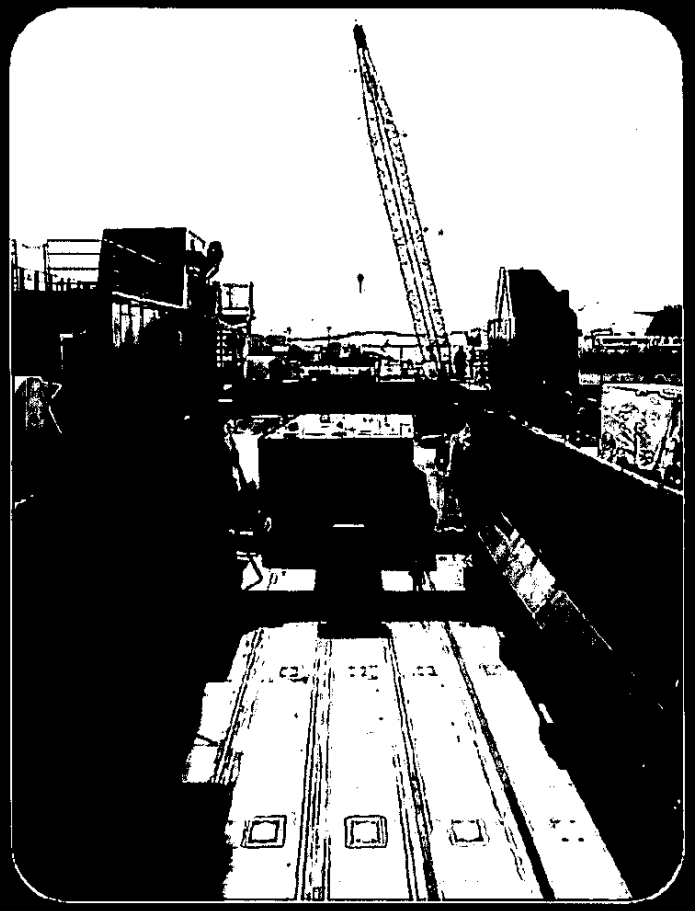






Chevron Legacy Assembly



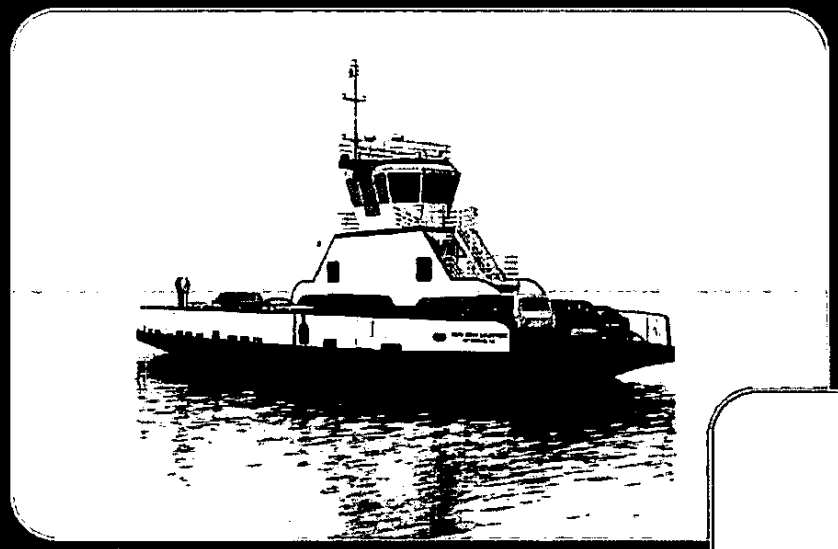


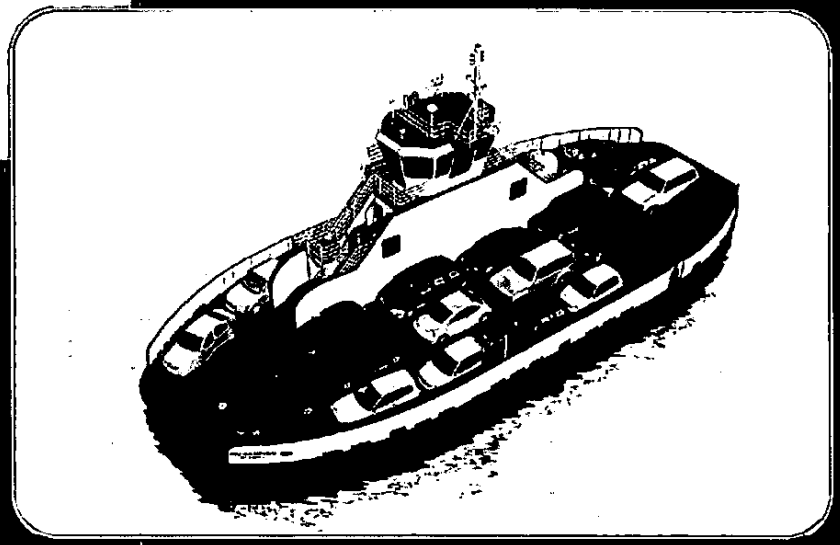
New M/V Ken Eichner II
Ketchikan Borough Airport Ferry

Registered: Made in Alaska

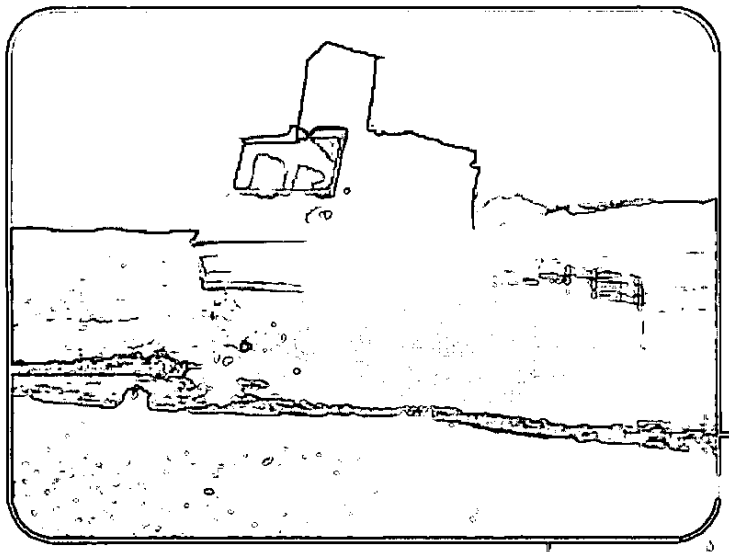
ASD's Bid - $1.1 million less than next lowest bidder

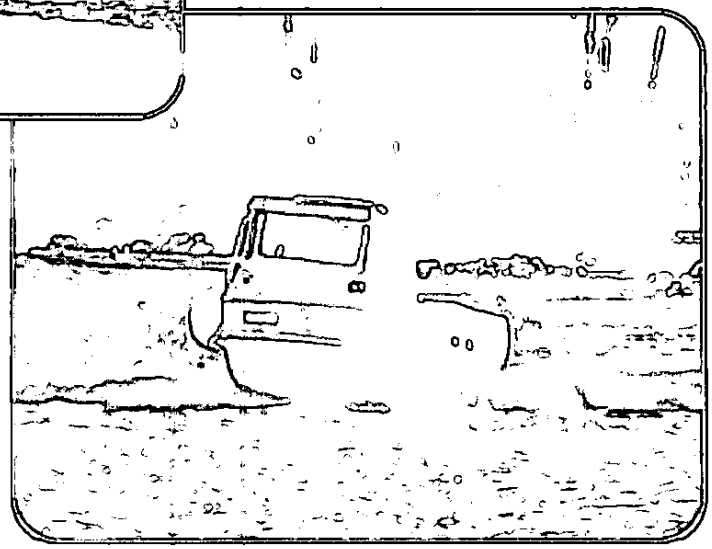
Construction starting now, delivery spring 2011





AmphibAlaska

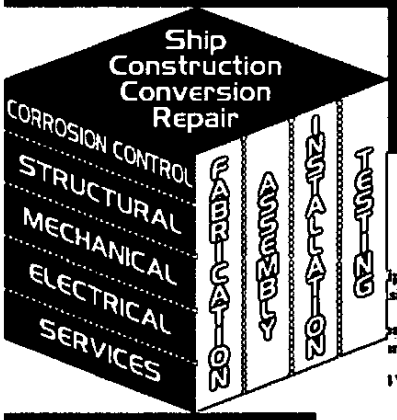




- Registered: Made in Alaska
- Alaska Innovation
- Advanced Manufacturing

National Shipbuilding Skill Standards

A stable, flexible, globally competitive, resident workforce supporting advanced manufacturing in Alaska



Shipyard Career Paths & Major Processes

Shipyard 601
Business-Master Craft
Master Crafts Track
Management Track
1 Years

Newbuild Fabrication & Assembly Processes
Newbuild Blast & Paint Processes
Newbuild Installation Processes
Newbuild Systems Integration & Testing Processes
ASD ALASKA SHIP AND DRYDOCK
Repair Ripout & Rebuild Processes
Repair Clean Blast Paint Processes
Repair Shop & On-board Processes
Repair Reinstall & Test Processes
Newbuild Repair Sea Trials Delivery

Shipyard 501
Craft-Leadership
Leadman Track
Supervisor Track
≈ 3 Years

Shipyard 401
Craft-Trade
Team Lead
Journeyman
≈ 2 Years

STRUCTURAL
Cutting
Forming
Welding
Fitting
Fabrication
Assembly

CORROSION CONTROL
Protection
Blasting
Painting
Deck Covering

SERVICES
Drydock
Logistics
Temporary Light, Vent
Cleaning
Hazmat

ELECTRICAL
Cables
Motors
Switchgear
Controls
Electronics

MECHANICAL
Outside
Inside Shops
Carpentry
Pipes

ADMINISTRATIVE
Estimating
Planning
Scheduling
Contracts
Accounting
Quality
Safety
Environmental

Shipyard 301 - multi-skill
201 - craft
≈ 1 Year

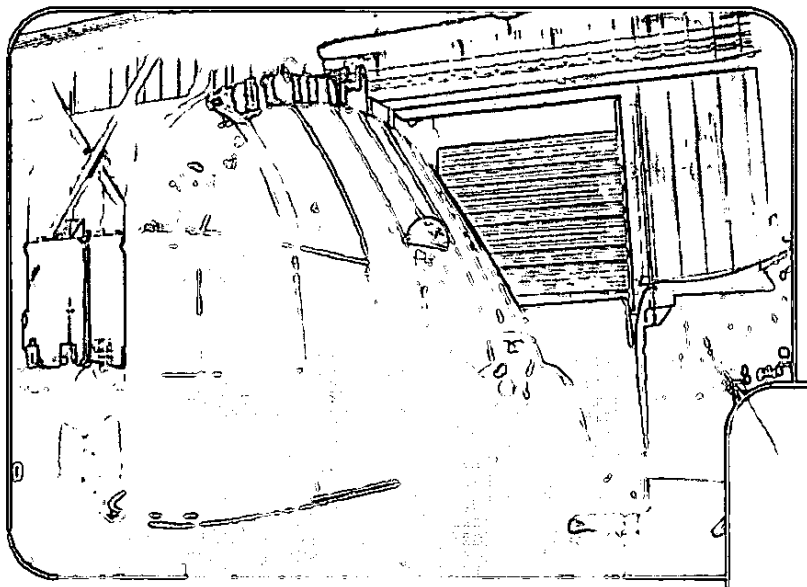
What employees need to know about their own career path to begin progress toward journeyman status. Classroom, self-study, learning lab courses. Structured On-the-Job learning mentored and coached by production workers and supervisors. SOLT certified by qualified Job Instructor. Includes appropriate cross-training: tack welding, fork-lift truck operation, etc.

Shipyard 101

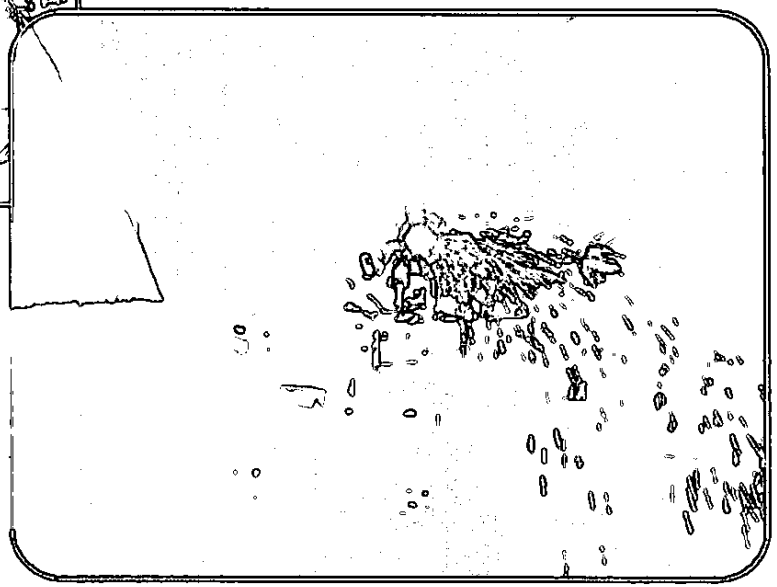
Basic function of the shipyard; safety-health-environmental orientation; how the company makes money; basic customer orientation; Employee Handbook review; basic elements of quality; use of hand tools.

Core Entry

Work ethic - presenteeism; cooperation & respect; listening-reading-speaking-interacting communications; math; safety-health-environmental concepts;



Alaska Ship & Drydock
is an equal opportunity
employer and
encourages women and
minorities to apply



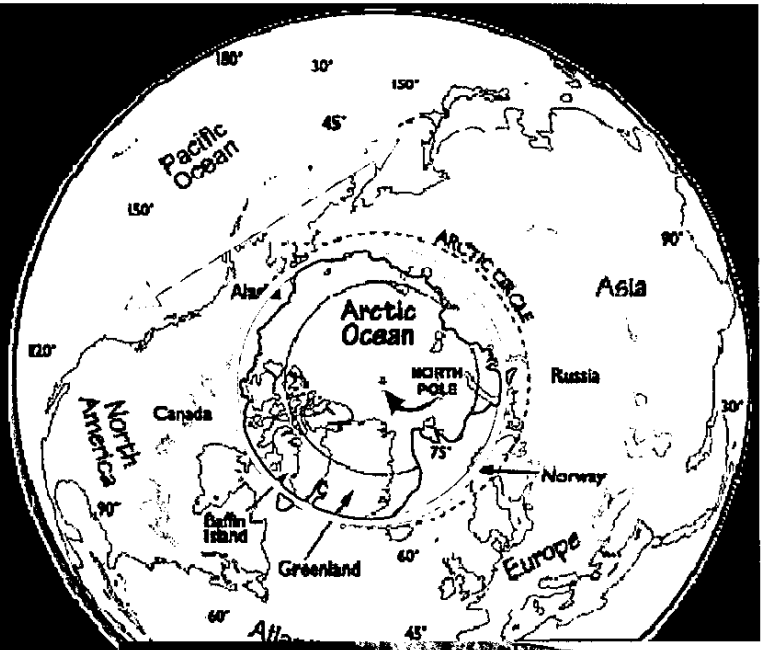
Applying Training Within Industry Applying to construction of the M/V Susitna

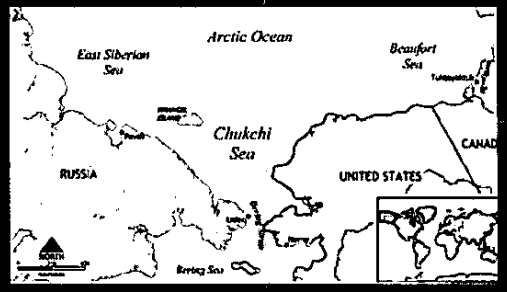
Complex Fabrication & Assembly

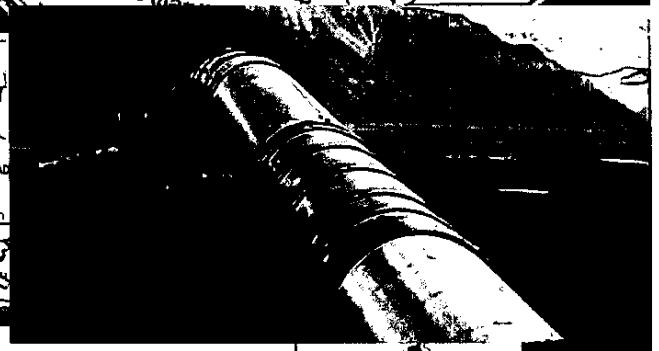
Ketchikan & Southern Southeast Alaska

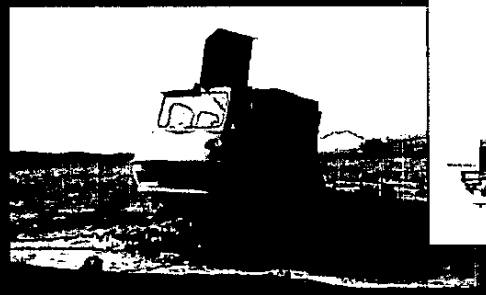
Advanced manufacturing in Alaska

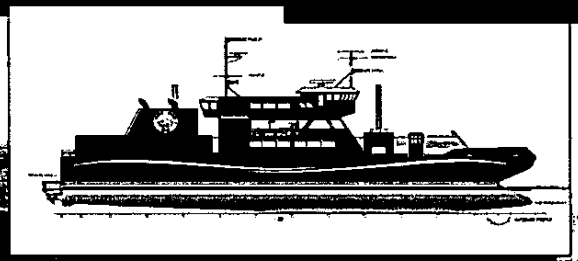
Access to deepwater, international shipping ports; domestic & foreign

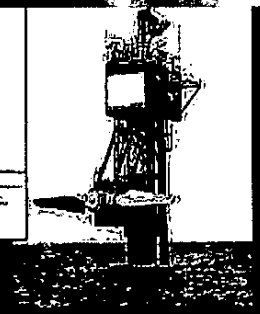












3-09-10 Presentation Alaska Alliance for Cruise Travel

<target><bill></bill><subject>3-09-10 Presentation Alaska Alliance for Cruise Travel</subject><comm>HEDC26</comm></target>

ALASKA STATE LEGISLATURE
ECONOMIC DEVELOPMENT, TRADE & TOURISM COMMITTEE

Representative Jay Ramras
Chairman
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Fairbanks, AK 99701

Committee Members:
Representative Mike Chenault
Representative Nancy Dahlstrom
Representative Kyle Johansen
Representative Reggie Joule
Representative Mark Neuman
Representative Harry Crawford
Representative Lindsey Holmes
Representative Chris Tuck

State Capitol, Room 120
Juneau, Alaska 99801

House Economic Development, Trade & Tourism Committee Agenda

Tuesday, March 9, 2010 at 5:15 p.m. in Room 106

+ The Alaska Alliance for Cruise Travel (AlaskaACT) will discuss:

- **The importance of cruise travel to the State of Alaska;**
- **The decline of cruise passengers in Alaska; a city to city comparison of the effects of cruise line's redeployment from Alaska;**
- **Taxation and competition**

Guest Speakers:

Fred Reeder, Past Sitka Mayor, Port Manager, Cruise Line Agency
Chris Meier, VP Operations for Alaska Travel Adventures
Bob Janes, President Gastineau Guides Inc.

* First Hearing in First Committee of Referral
\+ Teleconferenced
= Bill was previously Heard/Scheduled

1. **Christopher Meier** - Directory | LinkedIn

Chris Meier. Title: Vice President at **Alaska Travel Adventures**; Demographic info: Hospitality | Anchorage, Alaska Area. Current: Vice President at Alaska **...**
*www.linkedin.com/pub/dir/**Christopher/Meier**/* - Cached

1. **[PDF]**

5 Lists
File Format: PDF/Adobe Acrobat - Quick View
by AT Adventures
Bumgartner, **James**. Burns, Chris. KINY AM. Cabies, **James**. Campbell, McKie **...** US Fish and Wildlife Service. Janes, **Bob. Gastineau Guides** Inc. Johnson, Paul **...**
www.fs.fed.us/r10/tongass/.../5_List%20of%20Document%20Recipients.pdf

City of Sitka

	Pass. #	% chg	Gross Sales	Tax Revenue
2008	289,753		$25,498,264	$1,448,765
2009	224,335	0.23	$19,741,480	$1,121,675
2010	137,607	0.53	$12,109,416	$688,035
2011	105,000	0.64	$9,240,000	$525,000

ACT NOW!

ALASKA ACT
Alaska Alliance for Cruise Travel

With the decision from the cruise industry to move portions of their fleet and their marketing dollars out of Alaska, we now must look ahead with creative minds to keep our Alaska tourism businesses viable. We believe we cannot sit back and wait for the Alaska Legislature, Governor's office, or anyone other than ourselves to affect change that will bring our industry back to life. **PLEASE PASS THIS TO ALL OF YOUR EMPLOYEES!**

To advance our goals, we are developing a new support group called the Alaska Alliance for Cruise Travel (AlaskaACT) We are not the cruise lines, rather we are a group of local Alaska businesses.

Our Mission Statement is simple:

Alaska Alliance for Cruise Travel is an Alaskan statewide, non-profit, membership-funded organization made up of business and individuals benefiting from cruise travel. Through AlaskaACT, these stakeholders will work together to promote accurate information and support responsible development and growth of Alaska Tourism and the Cruise Industry.

In addition to these activities our organization's efforts are focusing on the following goals:

- Create a positive business environment in Alaska for the cruise and tourism industries
- Encourage the Alaska Legislature and Administration to work toward a resolution of the current legal issues between the State and the cruise industry
- Oppose inequitable taxation directed at the cruise industry
- Support equitable environmental laws for the cruise industry
- Commit its resources to advancing the restoration and stability of the Cruise Industry *in the best interest of Alaska, and Alaskans.*
- Encourage accurate and honest reporting by the media
- Educate Alaskans about the economic benefits and positive environmental effects of the cruise industry on Alaska
- Support the cruise industry in their efforts to protect and preserve the environment through reasonable and attainable legislation

Please sign up today at www.alaskaact.com

(You will receive an email that will ask you to confirm your registration.)

AlaskaACT Steering Committee

John Litten, Sitka Tours, Spokesman for AlaskaACT
Bob Berto, TEMSCO Helicopters/CLAA
Jason Brune, Resource Development Council
Tim Cerny, Fountainhead Development Corporation
Gary Danielson, White Pass & Yukon Route
Bob Dindinger, Alaska Travel Adventures
Ken Dole, Promech Air/Waterfall Group
Carol Fraser, ARAMARK
Steve Hites, Skagway Street Car
Holly Johnson, Wings Airways/Taku Glacier Lodge
Paul Landis, CIRI Alaska Tourism Corporation
Bill MacKay, Alaska Airlines

Follow us on Twitter: AlaskaACT

Alaska Alliance for Cruise Travel - 121 West Fireweed Lane, Suite 250 Anchorage, AK 99503

ACT NOW!

(Please Print)

E-mail Address:_____@_____

Company Name: _____

First Name:_____ **Last Name:** _____

Address: _____

Primary Alaska Community that you conduct Business in:

_____

City: _____ **State:** _____ **Postal Code:** _____

Work Phone: _____ Who is your State Senator (if you know)?_____

Please check all that apply: Who is your State Representative (if you know)? _____

___I can help with contacting legislators

___I can be available to discuss these issues with reporters

___You may use my personal name as a supporter in your efforts

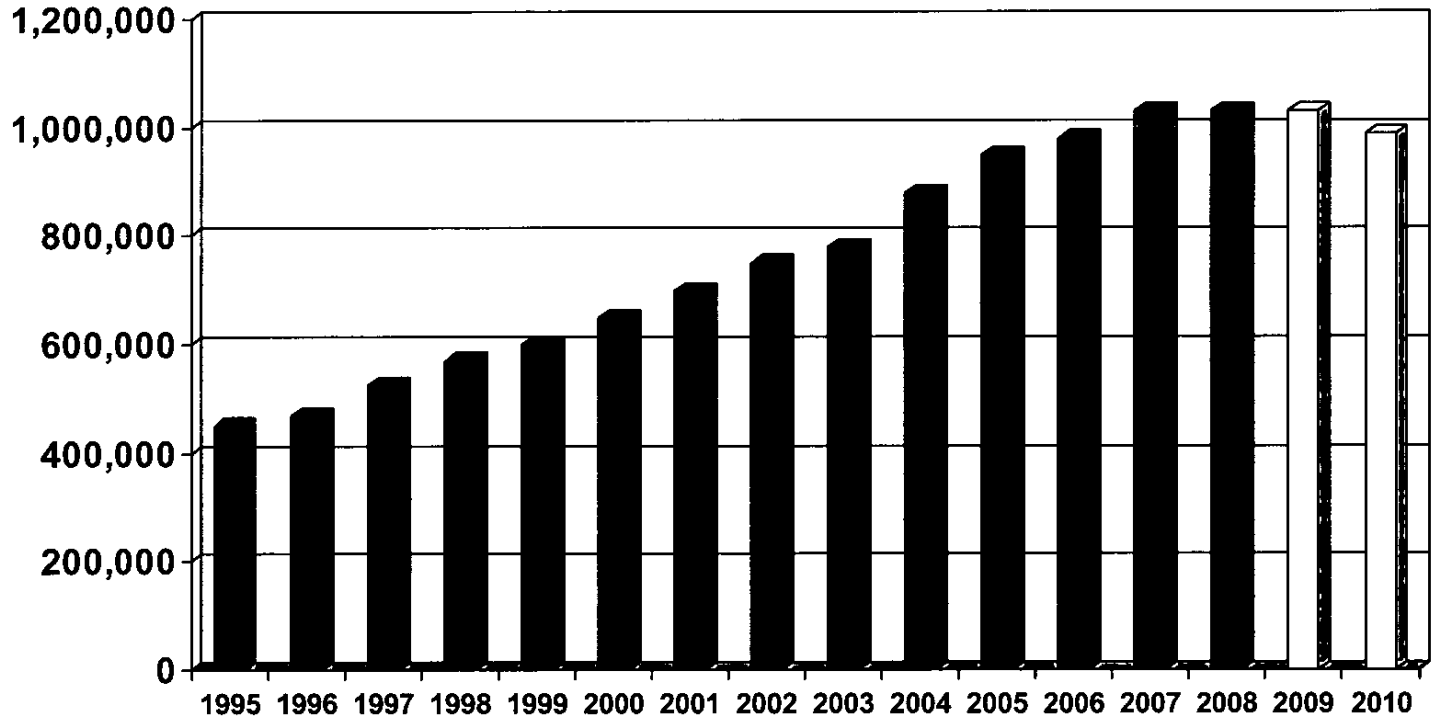
___You may use my company name as a supporter in your efforts

___Please send me AlaskaACT's Information by e-mail

Thank you for showing your support. You will receive an email from Alaska ACT verifying your registration.

ALASKA ACT
Alaska Alliance for Cruise Travel

Alaska Cruise Visitors
Passenger Volume 1995-2008
(2009-2010 Projected)



Notes:

1. Ballot Measure passed in fall of 2006, became effective January 2007
2. Cruise Lines set deployments two (2) years in advance; typically in October, so the 2010 Alaska Season was determined in October 2007.

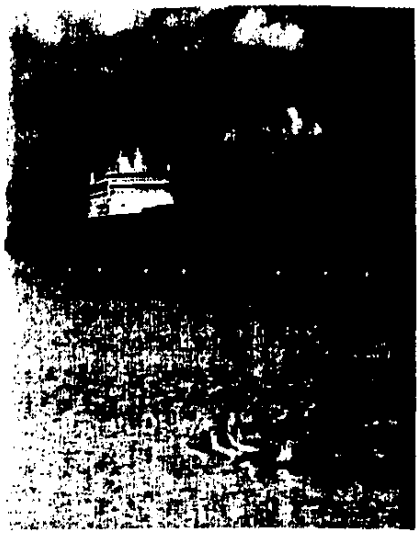
3. You can see the effects of the ballot initiative as 2009 was a small drop off and then you can see more severe repercussions in 2010.
4. Preliminary word for 2011 is that the numbers will hold to approximately the 2010 levels only because of Disney Cruise Lines entering the Alaska Market for the first time; also the NYK Line bringing the Asuka II (ex Crystal Harmony) back to Alaska for one season.
5. 2012 Season at this time is looking worse than 2011 if something is not changed in the tax and environmental structure of Alaska.
6. The argument that the drop in passenger numbers is from the recession is FALSE, the ships went to a destination where the cost structures were not as high and the revenue potential was higher. From all reports sales are doing fine where the ships have been moved to.

Lost Ships:

Norwegian Sun- Baltic Region
Serenade of the Seas- Southern Caribbean
Star Princess-Europe
Amsterdam- Now 14 day itinerary instead of 7
Spirit of Oceanus- World Cruise

Economic Impact

	2007	**2010**	**2010 loss to Alaska**
Cruise Passengers	1,015,300	873,00	142,000
Cruise Related Jobs	14,500	12,700	1,800
Cruise Related Payroll	$565 million	$493 million	$72 million
Total Cruise Spending	$1.35 Billion	$1.19 Billion	$165 million



Cruise lines in the recession

Damn the torpedoes

NEW YORK

Travel companies are launching luxurious ships into perilous waters

IN LATE January Silversea Cruises christened its newest ship, the *Silver Spirit*, with champagne and sent it on a 91-day voyage around Latin America. The ship, which can accommodate 540 guests, is the company's largest and most luxurious. Suites are serviced by butlers. Passengers can choose between eight types of pillows. The spa is vast. If it sounds out of tune with the times, it is: the ship was commissioned in 2007, before the start of the economic crisis. But Amerigo Perasso, the boss of Silversea Cruises, insists he is happy with the investment. "People want to see the state of the art," he says.

Silversea is not the only cruise line to launch a new ship in troubled economic waters. In December Royal Caribbean International, the world's second-biggest cruise operator, rolled out *Oasis of the Seas*, the largest cruise ship in history. It can accommodate 5,400 guests and has a park with live plants, a large auditorium and a carousel, as well as other amenities normally found in amusement parks. In 2009 cruise companies invested $4.7 billion to build 14 new ships. They will launch a further 12 vessels this year. Many of these plans were laid before the economy sprang a leak.

The "supersizing" of the cruise industry comes as other industries are downsizing and consumers are curbing unnecessary expenses. To entice customers, cruise lines have cut prices dramatically, sometimes by as much as 40%. Because of these discounts, more people are taking cruises: 13.4m in 2009, up from 12.6m in 2007, according to the Cruise Lines International Association, an industry body. But the discounts have eaten into earnings. At Carnival Corporation, the biggest cruise line, revenues were more than 10% lower in 2009 than in 2008. Even if the economy recovers, growing capacity may prevent firms from raising prices much.

Still, the cruise industry is doing better than other bits of the travel business, like hotels and airlines, which have been battered by a fall in business travel. Cruises can appeal to budget-conscious consumers by touting themselves as "all-inclusive" (even though many amenities, like alcohol and excursions, cost extra). Cruises also allow some people to go on holiday without paying for a flight. There are around 30 ports of embarkation in America alone.

The industry's bosses hope to attract even more customers in the next few years. Only around 20% of Americans have been on a cruise. Most of these are not spring chickens. Firms are trying to draw in younger passengers and families with lower prices, as well as things like ice-skating rinks and cinemas. As a result of these efforts, the median age of cruise passengers in 2008 was 46, down from 53 in 2002. Ross Klein, a cruise-industry analyst, says that cruise lines' decision to invest in colossal ships may help them diversify their customer base without losing elderly customers. Their sheer size, he says, gives everybody "some place to hide out". ■

The Economist Feb.13, 2010

This recent article explains how cruise lines have overbuilt their fleets despite the world recession. The major cruise lines in Alaska, Carnival & Royal Caribbean, are world leaders in the quest for bigger ships – which also require bigger and stronger docks in cruise ports. Keels for these expensive ships were laid years ago, but when the 2008 recession hit, cruise lines blamed Alaska taxes for their economic woes. The truth is quite different, says the Economist magazine.

The Alaska Cruise Association is presently litigating the state and promoting hysteric propaganda to roll back taxes and water quality standards for ships here. Every industry should pay fair state taxes, and pristine waters full of salmon and migratory whales should not be dumping grounds for sewage, ammonia and copper. The economic risks to cruise lines are based on inflated shipbuilding decisions they made years ago, not protection of clean water and paying fair taxes. Alaska must call the bluff of the cruise industry - -and their false claims.

Responsible Cruising in Alaska
Chip Thoma, President
(907) 586-2117

ALASKA TICKETS UP 21%

In my opinion, the best way to gauge the health of the Alaska cruise industry is to compare the average ticket prices from year to year. If average prices fall, the industry is then focused on filling their ships, even at lower berth prices. If prices rise, bookings are up or ahead of schedule, the economy has improved, and the industry can then charge more for their berths.

Alaska has unique insight into the health of the cruise industry, as the state purchases over 400 inside stateroom berths each year for the Ocean Ranger program. **The state pays the lowest prices available** on each ship sailing to the state, on every line. That average price is very telling:

In the 2009 cruise season, at the height of the recession and ticket discounting by the industry, the average, inside stateroom price was $1400. **In 2010, the average price has risen to $1700, an increase of $300, and 21% over the 2009 price.**

Importantly, these are the **average of least expensive, inside berths**, without windows or portholes. Most passengers pay for more expensive quarters. My conclusion is that the cruise industry has recovered well from the recession, as the Carnival / AP story confirms below. CThoma - RCA - 586-2117

Carnival to raise prices as bookings strengthen

from: Seattle Times 2/24/10

Carnival Cruise Lines said Wednesday it will raise prices by about 5 percent for summer bookings, effective March 22, after a strong showing during the busiest time of the year for cruise reservations.

The Associated Press AP

MIAMI —

Carnival Cruise Lines said Wednesday it will raise prices by about 5 percent for summer bookings, effective March 22, after a strong showing during the busiest time of the year for cruise reservations.

The peak booking period typically runs from about mid-January through early spring.

The price hikes apply to cruises in June, July and August. Price increases will vary by departure date.

The company said that although it's raising prices, the cost of cruises still haven't risen to levels seen in 2008. The cruise industry has been pummeled by the overall downturn in travel demand because of the recession.

The company attributed the record bookings to a range of factors, including targeted marketing initiatives and growth from bookings through travel agents.

Carnival Cruise Lines is the largest cruise line operator in the world, with 22 ships offering voyages of between three and 15 days to the Bahamas, Caribbean, Mexican Riviera, Alaska, Hawaii, Panama Canal, Canada, New England and Europe.

Shares rose $1.49, or 4.4 percent, to $35.16 in morning trading.

/cgi-bin/EMailStory.pl?document_id=2011172229&zsection_id=2003907475&slug=apuscarnivalstro

3-16-10 Rural Alaska Honor Institute Student Documentary Film Debut

<target><bill></bill><subject>3-16-10 Rural Alaska Honor Institute Student Documentary Film Debut</subject><comm>HEDC26</comm></target>

ALASKA STATE LEGISLATURE
ECONOMIC DEVELOPMENT, TRADE & TOURISM COMMITTEE

Representative Jay Ramras
Chairman
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Toll Free: 877-465-3004
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1292 Sadler Way, Suite 324
Fairbanks, AK 99701

Committee Members:
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Representative Nancy Dahlstrom
Representative Kyle Johansen
Representative Reggie Joule
Representative Mark Neuman
Representative Harry Crawford
Representative Lindsey Holmes
Representative Chris Tuck

State Capitol, Room 120
Juneau, Alaska 99801

House Economic Development, Trade & Tourism Committee
AGENDA

Tuesday, March 16, 2010 @ 9:30 a.m. in House Finance Room 519
This meeting will be held jointly with House Economic Development Trade and Tourism Committee

\+ Rural Alaska Honor Institute (RAHI) Student Documentary Film Debut

Tuesday, March 16, 2010 @ 12:30 p.m. in Beltz Room 105 (TSBldg)
This lunch will be hosted jointly with House Economic Development Trade and Tourism Committee

\+ Rural Alaska Honor Institute (RAHI) Student Documentary Film Debut Lunch

* First Hearing in First Committee of Referral
\+ Teleconferenced
= Bill was previously Heard/Scheduled

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Representative Mark Neuman
Representative Harry Crawford
Representative Lindsey Holmes
Representative Chris Tuck

State Capitol, Room 120
Juneau, Alaska 99801

House Special Committee on Economic Development, Trade & Tourism

AGENDA

Tuesday, March 16, 2010 @ 9:30 a.m. in House Judiciary Room 120

This meeting will be held jointly with the Senate Special Committee on World Trade, Technology and Innovations

\+ Rural Alaska Honor Institute (RAHI) Student Documentary Film Debut

Tuesday, March 16, 2010 @ 12:30 p.m. in Beltz Room 105 (TSBldg)

This lunch will be hosted jointly with the Senate Special Committee on World Trade, Technology and Innovations.
A light lunch of pizza and popcorn will be provided

\+ Rural Alaska Honor Institute (RAHI) Student Documentary Film Debut
Lunch

JAY - PLEASE ANNOUNCE THE PIZZA LUNCH TO EVERYONE ATTENDING THE CMTE MEETING.

* First Hearing in First Committee of Referral
\+ Teleconferenced
= Bill was previously Heard/Scheduled

RAHI Alaska Native Film Festival

	First	Last	Village	Corporation	
1	**Jerica**	**Aamodt**	**Barrow**	**ASRC**	**(T/40)Senator Olson and Rep Joule**

"Barrow and Global Warming"

Note - unable to attend Jerica loves working with elders, helping out at the welcome back of the "Alaska Troops from the North Slope," and Alaska Native dancing. After graduating from Barrow high school this May, she plans on attending UAF and obtaining a degree in accounting and education.

2	**Samantha**	**Foss**	**Pedro Bay**	**BBNC/Calista**	**(R36)Senator Stevens and Rep Austerman**

"Pedro Bay and the Pebble Mine"

Samantha is a leader in her community of Pedro Bay. She helps elders by picking berries for them and taking their garbage to the dump. She chose to make her film on Pebble Mine, gathering interviews from local people, because she wants the rest of the world to know what is happening in her back yard. She will from Pedro Bay high school in May.

3	**Laura**	**Fox**	**Takotna**	**Doyon**	**(C6)Senator Kookesh and Rep Salmon**

"Takotna"

Laura enjoys working with the Iditarod and Iron Dog races, which run right through her village. As you will be able to tell from her film, she has been a part of the foster care system for years, and now lives with a guardian in Takotna. She has been involved with Denakkanagga, her local Native corporation. She plans to get her law degree and be an attorney for the state of Alaska. She will graduate in from Takotna high school in May.

4 Nellie Iyapana North Pole/Diomede Bering Straits (T/39)Senator Olson and Rep Foster

"Let Your Light Shine"

Originally from Diomede and Nome, Nellie also grew up in foster care in North Pole. She has been very active in the Native Education Leadership program, helping out at potlatches and dancing. She is presently a freshman at the University of Alaska Fairbanks.

5 Corey Joseph Kwigillingok Calista Senator Hoffman and Rep Herron

"A River Without a River"

Corey also loves helping his elders. He also loves math, especially Euclidean Geometry. And, he's very good at it. He also loves music and language. Not only does he speak Yup'ik as his first lanuage, along with English, but he self taught himself Japanese and piano. In his film, you will notice the music; well composed and played the music, along with singing his song.

6 Jayna Kelly Pilot Station Calista Sen Olson and Rep Foster

"Living Alaskan Life"

Jayna has been an active member of student council, Natural Helpers, academic decathlon, and various sports teams, including Native Youth Olympics. She's taking this year off after graduating last May, to her father out with younger siblings.

3-23-10 HCR 21, Economic Development Planning Commission

<target><bill>HCR 21</bill><subject>3-23-10 HCR 21, Economic Development Planning Commission</subject><comm>HEDC26</comm></target>

ALASKA STATE LEGISLATURE

House Community & Regional Affairs Committee

Rep. Cathy Muñoz, Co-Chair

State Capitol Building, Room 409
Juneau, Alaska 99801-1182
Phone (907) 465-3744
Fax (907) 465-2273
Rep_Cathy_Munoz@legis.state.ak.us

Rep. Bob Herron, Co-Chair

State Capitol Building, Room 411
Juneau, Alaska 99801
Phone: (907) 465-4942
Fax: (907) 465-4589
Rep_Bob_Herron@legis.state.ak.us

MEMORANDUM

Date: March 3, 2010

To: Representative Jay Ramras, Chair
Special Committee on Economic Development, Trade & Tourism

From: Rep. Bob Herron, Co-Chair Community & Regional Affairs
Rep. Cathy Muñoz, Co-Chair Community & Regional Affairs

RE: HCR 21, ECONOMIC DEVELOPMENT PLANNING COMMISSION

I respectfully request a hearing for HCR 21, *"Creating and relating to the Economic Development Planning Commission."*

House Concurrent Resolution 21 creates the Economic Development Planning Commission, a working commission that will report its findings and recommendations to the Alaska State Legislature in advance of the 2011 Legislative Session. Through its formation, the 26th Alaska State Legislature highlights the importance of several current economic development initiatives in the state, and recognizes that implementation of the recommendations of these bodies may require, in some cases, statutory action by a future Legislature.

If you have any questions or need additional information, please call Rob Earl at 465-5141.

Representative Jay Ramras
Chair, Judiciary
Chair, Economic Development, Trade & Tourism
Energy
Military & Veteran Affairs
Joint Armed Services
State Capitol, Room 118
Juneau, Alaska 99801-1182
Phone: (907) 465-3004
Fax: (907) 465-2070
Toll Free: (877) 465-3004

Alaska State Legislature

House of Representatives

Interim:
1292 Sadler Way, Suite 324
Fairbanks, Alaska 99701
Phone: (907) 452-1088
Fax: (907) 452-1146
Toll Free: (877) 465-3004

House District 10

Memo

To: House Special Committee on Economic Development, Trade & Tourism Committee Members and Staff

From: Margaret Dowling, (H) EDT Committee Aide (465-6841)

Date: March 22, 2010

Re: March 23, 2010 (H) EDT Meeting Packet

The following items are in this committee packet:

1) Agenda
2) HCR 21 - ECONOMIC DEVELOPMENT PLANNING COMMISSION
3) Sponsor Statement
4) Fiscal Note – Legislative Council
5) Chart of Econ Dev Orgs
6) Alaska Forward Project Executive Summary
7) Briefing Paper Economic Development in State Government
8) "The Governor's 'LEGACY' Planning Process"
9) Southeast Conference letter

Representative_Jay_Ramras@legis.state.ak.us

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ECONOMIC DEVELOPMENT, TRADE & TOURISM COMMITTEE

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Representative Mike Doogan
Representative Chris Tuck

State Capitol, Room 120
Juneau, Alaska 99801

House Economic Development, Trade & Tourism Committee
AGENDA

Tuesday, March 23h, 2009 at 5:15 p.m. in Room 106 (HESS)

* + **HCR 21** - ECONOMIC DEVELOPMENT PLANNING COMMISSION

* First Hearing in First Committee of Referral
\+ Teleconferenced
= Bill was previously Heard/Scheduled

ALASKA STATE LEGISLATURE

House Community & Regional Affairs Committee

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Sponsor Statement

HCR 21, Economic Development Planning Commission

House Concurrent Resolution 21 creates the Economic Development Planning Commission whose purpose would be to develop and recommend to the Governor and the Legislature visions and strategies that will encourage economic development in Alaska.

The Commission would consist of a ten-member board: one state Representative and one public member appointed by the co-chairs of House Finance, one Senator and one public member appointed by the co-chairs of Senate Finance, two public members appointed by the House Speaker and two by the Senate President, the Commissioner of DCCED and the Commissioner of ADOL&WD.

There are numerous economic development strategy projects underway in Alaska, including the Governor's LEGACY initiative, the Alaska Forward strategic economic development planning initiative, and many regional and local level efforts. In addition, a review of state economic development best practices suggests that private sector input into economic development efforts in state government are critical for aligning state resources behind meaningful economic activities.

The Commission would integrate private sector advice and input into legislative oversight and action supporting economic development.

The Commission will monitor the planning processes currently underway, as well as state government's efforts, and make recommendations to the legislature on those economic development initiatives that may require statutory action by a future Legislature to come to fruition.

The Commission would be tasked with providing draft legislation and recommendations in advance of the 2011 legislative session. In addition, the commission may be tasked with legislation to reconfigure the state's economic development agencies and investments based on their assessment and that of other planning initiatives.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HCR 21**
() Publish Date:

Identifier (file name): LEG-COU-HCR21-03-11-2010
Title: Creating and relating to the Economic Development Planning Commission.
Sponsor: House Community and Regional Affairs Committee
Requester: Hse Spec Comm Economic Development, Trade, & Tourism

Dept. Affected: Legislature
RDU: Legislative Council
Component: Council and Subcommittees
Component Number: 783

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services	108.0						
Travel	22.0						
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**130.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	130.0						
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**130.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time	1						
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

HCR21 creates a ten member Economic Development Planning Commission to develop and recommend to the Governor and to the Legislature visions and strategies that will encourage economic development in the State. The two Legislators, and six public members of the Commission will be appointed by the Presiding Officers or the Co-Chairs of the Finance Committees. The Commissioners of Commerce, Community, and Economic Development and Labor and Workforce Development or their designees will be members of the Commission. It is anticipated the Commission will meet by teleconference and will also hold 3 meetings which require travel. The Commission will review recommendations of various economic development planning processes, consider and make recommendations regarding ways to foster economic development, prepare legislation based on the recommendations of the Commission, and present the recommendations and proposed legislation to the Budget and Audit Committee by June 30, 2011. The Commission is authorized to begin work immediately on the appointment of members or March 15, 2010, whichever is earlier and will terminate June 30, 2011. Costs to print the Commission report and to teleconference meetings will be absorbed within exisiting budgets. Any FY10 Legislative costs for the Commission will be absorbed in the Legislative Council Budget.

Prepared by: Karla Schofield, Deputy Director — Phone 465-6626
Division: Legislative Affairs Agency — Date/Time 3/11/10 3:56 PM
Approved by: Pamela Varni, Executive Director — Date 3/11/2010
Legislative Affairs Agency

(Revised 11/6/2009 OMB)

Alaska's Economic Development "System:" Many economic development organizations with diverse funding sources, geographic scopes, missions and approaches

Geographic Scope		Key Organizations		
State Level	*Funding Agencies*	Alaska Industrial Dev't and Export Authority	Denali Commission	Alaska Growth Capital
		USDA Rural Development	Economic Development Administration	Small Business Administration
	Research and Technical Assistance	Alaska Dept of Commerce, Community and Econ. Dev't	Univ. of Alaska Center for Econ. Dev't	Small Business Dev't Center
		Alaska Manufacturing Extension Partnership	Alaska Village Initiatives	Numerous Industry Specific Support Orgs
	Business and Community Support	Alaska State Chamber of Commerce	Alaska Municipal League	Numerous Industry Organizations
Regional Level		Alaska Regional Development Organizations (ARDORs)	Regional Tribal Organizations	Western Alaska Community Dev't Quota (CDQ) Groups
Borough/ Municipal Level		Local Chambers of Commerce	Local Econ. Dev't Groups	Local Tribal Organizations

EXECUTIVE SUMMARY

About this Report

Alaska's economy is challenged to provide quality jobs for the state's residents, cover the costs of government services, and build the economic infrastructure needed to be globally competitive. With support from the Denali Commission, the Alaska Partnership for Economic Development (APED) has initiated a multi-phase process to analyze the economy, create an economic development strategy and identify action initiatives to address the state's challenges.

This report is a first step in that process. It is a situational analysis that describes and analyzes the current economic development system in Alaska and the state's unique set of economic and business climate factors. Along with a suggested path forward, the report is designed to inform a next phase of collaborative formulation of practical strategic and tactical action initiatives to safeguard the future success of Alaska.

APED is a 501(c)(3) umbrella organization consisting of the 12 designated Alaska Regional Development Organizations (ARDORs). APED selected a team to undertake this report consisting of IHS Global Insight (lead consultant), the Economic Competitiveness Group, and Alaska's McDowell Group. The project's steering committee comprised representatives of the ARDORs, as well as representatives of other industry and public sector organizations, such as the State Chamber of Commerce, the University of Alaska, Western Alaska Community Development Association, Office of the Governor and the Economic Development Administration.

The research for the report was conducted from September to December 2009. The team collected and analyzed existing information and insight, conducted surveys and interviews, presented and discussed preliminary results at conferences, and engaged in a wide variety of discussions with steering committee members and other public sector and business stakeholders.

Key Findings

The economic development system in Alaska is largely ineffective both from the perspective of Alaskans as well as in comparison to best practices in other jurisdictions. A web survey of 300 business and community leaders showed that 52% of them felt that economic development efforts in Alaska have been ineffective and 61% of them felt that, at best, the outlook for Alaska's economy over the next 10 years is uncertain.

Alaskans should worry not because of any immediate economic crisis, but because of the accumulating levels of future risk and declining economic resiliency associated with:

- Poor relative economic performance compared to the rest of the country.
- A high level of dependence on the price of oil, federal government spending, and natural resource industries facing supply or regulatory/legal constraints.
- Weak linkages to rapidly expanding global market opportunities.
- Ignoring opportunities for diversification and increased resiliency by optimizing the needs and linkages within and among the state's existing portfolio of export-oriented industry "clusters."
- Weak culture of entrepreneurship.
- Sub-par support from the state's economic foundations compared to other peer states in the area of transportation and other infrastructure, quality of workforce/education, and technology.

This risk represents the basis of our call to action for a different approach to economic development. Oil prices may stay at or above current levels, significant new sources of oil and gas may be tapped, and federal government spending may keep rising. However, the probability that these events will not happen is uncomfortably high.

The path forward involves moving away from competition among industries, regions, and communities. It involves moving towards a more collaborative, state-wide approach to economic development that is focused on developing a stronger portfolio of export-oriented industry clusters. The effort should be lead by the private sector and supported by the public sector and to take a state-wide approach knowing that a stronger portfolio of industry clusters will benefit all the regions of the state.

Existing Economic Development Objectives and Strategies

The economic development system in Alaska is decentralized and fragmented with little overarching structure tying the pieces together to foster a sustainable and resilient economy for the future. Only 2.5% of the respondents to our survey felt that economic development efforts have been very effective and only 6% felt that the economic outlook over the next 10 years was very good. Interviews with economic development professionals and business leaders produced a more detailed diagnosis of the situation, but overall painted a consistent picture of generally ineffective economic development efforts and concern about the longer term outlook for the state's economy.

Past development efforts have come up short largely because of poor implementation planning and resourcing, inadequate consideration of market fundamentals, and shifting political priorities. Furthermore, it is clear that very few economic development best practices from other regions are being deployed or even tested in the state. There is no shortage of imaginative economic development ideas across the state. However, without a framework for action, these ideas are just biding their time in reports on shelves or flowing in the daily stream of ad hoc policy discussion.

While the interviews and web survey uncovered a broad range of views and insights, the following common themes were identified:

Alaska's Economic Development Organizations (EDOs) operate in an extreme environment. Alaska is a relatively new state that is remote from other business or industrial regions and has under-developed infrastructure, high energy and labor costs, and severe geographic and climate conditions.

Large-scale development of publicly owned resources has been a dominant theme in the Alaska economy. This includes seafood harvesting, mining, timber harvesting, oil exploration and, most recently, large-scale tourism. Alaska's economic development efforts have evolved, in part, around how to minimize regulatory restrictions and how to siphon off local benefits from these large, externally driven industries.

Government funding of local services, particularly rural healthcare and local and tribal government is another dominant theme. Federal funding has the greatest impact, but state employment is also very significant.

Alaska has established a workforce training infrastructure, but some question whether the types of training available are strategically targeted to support development. Although many say that consolidation of the Alaska community colleges within the University of Alaska in the 1980s was a setback to vocational education, workforce training efforts are now wide-spread. Training typically has focused on replacing imported labor with resident labor in existing industries. Critics say that training gaps include higher level technical and professional education. Other criticisms are that entry-level workers lack basic reading and math skills and what are often referred to as "soft skills" or "work ethic" by employers.[1]

[1] These criticisms are typical of feedback obtained during workforce assessments and training program evaluations performed by McDowell Group.

There is a lack of state-wide planning, leadership and coordination. Although Alaska has a large number and variety of economic development entities, their focus is local or regional, rather than statewide, and this limits their effectiveness.

Alaska has a wide diversity of economic interests that must be aligned for major development efforts to succeed. For example, the large oil and gas producers and the largest seafood and shipping companies are multi-national corporations for which Alaska is only one of a portfolio of operating venues.

Within the environment described above, Alaska EDOs typically:

- Have small staffs and uncertain funding.
- Have limited established networks with other EDOs, federal and state economic development programs, businesses, or the University of Alaska. However, there has been some recent progress in this area.
- Can find themselves overwhelmed by the sheer size and number of challenges they face. For example, EDOs are largely unequipped to have an impact on natural resource development.
- Have often focused on infrastructure projects because basic issues like transportation and energy cost seem to preclude more typical business development efforts.
- Feel the State should provide more strategic direction and resources for economic development.
- Have a hard time attracting enough resources (of all kinds) to have a statewide impact.
- Have been frustrated by the financial, regulatory and practical barriers to developing projects, especially larger ones.
- Have been frustrated by what many consider an over-reliance by Alaskans in general on government, rather than business, to take the lead in economic development.
- Have had success in helping to foster workforce development programs.
- Have had some success working with the oil, mining and seafood industries (primarily) to maximize employment and other benefits to Alaskans.
- Have had limited success at fostering in-state value-added industries, either for purposes of export or for import-substitution.

In summary, the effectiveness of Alaska's EDO's is subject to six key overarching economic development issues:

1. **Need for leadership and coordination.** Lack of high-level leadership and coordination was among the most-cited challenges facing Alaska's development efforts. This leaves local, regional and statewide efforts fragmented and potentially contradictory.
2. **Need for explicit goals and strategies.** Economic development is an incremental process that requires long-term consistency and commitment.
3. **Need to integrate short-term and long-term initiatives.** Economic development is a long-term undertaking, but funding and local priorities tend to be driven by short-term needs.
4. **Challenges of geographic isolation.** EDOs have no choice but to try to address the fact that geography and climate define much of Alaska's development potential. Transportation was identified as one of the state's most significant barriers in both EDO and industry interviews.

5. **Challenges supporting and adding value to existing industries.** Import substitution, value-added processing, and support services have been widely recognized as key to Alaskans reaping more of the benefits of in-state development.
6. **Developing an institutional framework to elevate the impact of knowledge within all industries.** Alaska's next-generation economy must be one that produces and utilizes knowledge workers to facilitate growth in traditional industries and emerging industries.

Comparison with Best Economic Development Practices in Other Regions

Much can be gained by an inward analysis of Alaska's economic development system. However, a look at how other regions have tackled similar issues is also informative. From these insights and "best practices," a number of lessons for Alaska are drawn. Each should be instructive as leaders grapple with the question of how to organize for, and improve the state's economy.

In highlighting best practices, we have focused on leadership approaches, systemic changes and/or institutional efforts that were implemented in order to transform the subject region's economy. Of course, there is no single domestic or international best practice that aligns perfectly with Alaska's particular situation. But there are no doubt elements within these models that are appropriate to Alaska's particular context and the state's long-term goals.

Six regions were examined in this overview of best practices:

- Puget Sound Region—Economic development leadership and coordination
- Oregon—Explicit economic development goals and strategies
- Alberta, Canada—Integration of short- and long-term initiatives
- Chile—Addressing the challenge of geographic isolation
- Austin, Texas—Adding value to existing industries
- North Carolina—Institutional framework to elevate the impact of knowledge in its industries

Some leaders may feel that Alaska's unique history and atypical development challenges are such powerful constraints on economic development that the system and approaches that have evolved over the years are the best way forward. But the examples show that other regions having different fundamental characteristics than Alaska's have nevertheless been successful in overcoming barriers to economic development. In many instances these barriers are not so different than those faced by the state. All of the cases presented have just a few themes in common, and each theme is relevant to Alaska.

Leaders can take steps to affect the trajectory of an economy—the destiny of a state's economy is not preordained. Interventions in the status quo in the form of new public policies, bold private sector initiative, new public-private partnerships and strategic resource allocation can all affect the trajectory of an economy. The province of Alberta in Canada is a good example. The vision of a single leader in the 1970's drove new thinking in the 1980s about how to achieve a far more diverse economy. Subsequent policy initiatives launched new economic development organizations with new missions. New initiatives in education and training and in science and technology began to shift the structure of the economy in the 1990s. Analysts looking at the province's economic transformation typically note that its success relative to neighboring provinces can be attributed to successful diversification into new economic sectors that now complement resource extraction and industrial manufacturing.

Strategic planning can have a payoff—Economic analysis cannot end with a simple statement of the problems. The Situational Analysis contained in this report is meant to be a foundational document

upon which a strategic plan will be based. The situation analysis is necessary but insufficient to spark the new thinking and new behaviors that will be needed to move Alaska's economy in new directions. In every best practice case analyzed, leaders took steps to design, launch and implement a comprehensive strategic plan to guide their region's development.

Leaders in states whose economies are threatened cannot afford to be idle and wait for economic conditions to improve—Waiting for new economic conditions is not a strategy. Oil prices might go up, and that would be good. But they might, as they have in years past, go down. By their nature commodity prices will vary according to demand conditions far removed from Alaska's control. Alaska's leaders need to inform residents of the "razors edge" on which the economy rests and organize for new collective action.

Assessment of Entrepreneurship and Business Climate

Alaska doesn't appear to have a particularly good climate for business risk-taking. We are told by interviewees that Alaskans do not have a willingness for "change," "innovation" or "rejuvenation." Many informed leaders told us that Alaskans seems to have an "entitlement mentality."

Ultimately, the goal is to provide a good environment for innovation—for new companies to start-up and grow and for new thinking and new behavior within and among the state's EDOs and other development organizations. This will require a significant shift in both how leaders think about the economy and in economic policies going forward. On the other hand, if incentives in the economic system can be fundamentally altered, the entrepreneurial spirit is never lurking far below the surface, and can rise to strike at good economic opportunities and to meet new economic challenges.

The Economy

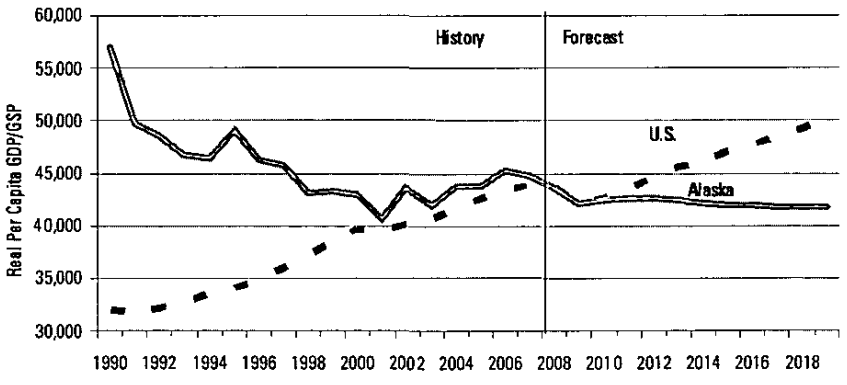
Alaska weathered the Great Recession of 2009 well compared to other parts of the U.S. economy and Alaska will be participating in the global recovery. However, from a longer term perspective there are risks and concerns that ultimately provide a rationale for a new approach to economic development to deal with potential risks and a loss of economic resiliency.

The top line view of Alaska's economy is one of stagnation and lagging economic performance in large part due to declining oil production.

Gross state product (GSP) measures the output or total value added of all industries in Alaska. By this measure, Alaska's economy has been stagnating for the past 20 years. Over the 1990 to 2020 period we expect the U.S. economy to have doubled in constant dollar terms. Over the same period, Alaska will have barely returned to its level of total economic activity in 1990.

Overall employment in the state economy may reflect more directly how people feel about the economy's performance. The oil industry is very capital intensive, so both increases and decreases

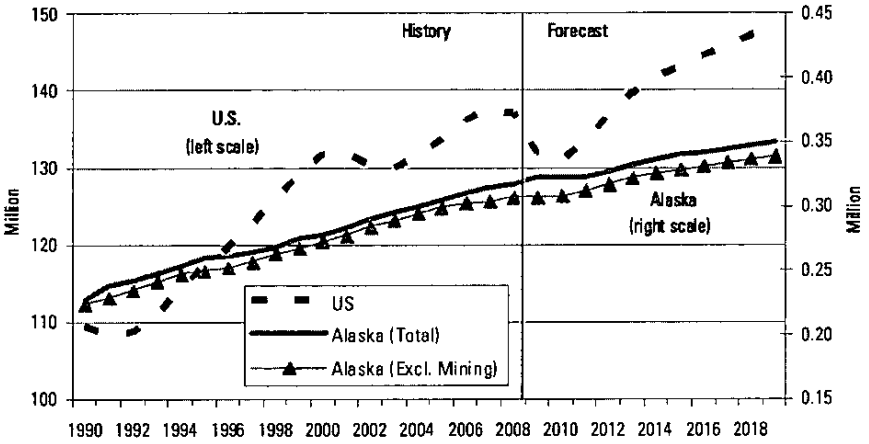
Figure 1. Twenty Years of Comparative Stagnation



Sources: BEA and IHS Global Insight

in output have a more muted impact on employment than in labor intensive industries. Second, sectors with large numbers of workers like travel and tourism have been growing and generating jobs. Third, while prices of the state's commodities are lower than the highs of 2008, they are still at historically high levels. These high price levels are supporting income and employment across the state. In this way Alaska is doing better than the GSP data alone suggests.

Figure 2. Steady, but Lagging, Employment Growth

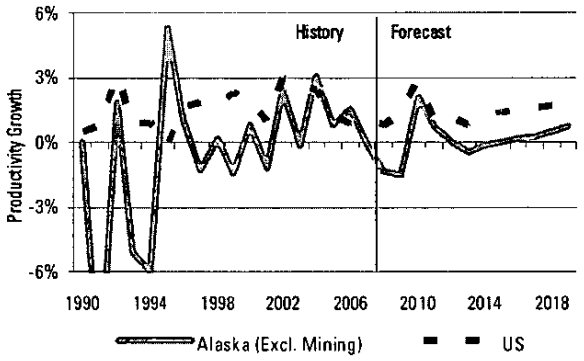


Sources: Bureau of Labor Statistics (BLS) and IHS Global Insight

It's important to notice that per capita income and non-mining labor productivity is lagging. High commodity prices are hiding structural problems and of course commodity prices can quickly become a curse when they start to fall. IHS CERA has published a number of alternative scenarios for world energy markets and not all of these scenarios envision higher prices for crude into the future. The Global Fissures Scenario has West Texas Intermediate (WTI) averaging only about $40 per barrel. In addition there is significant risk that future cutbacks in federal government spending will have a large impact on Alaska.

Figure 3. Future Risk: Lagging Labor Productivity and Oil Price Risk

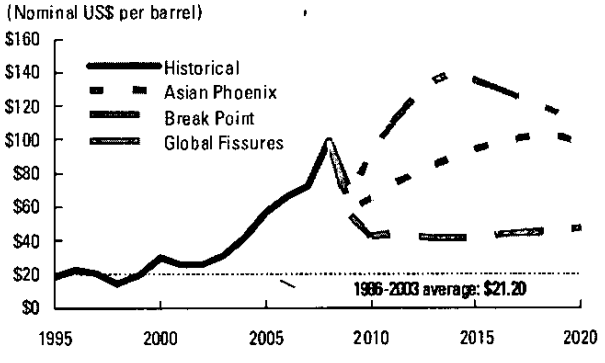
Labor Productivity, Excluding Mining and Oil and Gas



Sources: BEA, BLS and IHS Global Insight

WTI Price Scenarios to 2020

(Nominal US$ per barrel)

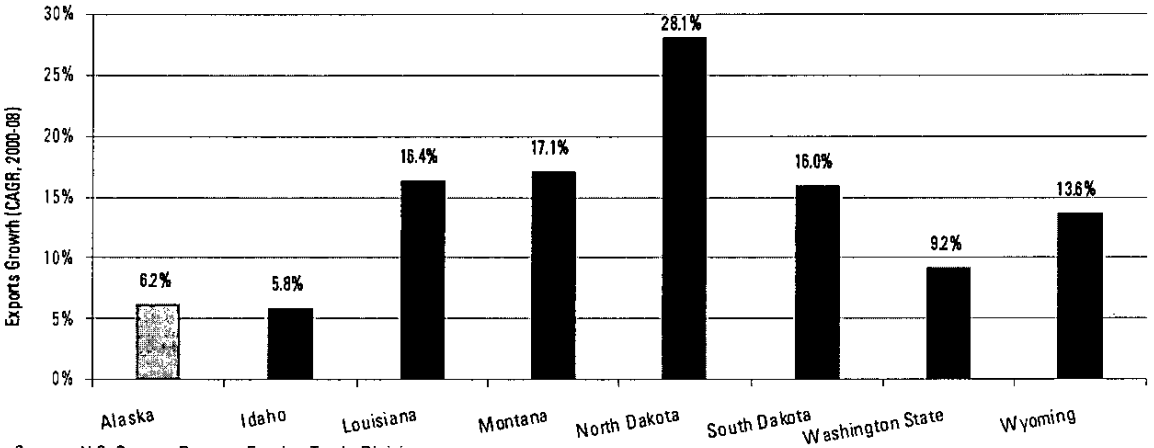


Source: IHS CERA, Global Insight

Global Opportunities

There are many attractive market opportunities around the world for a resource-rich state like Alaska. However, the state is in danger of letting those opportunities go to competing regions around the world. Alaska's trade with the rest of the world expanded at a compounded annual rate of 6.2% over the period from 2000 to 2008. Most of the peer states[2] we selected for this study had considerably stronger export performances.

Figure 4. Export Perfomance of Peer States



Source: U.S. Census Bureau, Foreign Trade Division

Table 1. Top-Five Exports, 2008—Alaska and Peer States

Alaska	Idaho	Louisiana	Montana
Fishing and Seafood Processing (50.6%)	Computer and Electronic Products (58.6%)	Crop Production (37.7%)	Chemical Manufactures (25.3%)
Mining (20.2%)	Processed Foods (9.3%)	Petroleum and Coal Products (23.9%)	Mining (15.8%)
Oil and Gas Extraction (8.6%)	Chemical Manufactures (5.2%)	Chemical Manufactures (16.9%)	Machinery Manufactures (13.3%)
Transportation Equipment (6%)	Paper Products (4.6%)	Processed Foods (8.9%)	Transportation Equipment (10.9%)
Primary Metal Manufactures (4.2%)	Transportation Equipments (4.4%)	Machinery Manufactures (3.0%)	Primary Metal Manufactures (8.2%)
North Dakota	**South Dakota**	**Washington State**	**Wyoming**
Machinery Manufactures (42.7%)	Computer and Electronic Products (30.7%)	Transportation Equipment (41.1%)	Chemical Manufactures (73.1%)
Crop Production (22.1%)	Processed Foods (21.0%)	Crop Production (20.9%)	Oil & Gas Extraction (7.4%)
Transportation Equipment (8.4%)	Machinery Manufactures (15.7%)	Computer and Electronic Products (5.9%)	Machinery Manufactures (6.6%)
Processed Foods (7.9%)	Beverage & Tobacco Products (7.2%)	Processed Foods (4.9%)	Mining (5.4%)
Oil and Gas Extraction (7.5%)	Transportation Equipment (5.7%)	Petroleum and Coal Products (4.9%)	Fabricated Metal Products (1.2%)

Note: number in parenthesis is the share in total exports
Source: U.S. Census Bureau, Foreign Trade Division

[2] The peer states chosen for this study include Idaho, Louisiana, Montana, North and South Dakota, Washington and Wyoming. The criterion used for selecting the peer states is explained in Economic Foundations.

There are many countries around the Pacific Rim that offer export opportunities for Alaska. However, taking advantage of these opportunities will require more of a state-wide approach to focusing on Alaska's position in the global market.

The growth prospects for Alaska's exports depend on the economic outlook for its major trading partners. These are the important end markets for Alaska's exporters. The outlook for certain industry sectors is also important.

Real GDP contracted in most of Alaska's export markets in 2009 however China and South Korea managed to avert a recession. As the world economy recovers from recession demand for Alaska's key exports will revive. The recovery patterns differ significantly across the countries. China will be leading the recovery with real GDP growth forecast of 9.8% for 2010. For Germany and Japan real GDP growth is expected to stay below 2% until 2012.

Table 2. Real Global GDP Growth
(% change)

Alaska's Trading Partners	2009	2010	2011	2012	2012	Real GDP, CAGR 2009-19
Canada	-2.6	2.2	3.4	3.6	3.2	2.7
China	8.5	9.8	8.5	8.6	8.6	8.4
Germany	-4.8	1.5	1.6	1.8	1.9	1.6
Japan	-5.3	1.4	1.3	1.9	2.3	1.5
South Korea	0.1	4.1	3.2	4.3	3.9	3.7
Belgium	-3.2	1.2	1.5	1.5	1.9	1.8
France	-2.3	1.1	1.3	1.7	2.2	1.9
Netherlands	-4.1	1.1	1.2	1.7	1.9	1.7
Portugal	-2.7	0.9	1.1	1.4	2.2	1.7
Switzerland	-1.2	1.5	1.7	1.6	1.8	1.5
Taiwan	3.8	4.4	5.7	5.3	4.7	4.3

Source: IHS Global Insight

Alaska's Clusters

The consulting team has identified 11 industry clusters that can serve as a powerful focus for a new approach to economic development. By developing strategic and tactical action initiatives on expanding and deepening the capabilities, foundations, and linkages within and among its "portfolio" of clusters, Alaska can start down the road of diversification and increased value added.

The clusters that have been identified are

- Fishing and Seafood Processing
- Oil and Gas Extraction / Pipeline / Refinery
- Military
- Mining
- Federal Government

- Tourism
- Logistics and International Trade
- Community and Social Services
- Advanced Business Services
- Specialized Machinery/Capital Goods
- Forestry and Wood Products

The clusters are grouped into four segments based on employment concentration in Alaska compared to the U.S. national average and the estimated dynamism, or growth potential over the next 10 years. This segmentation is an important consideration when formulating strategic economic development policy.

In addition, we found evidence of some unique, technology-based capabilities in the state that can serve as potential future seed clusters or assets to potentially aid the 11 identified clusters. These are: Cold climate technology, Rocket launch technology, Cold climate housing, Specialized super computing capabilities, Distance delivery -- education, medical, and management services, Alternative energy and Clean-energy (bio fuels, clean coal/coal gasification, etc), Specialty solvents, Light aircraft operations and maintenance/navigation, Marine and arctic biological sciences/potential for aquaculture, Remote communications technologies/systems, Aerospace technology/operations, and Naturally grown/grazed food products.

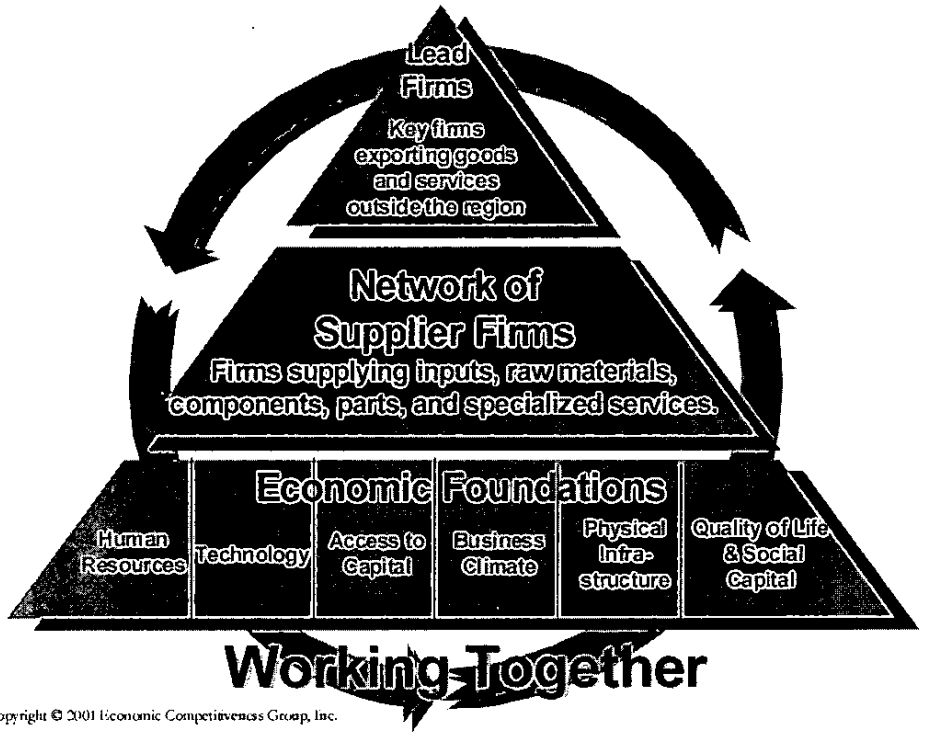
Economic Foundations

Six key economic foundation areas underpin the development of these clusters. A strong foundation is a vital element for cluster development. Alaska's economic foundations are evaluated against a set of peer states including North and South Dakota, Louisiana, Idaho, Montana, Washington and Wyoming. The selection of these states was based on a number of factors that include: (1) population and urban orientation; (2) cluster structure; (3) economic performance; (4) strategy-oriented economic development; and (5) multi-modal transportation issues.

Underpinning every successful cluster are the economic foundations of a region as described here and shown as the base of the pyramid in the cluster diagram below.

- *Human Resources:* an educated and productive workforce.
- *Technology:* the quality of research and development and other sources of innovation.
- *Access to Capital:* the ability of firms in the region to obtain financing.
- *Business Climate:* a competitive business climate; adequate funding for necessary services.
- *Physical Infrastructure:* well-developed, cost-effective and efficient roads, highways, transit, ports, and airports that meet the transit and transportation needs of both workers and business.
- *Quality of Life and Social Capital:* The quality of life a region offers its residents is comprised of many things—many of them intangible. It also consists of what is known as "social capital"—the inter-personal and organizational networks that enhance a region's ability to facilitate transactions and investment due to trust and access to information.

Figure 5. Economic Foundations of a Cluster-Based Economic Development Framework



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Relative to the peer regions, Alaska offers a low tax business environment and a high level of quality of life for those that have settled in the state. In addition, the state's workforce is relatively well-educated.

Relative weaknesses of the state are its high secondary school dropout rate and the associated need of its resident workforce for educational remediation for employment. Cluster development would benefit from a tighter linkage between education and industry so that specific occupational skills are targeted. There is also evidence of a relative lack of technological commercialization within the state. Indicators such as per-capita or per-employee R&D spending show an average level of innovative activity. Data on the number of patents registered shows challenges related to the commercialization of new technology within the state. Finally, a poor system of roads and highways is a unique challenge that Alaska faces.

Conclusion: A Path Forward

Alaska's EDOs and approaches to economic development have evolved according to the state's unique characteristics and needs. This report analyzed the current situation from several perspectives. In the first section, we looked at the array of EDOs in the state and provided an outline of their various strategies and objectives. We then looked at the strengths and weaknesses of today's organizational structure and provided comments on the main features of Alaska's approach to economic development. Our findings in these two sections came from a review of past reports as well as from input from informed leaders in interviews and surveys.

From these analyses, we developed six overarching economic development themes for continuing study. Each theme highlights a critical issue for Alaska, ranging from the need for more leadership and coordination of Alaska's economic development infrastructure, to the need for new thinking about how to add more value to Alaska's important natural resource sectors. Finally, we looked at how other

states and regions have addressed similar challenges. There are lessons here for Alaska's leaders that focus on how the state should organize its efforts and work toward a more competitive economy.

The next step in the analytical process was to understand the state and global economic challenges and opportunities and match these with our understanding of the state's clusters and economic foundations. For example, we noted in the Economic Profile section of the report that the slowdown in revenues from the natural resources sectors, notably in oil and gas, has caused real GSP to stagnate since 1998-9 when compared to the national economy. Over the last few years GSP has slipped even further behind the national average and the forecast is for this gap to widen. As a result per capita income has also slipped alarmingly. The forecast is for Alaska to fall well below the national average.

Looking Forward

Our comprehensive approach has lead us to conclude that Alaska's economic future is, at best, cloudy we have identified a few significant risks. Going forward commodity prices might work to the state's advantages and push per-capita income higher. Betting on this outcome however would be unwise. The conclusions of our economic research has been largely confirmed by our recent interviews and surveys. Informed leaders in Alaska know that the state is potentially facing serious economic challenges.

It seems that economic development efforts at the state, regional and local levels need to be stepped up however the basic organizational infrastructure and today's typical economic development objectives and strategies are less than optimal. The state's institutional capacity to address fundamental economic problems, while well intentioned and at times successful with tactical interventions, may not have evolved a shared economic vision among key stakeholders. Stronger and higher-level leadership and coordination is needed in order to make the most of efforts expended.

The area where we see opportunity is largely at the statewide level. We believe that a different overarching approach to economic development is needed, perhaps one driven by a public-private leadership group, with the public sector providing the initial funding and the private sector providing its knowledge of how markets work, where the opportunities for diversification lie and what makes an economy competitive. The approach might be based on contemporary economic development models used in other states (such as Oregon's cluster-based economic development networks or the Puget Sound region's well coordinated Prosperity Partnership and industry working groups to define needed policy initiatives).

With a different policy framework, such as a statewide cluster development and leadership and coordination towards this end, regional and local practitioners would have both an overarching policy framework and the flexibility to implement the policy as local needs dictate. A cluster policy strategy would not only outline the main implementation features and suggest tools for regional and local EDOs, but provide a way of coordinating most of the practices of regional and local economic development agencies. It is important to point out that whatever economic development model Alaska's moves toward in the future it needs to be an "Alaska Model." The state is too atypical in too many ways for a textbook approach to have the desired outcomes.

Moving Forward: Toward What Kind of Economy?

If asked, most people in Alaska would say that the state, fundamentally, has a natural resource economy, and that it always will. Our analysis suggests that Alaskans begin looking at the state's economy in a broader way, as a "*natural resources, PLUS*" economy. Oil, gas, mining, and fishing, along with tourism, will be the most important engines of economic growth for as long as one can see into the future. Economic development policy and practice must continue to focus on making the most of these sectors. But the notion of "*natural resources, PLUS*" means that in the future, Alaska will look to its natural resources as the state's primary economic engines while simultaneously developing emerging sectors (e.g., logistics and trade, advanced business services, specialized machinery) where the state has

comparative advantages. Some attention must also be paid to the pre-clusters, where much more research is needed to better define if these or other "faint signs on the radar" can, with the right policy support, be elevated from "radar blips" to something more. To a great degree, economic development efforts should be shifted from the very difficult task of trying to get more job and revenue impact from the state's natural resources sectors to trying to make the most of the PLUS side of the envisioned new economy.

The country's security equation is changing and these changes are likely to affect both the missions of Alaska's military installations as they shift to respond to changing threats as well as the role and reach of the Department of Homeland Security Coast Guard. Keeping abreast of how agency missions are changing, and are likely to change in the future as well as how federal resources will be spent on military and national security priorities should be a high priority of the state's economic development leaders. Federal funding for national security is not likely to decrease in the near- to mid-term.

Developing the PLUS side of the new economy should be a high priority of APED's Phase 2, Strategy Development. But there is little doubt that new strategies will be needed to address the state's climate for business entrepreneurship. For example, young people in Alaska should learn about small business, the pros and the cons, throughout their formal education. They should have a working knowledge of markets and how investment flows to economic opportunity.

New policies are most likely needed at University of Alaska (UA) to try to move basic research closer to commercialization and to support more applied research. The key roles that the university can play in long-term development strategies include: educating and nurturing the next generation of workers and leaders; conducting applied research that is critical to industrial innovation; engaging in transferring new technology and processes to businesses; conducting policy analysis to inform decision-makers; supporting small business development with skills and information and creating forums for networking and information exchange. To perform these roles well, universities must examine and mitigate policies, procedures and organizational structures that could interfere with their economic development functions. Furthermore they should initiate and align internal incentives so that faculty and staff work toward common development goals. This process must be led from the top and must be ongoing.

Putting in place other features in the state's economic environment should likewise be a priority. For example, Alaska doesn't need to lose its applied research investments, or its graduates to other states. Keeping both in-state might require implementing not only technology commercialization strategies but also complementary "technology capture" strategies that work to keep innovation in-state, within existing firms and in the hands of local entrepreneurs. Fledgling entrepreneurs will need help from the state's EDOs to secure financial resources and other pre-requisites for market success, suggesting in this light at least a review of small business programs and state financing programs designed to help launch small businesses. The range of potential new economic development strategies is wide and deep.

Three Stategic Thrusts

We envision three main strategic thrusts (similar to the three-legged stool[3] suggested by the Institute of Social and Economic Research at the University of Alaska (UAA ISER). The first strategic thrust would be to make the most of the natural resources that have made the state what it is today. Existing priorities will need to be reviewed in the context of economic forecasts and specific tactics will need to be developed to support the strategy of making the most of the state's resource advantages. An essential element of such a strategy would be continued refinement of approaches to natural resource preservation—in which Alaska is already a leader in many respects—so that future generations also derive benefits from those resources.

[3] This is referenced at http://www.alaskaseconomy.org/.

The second strategic thrust would be to work with the federal government in strategic ways to maintain, if not grow, its presence in the state and generate all the public and private sector jobs associated with the government's priorities in Alaska that are possible. While this thrust has been a strategic priority for some time, opportunities noted earlier may exist for new or expanded military and homeland security initiatives as global security threats evolve. Even changes in polar region access can change the military and security calculus, potentially leading to new federal investment in preparedness. Again, specific program tactics will need to be developed to achieve this objective. Keeping track of these opportunities should be a heightened priority of Alaska's Congressional delegation. Put in the context of this initiative, *Alaska Forward: Towards a Next Generation Economy,* elected leaders and their staff should be encouraged to redouble efforts to get inside the decision-making processes of key federal agencies and influence decisions with an aim at securing new jobs and new investment, consistent with broad government needs.

The third strategic thrust would be to create a stronger entrepreneurial climate that is pro-small business. The suggestion is to nurture those that take the risks to create small companies and who most likely live in Alaska because they love it. These business people and entrepreneurs, while present today, are not particularly well-supported with the necessary ingredients for growth-oriented, commercial success. This area is wide open for new, contemporary initiatives designed to achieve the goal of new firms in small population centers. Books have been written on the topic, one published just a few months age titled "Generating Local Wealth, Opportunity and Sustainability through Rural Clusters," by Stewart Rosenfeld of Regional Technology Strategies, Inc. The author is a thought leader on the topic because his work is empirical, years of study of what kinds of firms cluster in less populated regions, and why. Rosenfeld's conclusions regarding cluster development success factors in places with small populations point to the importance of certain community characteristics including social capital trust and connections to urban centers, all of which can be enhanced through policy interventions and new community and economic development practices.

Next Steps

Can Alaska make the necessary changes in policy and practice to build a more diversified and sustainable economy? This report has made the point that when faced with similar challenges, other regions have made difficult decisions and moved in new directions with new thinking, new economic development policies, and new practices.

This report concludes that Alaska's leaders need to begin to address the risk of declining economic resiliency by transitioning from today's approaches to economic development to new approaches, based in part on the best practices of other regions. Bridging from this Situational Assessment to the upcoming Phase 2 Strategy Development work should begin immediately. We recommend the process start as other regions have started their strategic planning efforts. Puget Sound's Prosperity Partnership, for example, moved quickly from its analysis of economic conditions and opportunities to form a new strategic planning-oriented "Alaska Forward Leadership Council."

This group should be comprised of leaders drawn from companies, institutions and organizations across the state. By virtue of their position and visibility, these leaders would command a degree of authority. Involving high level government leaders who have a strong incentive to address the state's economic challenges would bring resources to the effort. Having top level private sector leaders involved would help assure that market-based principles would guide new initiatives and help avoid undesirable focus on grand, "pie in the sky" efforts. Private sector leadership would also bring executive and managerial talent to the task, helping to keep the strategic planning process lean, focused and "business-like."

From this starting point, the leadership group would prepare to launch Phase 2. If the strategy development process has a significant component which is cluster-based, as we suggest, the next step would

be to select specific clusters for priority attention. All the clusters would eventually be given full attention, but the Leadership Council should not try to take on too much at once. Top-level leaders in each cluster would be identified and briefed on their role to help coordinate and lead from their cluster's perspective an 8-10 month-long cluster development strategy effort. The notion is that each cluster would generate a set of cluster-specific priorities aimed at addressing impediments to growth and development. Facilitated discussions would lead to a shared economic vision for each cluster as well as development of a number of policy initiatives, each designed to address an impediment to the cluster's growth. Each initiative would have its own business plan and an "implementation champion" (i.e., ownership) to help take the initiative forward. In addition, a limited number of cross-cutting initiatives and policy recommendations would also emerge from each cluster group, which would be integrated into the broader state-wide strategy.

With the overall plan to move from Phase 1 to Phase 2 laid out, the Leadership Council should consider launching the effort with a high visibility event, perhaps a statewide Economic Summit. Stakeholders from across the state would be invited to a day-long program, hosted by the Leadership Council who would be introduced to the assembled leaders by the chairman. Presentations of the Situation Analysis would be made with the objective of impacting how the audience hears the messages. Questions would be solicited and answers provided by knowledgeable leaders, economists, and other experts.

In this way, Alaska will have kick-started the needed transition from its current approaches to economic development to a more strategic approach, led by leaders from the private and public sector. Similar approaches have been used, in many cases repeatedly making collaborative strategic economic development planning the prevailing practice in many regions. There is no reason that Alaska's leaders can't move in similar ways, evolving a 21st century "Alaska Model" for economic development and start afresh to build a more diverse and more sustainable economy.

BRIEFING PAPER:
ECONOMIC DEVELOPMENT
IN STATE GOVERNMENT

A review of economic development configuration in Alaska's agencies, models from other states, and potential changes to Alaska's economic development system

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Alaska's Department of Commerce, Community and Economic Development includes both **Economic Development** and **Community Development** functions. The department's mission is to "promote a healthy economy, strong communities, and protect consumers in Alaska."

The difference between economic development and community development is not always well-understood. To establish a shared understanding of these terms, the following definition is presented:

> Community development is capacity building; economic development is wealth creation.
> --Robert Shively, *Economic Development for Small Communities*

To go further, community development often refers to projects that create infrastructure and community capacity. Public works projects, schools, bridges, libraries, community centers and parks… these are community development projects. Economic development projects, on the other hand, would be the construction of a new clinic by a group of private physicians, or the expansion of a metal fabrication shop by a business owner. Community development and economic development are deeply intertwined, because economic development—and the private investors, owners, and entrepreneurs who lead the way—also requires community infrastructure, either to support their businesses or to enable a lifestyle that makes them want to live and stay in a community. At their cores, both community development and economic development are about resilience, the ability of a community or economy to respond to both opportunities and threats, to adapt to change. But the two functions are quite different, *and the appropriate activities and roles for government in economic development are much different than in community development.*

The purpose of this paper is to examine ***economic development*** activities in state government. While we recognize the interconnectedness of the two functions, the focus of this work is on resources within state government that support private sector investment in Alaska's economy.

Current Resources within State Government and the University System

Alaska's Office of Economic Development (OED), within DCCED

- The mission of OED, as described in the FY10 Governor's Operating budget, is to "Advance successful tourism, film, fisheries, forest products, minerals, and small business assistance programs in order to increase economic activity in Alaska and create new employment opportunities for Alaska."

- Alaska's OED currently has a division head, plus 11 employees in five sub-programs, many of which can be tied to one or more functions in Alaska Statute.
    - The Alaska Film Office (3 employees, one of whom is shared with Tourism) (AS 44.33.231, Film Office)
    - Business Development (2 employees, one of whom is a forest products specialist) (AS 44.33.900 Alaska Forest Products Research and Marketing Program)
    - Office of Fisheries (1) (AS 44.33.065, Regional Seafood Development Associations)
    - Office of Mineral Development (2) (AS 44.33.431, Alaska Minerals Commission)
    - Tourism Program (4, one of whom is shared with Film) (AS 44.33.119, Alaska Division of Tourism)

Alaska Industrial Development and Export Authority (AIDEA), within DCCED

- The mission of AIDEA, as described in the FY10 Governor's Operating budget, is "to provide means of financing to promote economic growth and diversification in Alaska."
- AIDEA's board of directors consists of five individuals
    - The Commissioner of Revenue
    - The Commissioner of Commerce, Community, and Economic Development
    - One other person appointed by the executive branch
    - Two public members appointed by the governor
- AIDEA's economic development programs have approximately 30 staff assigned to it, with 30 who are professional staff (estimate from AIDEA staff, October 2009)
    - AIDEA is a "public corporation of the state and a body corporate and politic constituting a political subdivision within the Department of Commerce, Community and Economic Development, but with separate and independent legal existence," under AS 44.88.010—44.88.159
    - AIDEA has a number of loan participation, revolving loan, and bond programs
    - AIDEA has ownership stakes in several major projects
- AIDEA also is home to another agency, Alaska Energy Authority (AEA) which currently has a community development mission
    - Though the agencies are separate, they share employees and resources

Alaska Division of Investments (DOI), within DCCED

- DOI's "primary responsibility is to administer and service twelve state loan programs under the Department of Commerce, Community, and Economic Development. These programs were primarily designed to promote economic development through direct state lending in industries that are not adequately serviced by the private sector."
- DOI typically interfaces with individual lenders and small businesses (in contrast to AIDEA, which handles significant industrial investments)
- DOI has 44 FTE employees (FY2010 budget)
- Loan programs authorized in statute are not comprehensive across range of Alaska industry

Non-Governmental Economic Development Organizations in Alaska

ARDORs

- Alaska Regional Development Organizations (ARDORs) are established under 44.33.895 (Alaska regional economic assistance program) and is subject to regulations at 3 AAC 57.010-900.
    - Under the statute the department can provide grants of up to $100,000 annually to match funds from non-state sources.

- The state's contributions to the ARDOR under this program are $50,000 annually. With the addition of an ARDOR in the last two years, the state's total contribution has increased, but organizations still receive the same amount. (Annual funding since 1992 is flat at $620,000; except for increase of $57,000 starting in FY09 with addition of twelfth ARDOR)
- According to the website of OED, ARDORs are intended to
  - *enable communities to pool their limited resources, and work together on economic development issues;*
  - *develop partnerships among public, private and other organizations,*
  - *offer a technical, nonpartisan capacity to develop and implement an economic development strategy,*
  - *often have extensive experience with federal/State programs, and*
  - *provide needed technical assistance via direct links with local citizens.*
- With large service regions and limited funding, some ARDORs have very difficult times attracting experienced staff to run economic development programs
  - Some conversations have been had to establish system-wide capacity-building fund for the ARDORs so that staff of the ARDORs can take advantage of professional development opportunities despite limited budgets

Additional Regional Economic Development Groups

- Regional/local groups also exist, such as Juneau Economic Development Council, Fairbanks Economic Development Corporation, Alaska Village Initiatives.
  - These have more local focus

University Economic Development Resources and Coordination with State Resources

The University of Alaska has several economic development programs doing technical assistance, training, etc.

- **Center for Economic Development, at the Institute of Social and Economic Research, UAA**
  - One of 52 university centers nationally designated by Economic Development Administration
  - Works at level of *municipalities, large non-profits, service-providing for profits (such as Alaska Native Corporations)*
    - 2008 Annual Report includes list of clients: http://ced.uaa.alaska.edu/publications/2008AnnualReport.pdf
  - According to their website, CED "leverages the resources of the university system to support economic development in Alaska, providing technical assistance in the form of information, data, and know-how in evaluating, shaping and implementing specific projects and programs that promote economic development across the state." (http://ced.uaa.alaska.edu)
  - Supported by fee for service in most cases, in order to support program delivery costs; some budget also from State
  - CED helps with local and regional planning, feasibility analysis, strategic planning (organizational and community) financial analysis, market and economic research
  - Recently, CED began coordinating accredited certification courses for the International Economic Development Council, to certify IECD economic development professionals
    - NB: Currently, there is not a single certified economic development professional working in Alaska

- **Small Business Development Centers**
  - Works at level of small, individual entrepreneurs
  - Provide free- and low-cost consulting to small business and micro-enterprise
  - Funded by US Small Business Administration with matching funds from state.
  - Provides consulting services and low-cost educational programs to entrepreneurs
  - Program's "business advisors" are certified through the Alaska SBDC's professional Certification program
  - Has a rural outreach program

How are Other State Governments Doing Economic Development?

Several states are recognized for their innovation in economic development within state government. Some of these are profiled below.

The states profiled below were selected because of their recognition as successful models, or commonalities with Alaska (rural Western). This report profiles North Dakota, Wyoming, Indiana, and Kentucky, which are all recognized for their economic development programs, as well as Oregon, which shares some similarities with Alaska as a Western state with large rural areas. All of these states have advisory and/or policy bodies that primarily comprise private sector leaders.

NB: Descriptions below reference "primary" or "basic" industries. These are industries that bring new dollars into a state's economy. Oftentimes these are because the business outputs are produced for markets outside the state. In some cases federal government programs, which bring dollars into state economies, can also be seen as contributing to the primary/basic sectors. This differs from support sector businesses, which provide services within the state. Primary/basic businesses are the economic pumps for an economy.

North Dakota www.business.nd.gov

- Economic Development & Finance is a division within a department that also houses Tourism and Community Development
  - Tourism is separate because development approach differs significantly from standard "primary/basic" sector activities.
- North Dakota has an Economic Development Foundation, a private foundation established by the Legislature, to provide guidance and private-sector oversight of state economic development efforts. It maintains a strategic plan for economic development.
  - 23 "business leaders," meet quarterly
  - has the ability to raise private funding to support state efforts
- Division heads are professional positions, not appointed
- Majority of staff at Economic Development and Finance Division are certified economic development professionals through the IEDC
- Primary function of division is to work with businesses to identify the state programs and resources that will help them establish, grow, or retain in North Dakota; deal structuring (not technical assistance, which is pointed to university, SBDCs, etc.)
- North Dakota has a development bank, the Bank of North Dakota, which manages nearly all of the state's loan and investment programs, with very few exceptions
- Department ***only works on inquiries/investments that are in the Basic sector of the economy*** (Basic industries bring new money into the economy from out of state, while secondary industries provide services to support the basic industries)

- Web presence: North Dakota has http://www.business.nd.gov/, which is a user-friendly portal to information necessary to do business in North Dakota
- 17 staff for ED&F, including 2 finance people to run loan programs outside the Bank of North Dakota

Wyoming www.wyomingbusiness.org

- Wyoming Business Council is the economic development group in state government
  - It has a corporate structure, incorporates private business practices, regional offices
  - Has a Board of Directors and CEO, though it is within state government
    - Board members are successful business owners from Wyoming
    - Board members appointed by Governor; CEO hired by Board
    - Employees of agency are at-will
    - Board does "business plan" for department
  - Staff of 53 for WBC, plus 19 for Tourism
    - 7-8 administrative staff, all other work on economic development and management of community grant programs
  - History of the WBC: http://www.wyomingbusiness.org/about/history.aspx
  - Enabling Legislation: Wyoming Statutes 9-12-101 through 9-12-804 (http://legisweb.state.wy.us/statutes/statutes.aspx?file=titles/Title9/T9CH12.htm)
  - WBC focuses on basic industries, with few exceptions in rural areas where basic service infrastructure (grocery stores) do not exist
    - Industries have to produce something sold outside the region to get WBC attention.
  - WBC works closely with university programs, including SBDCs, Intellectual property, incubators, etc.

Kentucky www.thinkkentucky.com

- Primary state agency for economic development is the Cabinet for Economic Development, which is governed by the Kentucky Economic Development Partnership Board
- Kentucky Economic Development Partnership Board
  - Enabled in 1992 by HB 89.
    - Thirteen members representing each of eight congressional districts and different industries, plus secretaries from four cabinets (Econ. Development, Finance and Administration, Environmental and Public Protection, and Tourism), plus Governor
    - Cabinet includes
      - Office of Secretary
      - Department for Business Development
        - "Responsible for coordinating the recruitment and attraction of new companies that will enhance the overall viability of the state's economy, as well as assisting and encouraging job retention and creation by working with existing Kentucky business. The Department partners with outside agencies and communities to conduct workshops, community assessments, and business surveys to support local development efforts"
      - Department of Financial Incentives
      - Department of Commercialization and Innovation

- "Responsible for developing and implementing a strategy to create, attract, and assist knowledge-based companies to Kentucky."

Indiana www.in.gov/iedc

- Primary state group for economic development is the Indiana Economic Development Corporation
  - Created in February 2005 to replace the former Department of Commerce
  - Has a board of 12, including governor and 11 private industry participants
  - According to IEDC website, "The IEDC is focused exclusively on economic development and has incorporated all state entities with economic development responsibilities into its organizational structure."

Oregon www.oregon4biz.com

- Economic development is a division within the Oregon Business Development Department, which also houses community development functions
  - About 25% of department budget goes to economic development
- Economic development overseen by the Oregon Business Development Commission, which is statutorily authorized, and consists of seven private sector individuals (not agency) appointed by the Governor
  - Entity sets policy direction for agency activity
- Department head is appointed, but division heads are professional staff
- 13 people working in field around Oregon, plus five people specializing in international development
- No certification/training requirements specific to department; some perhaps specific to positions, particularly for international development people
- Primary role of business development division is deal structuring, pulling state resources together to support creation or retention of jobs
- Staff only work on primary (basic) sector industries, refer others to university, SBDCs, other partners

Points to Consider about Alaska's Current System

- State government's oversight and/or policy direction from private sector is currently limited to two of five seats on the board of AIDEA.
  - There is no private sector input built into OED or DOI
  - Without private sector input it may be difficult to align state programs across divisions with real needs in Alaska economy
- Incentive programs in Alaska Statute are limited
  - New Business Incentive Program (DCCED), established under 45.81.010, is not funded
  - Film Incentive office supported by two staff at OED (DCCED)
  - Exploration Incentive Credits (DNR)
  - AGIA (DNR)
  - Various AIDEA Programs
- Economic Development functions are distributed between several divisions and/or offices, including:
  - Division on Investments (Greg Winegar, Division Director)
  - Office of Economic Development (Joe Austerman, Director)
  - Alaska Industrial Development and Export Authority (Ted Leonard, Executive Director)

    - Economic development staffing in these offices are about 15% of total DCCED personnel
        - Viewed alone they are 8%, 2%, and 6% respectively
        - May have difficulty getting strategic focus within larger mission of department
- No certified economic developers currently working in state (compares to other states where professional certification is common among economic development staffers)
    - University's Center for Economic Development has started offering training modules several times per year (the standard for these courses is multi-day intensives) for certification through the International Economic Development Council
        - This is a relatively new service
        - Department estimates cost in training to reach certification goals, before travel and lost work time, is $3,400 per person
    - Currently there are no practicing certified economic development professionals working in Alaska (in state government or out of state government)
- State government's interaction with University resources may be inefficient; economic development resources may be "siloed"
    - Do OED and AIDEA have regular practice of directing inquiries to existing University resources?
    - Do agencies and universities work closely to avoid duplicating tools and services?
    - What gaps should agencies fill that are not natural to the University?
- State government, through OED, is currently focused on a small set of industries
    - Focus may be broadened to allow room for additional industries/ideas
- Alaska state government does not maintain a web presence focused on attracting or retaining business
    - For contrast, see Oregon, http://www.oregon4biz.com/, found in two clicks from the State of OR homepage); North Dakota, http://www.business.nd.gov; Kentucky http://www.thinkkentucky.com/

Possible Areas of Discussion for Legislature

1. Restructuring economic development functions within state government under alternate models such as public/private partnerships, corporate structures, strengthened divisions, or others.
2. Consideration of creation of a non-governmental (private sector) policy group at head of state economic development. Depending on departmental structure the advisory entity could be modeled on corporate, foundation, policy, or other board structures
3. Establishment or reestablishment of incentive programs to support economic development programs
4. Budgeting for ARDOR programs
5. Budgeting for University programs that support small business development
6. Oversight hearings prior to and within the budget process to assess focus and resources of state offices with economic development missions
7. Establishment of additional loan programs to support small business economic development

Additional Resources

- Alaska Economic Development Programs, prepared by Office of Economic Development
  - Document attached to this transmission
  - Note: This matrix does not differentiate between Economic Development and Community Development programs (see definition on Page 1). True "economic development" programs are fewer than one dozen.
- Department and subunit missions: Office of Management and Budget
  - See http://gov.state.ak.us/omb/results/agencies.php#10 for missions related to DCCED and its divisions
- Alaska SourceLink www.aksourcelink.com. A web portal hosted by the university that provides information on all economic development support resources in the state

The Governor's "LEGACY" Planning Process

- Created by Administrative Order during the 2009 legislative session.
- LEGACY was intended to help shape the next 50 years of economic diversification and job creation.
- A planning team was established, called the Alaska Diversified Economic Planning Team. Members include the Commissioners (or designees) of DCCED, DOLWD, and DOTPF; the Executive Directors (or designees) of AHFC, AEA, and AIDEA; the University of Alaska President (or designee); and a representative from the office of the Governor.
    - The DCCED Commissioner (or designee) served as the planning team chair.
- The ADEPT planning team formed work groups and conducted a one-day summit in late July.
    - Groups included Forest Products, Seafood, Tourism, Mining, Small Business, Military, In-state Energy, Health Care, Broadband, Transportation, Housing, Financing/Access to Capital, and Economists.
- The groups were asked to submit interim, draft reports in early October.
- After having an opportunity to evaluate the planning process, Governor Parnell advised the planning team that he intended to retain the process with some changes.
    - He intended to meet with the work groups personally, elevating the private sector input to the highest level of state government.
    - The composition of the work groups and the planning team would be modified at a future date.
    - An oil and gas group would be formed, as this industry was not addressed in the first phase.
    - The expectation of a December report was removed, as the process had been suspended for several months.
    - The AO was to be modified to reflect the current Governor's priorities.
    - Interaction with the Legislature needed to be incorporated into the planning process.
- Actions by the office of the Governor include:
    - Governor Parnell has met with several of the work groups to hear ideas and issues that affect their respective industries.
        - He is scheduling meetings with the remaining groups.
        - The Governor has also been meeting with private sector representatives on an ad hoc basis, and will continue this outreach.
    - Concurrently, Special Assistant Susan Bell served on the Alaska Forward Steering Committee.
        - As industry cluster groups are anticipated in Phase Two of Alaska Forward, participants in the LEGACY work groups will likely be combined in the larger planning process.
        - The Governor included funding for Phase Two of Alaska Forward in his FY11 budget.
- Several staff changes have occurred in DCCED.
    - Mark Davis, who previously served as Deputy Commissioner and LEGACY chair, moved to a new role in AIDEA.
    - Deputy Commissioner Curtis Thayer was hired to oversee economic development functions of the Dept. He will serve as LEGACY chair.
    - Mark Kelsey, who had served on LEGACY on behalf of the office of the Governor, was moved into the Office of Economic Development.
    - Thayer and Kelsey utilized the interim, draft LEGACY reports in the development of the Inventory of Economic Development Opportunities for OED staff to pursue.
- Revisions to the AO have been drafted, but not publicly released.

Southeast Conference

March 16, 2010

Representatives Jay Ramras, Chair
Economic Development, Trade & Tourism Committee
Alaska State Capitol Building
Juneau, Alaska 99801

RE: HCR21 "A resolution creating and relating to the Economic Development Planning Commission."

Dear Representative Herron:

Southeast Conference strongly supports House Concurrent Resolution 21, a resolution to create an economic development planning commission. The state has significant need for economic development and is in dire need of a strategic plan for our future. This commission and its duties spelled out in HCR21 would serve as a valuable tool for this strategic planning. It is important that we take steps to integrate private sector leadership into economic development efforts administered by our state government.

Southeast Conference is a private membership organization that works to advance the collective interests of the people, communities, and businesses of Southeast Alaska. It is the Alaska Regional Development Organization (ARDOR), Federal Economic Development District (EDD), and USDA Resource Conservation and Development (RC&D) Council for the region. The Conference's Mission is to help develop strong economies, healthy communities, and a quality environment in Southeast Alaska.

Please adopt HCR21 for the future of our communities and our state.

On Behalf of the Board of Directors,

Shelly Wright

Shelly Wright
Executive Director

P.O. Box 21989 612 W. Willoughby Avenue, Suite B, Juneau Alaska 99802
(907) 523-4353 (907) 463-5670 Fax info@seconference.org
www.seconference.org

Representative Jay Ramras
Chair, Judiciary
Chair, Economic Development, Trade & Tourism
Energy
Military & Veteran Affairs
Joint Armed Services
State Capitol, Room 118
Juneau, Alaska 99801-1182
Phone: (907) 465-3004
Fax: (907) 465-2070
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Alaska State Legislature

House of Representatives

nterim:
r Way, Suite 324
, Alaska 99701
907) 452-1088
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District 10

Memo

To: House Special Committee on Economic Development, Trade & Tourism Committee Members and Staff

From: Margaret Dowling, (H) EDT Committee Aide (465-6841)

Date: March 23, 2010

Re: March 23, 2010 (H) EDT Meeting Packet - UPDATE

The following items **update** the previously distributed committee packet:

1) Proposed CS for HCR 21
2) Explanation of changes
3) Power point presentation

Representative_Jay_Ramras@legis.state.ak.us

26-LS1446\S
Cook
3/19/10

CS FOR HOUSE CONCURRENT RESOLUTION NO. 21( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

A RESOLUTION

Creating and relating to the Economic Development Planning Commission.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS the state has a significant need for economic development; and

WHEREAS it would be beneficial to the state and its citizens to develop visions and strategies to encourage economic development; and

WHEREAS Wyoming, North Dakota, Indiana, and Oregon, among other states, have taken steps to integrate private sector leadership into economic development efforts administered by their state governments; and

WHEREAS multiple economic development strategic planning initiatives are underway in Alaska, including the Alaska Partnership for Economic Development's Alaska Forward Initiative and the Governor's Legacy Initiative;

BE IT RESOLVED that the Alaska State Legislature establishes in the legislative branch the Economic Development Planning Commission to develop and recommend to the Governor and to the legislature visions and strategies that will encourage economic development in the state; and be it

FURTHER RESOLVED that the Alaska Legislative Council shall provide adequate

staffing for the commission; and be it

FURTHER RESOLVED that the commission shall consist of the following members:

(1) one member of the House of Representatives appointed by the chair or jointly by the co-chairs of the House Finance Committee;

(2) one member of the Senate appointed by the chair or jointly by the co-chairs of the Senate Finance Committee;

(3) two public members appointed by the Speaker of the House of Representatives who are not officers of the state or employed by officers of the state, who are working in the private sector, and who possess business expertise and demonstrated leadership skills;

(4) two public members appointed by the President of the Senate who are not officers of the state or employed by officers of the state, who are working in the private sector, and who possess business expertise and demonstrated leadership skills;

(5) one public member with private sector business expertise and demonstrated leadership skills, appointed by the chair or jointly by the co-chairs of the House Finance Committee;

(6) one public member with private sector business expertise and demonstrated leadership skills, appointed by the chair or jointly by the co-chairs of the Senate Finance Committee;

(7) the commissioner of commerce, community, and economic development, ex officio, or the commissioner's designee;

(8) the commissioner of labor and workforce development, ex officio, or the commissioner's designee; and be it

FURTHER RESOLVED that appointed public members of the commission serve without compensation but are entitled to per diem and travel expenses authorized for boards and commissions under AS 39.20.180; and be it

FURTHER RESOLVED that a vacancy in the commission shall be promptly filled in accordance with the requirements applicable to the original commission member who left the office; and be it

FURTHER RESOLVED that the commission shall

(1) review recommendations produced by various economic development planning processes, including the Alaska Forward Initiative, the Governor's Legacy Initiative, and others, advise the legislature on its potential role in implementing the vision or the plans or both, and provide draft legislation to accomplish the recommendations;

(2) consider and make recommendations regarding methods, programs, and financing that may be used by the state to foster economic development;

(3) prepare proposed legislation to carry out recommendations of the commission that the commission determines may need to be implemented by law;

(4) present its recommendations and proposed legislation to the Alaska Legislative Council and to the legislative budget and audit committee not later than January 30, 2011; and be it

FURTHER RESOLVED that the commission may, after considering the recommendations in the Alaska Forward Initiative, the Legacy Initiative, and other economic development strategies, prepare legislation to restructure economic development activities of state government so that those functions are moved from existing state agencies to a

(1) newly created public corporation or a newly created department; or

(2) division within the Department of Commerce, Community, and Economic Development; and be it

FURTHER RESOLVED that the commission may, not later than December 15, 2011, present a supplemental report, which may include additional recommendations and proposed legislation.

FURTHER RESOLVED that the commission is authorized to begin work immediately on the appointment of the members who are appointees or on April 30, 2010, whichever date is earlier, and is terminated on June 30, 2012.

ALASKA STATE LEGISLATURE

House Community & Regional Affairs Committee

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Rep. Bob Herron, Co-Chair

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HCR 21, Economic Development Planning Commission

For House Special Committee on Economic Development, Trade & Tourism

Changes from HCR 21 (Version E) to Blank CS for HCR 21 (Version S)

- P. 3, Lines 9-10: Have the commission report to Legislative Council as well as LB&A
- P.3, Line 11: Changed first reporting deadline from June 30, 2011 to Jan. 30, 2011
- P. 3, Line 19-21: Insert second reporting deadline of Dec. 15, 2011
- P.3, Line 23: Changed March 15, 2010 to April 30, 2010
- P.3, Line 24: Sunset changed from June 30, 2011 to June 30, 2012

ALASKA STATE LEGISLATURE

House Community & Regional Affairs Committee

Rep. Cathy Muñoz, Co-Chair

Rep. Bob Herron, Co-Chair

HCR 21 – Creating an Economic Development Planning Commission

Presentation to the House Economic Development, Trade & Tourism Committee

HCR 21 Components

- 10-Member Economic Development Planning Task Force in the Legislative Branch
- Integrate Legislature into ongoing economic development planning efforts
- Report suggested strategies and legislation to the Governor, Legislative Council, and LB&A
- Sunsets June 30, 2012

HCR 21

- Legislature can monitor ongoing economic development initiatives.
- Creates mechanism for Legislature to collaborate with private sector and identify places for legislative action/state participation.
- Shows the Legislature's commitment to active participation in the implementation of statewide processes.
- Responds to identified shortcoming in previous economic development efforts.

Current Statewide Processes

- Alaska Forward
  - Led by the Alaska Partnership for Economic Development (ARDORs), other members
  - $500K Denali Commission money for Phase I
  - Currently working on Phase II funding
- Legacy
  - Governor Palin's Administrative Order
  - Project has morphed under Governor Parnell
  - New format not yet finalized
- Other regional, industry-specific efforts

Alaska's Economic Development "System": Many economic development organizations with diverse funding sources, geographic scopes, missions and approaches

Geographic Scope		Key Organizations		
State Level	*Funding Agencies*	Alaska Industrial Dev't and Export Authority	Denali Commission	Alaska Growth Capital
		USDA Rural Development	Economic Development Administration	Small Business Administration
	Research and Technical Assistance	Alaska Dept of Commerce, Community and Econ. Dev't	Univ. of Alaska Center for Econ. Dev't	Small Business Dev't Center
		Alaska Manufacturing Extension Partnership	Alaska Village Initiatives	Numerous Industry Specific Support Orgs
	Business and Community Support	Alaska State Chamber of Commerce	Alaska Municipal League	Numerous Industry Organizations
Regional Level		Alaska Regional Development Organizations (ARDORs)	Regional Tribal Organizations	Western Alaska Community Dev't Quota (CDQ) Groups
Borough/ Municipal Level		Local Chambers of Commerce	Local Econ. Dev't Groups	Local Tribal Organizations

Provided by Alaska Partnership for Economic Development

Kinds of Opportunities Commission May Identify

- Could identify financial tools to target particular areas of economic development:
  - Loan programs, incentive/tax programs
  - Target particular industry clusters, geographic regions, or other policy goals
- Enables the Legislature to address identified needs by preparing legislation in advance of sessions
- Possible restructuring of departmental participation in economic development
  - public corporation to work on economic development issues
  - new department
  - new division

Commission Membership	Appointment Authority
One State Representative	← House Finance Co-Chairs
One State Senator	← Senate Finance Co-Chairs
Two Public Members	← House Speaker
Two Public Members	← Senate President
One Public Member	← House Finance Co-Chairs
One Public Member	← Senate Finance Co-Chairs
DCCED Commissioner	← By Statute
L&WFD Commissioner	← By Statute

Goal of HCR 21 is to provide Legislature with direct input and collaboration with private sector on subjects of economic development.

HCR 21 – Timeline

- March, 2010: AK Forward Phase I Report
- April 30, 2010: Commission begins work
- January 30, 2011: First Legislative Report Deadline
- 2011 (tentative): AK Forward Phase II Report
- December 15, 2011: Second Report Deadline
- June 30, 2012: Sunset

Why is HCR 21 Needed?

- "Lack of an overall Alaska Strategic plan for Economic Development is a barrier to expanded AIDEA participation in major projects."
  – AIDEA Strategic Plan

- "There is a lack of statewide planning, leadership, and coordination. Although Alaska has a large number and variety of economic development entities, their focus is local or regional, rather than statewide, and this limits their effectiveness."
  – Alaska Forward: Phase I Situational Analysis Executive Summary

- Calling for a Comprehensive Economic Development Strategy for Alaska and supporting both the "Alaska Forward" project and the Governor's "Legacy" plan.
  – Alaska State Chamber of Commerce 2010 Position Paper

Econ. Dev. & HCR 21 Documents

- CS HCR 21 (version S), Sponsor Statement, Fiscal Note, Letter of Support
- Alaska Forward Project Executive Summary
- "Legacy" Planning Process Outline
- Econ. Dev. In State Government Briefing Paper
- Chart of Alaska Economic Development "System"
- HCR 21 Powerpoint
- Legislative Research Report: Alaska Economic Development Orgs
- AlanAusterman.com: Econ. Dev. Library

HCR 21 – FISCAL NOTE

- $130,000 Total (GF) – RDU: Legislative Council
- $108,000 for Commission Staff (Range 21, Step C)
- $11,000 for Travel (excluding per diem)
- $11,000 for Per Diem
- Costs to print Commission Report and Teleconference meeting will be absorbed within existing budget
- <u>Assumptions</u>
  - 3 Meetings require travel (rest by teleconference)
  - 1 Anchorage meeting and 2 Fairbanks meetings
  - Per diem for 2 days per travel meeting
  - 3 Anchorage-based members; 1 Fairbanks-based member

HCR 21, Econ. Dev. Commission

Sponsored by House Community & Regional Affairs Committee

Questions? Please call Rob Earl, Rep. Herron's office (465.5141).

Thank-you House Economic Development, Trade & Tourism Committee!

Representative Jay Ramras
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Chair, Economic Development, Trade & Tourism
Energy
Military & Veteran Affairs
Joint Armed Service
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House of Representatives

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District 10

Fax

To: Tam Cook
Leg. Legal

Fax #: 465-2029 Number of pages including cover: 4

From: Margaret Dowling, Staff to Rep. Ramras
465-6841

Date: March 24, 2010

Re: CS HCR 21 ( ) - Version 26-LSI446\S

Hi Tam,

The EDT committee adopted a conceptual amendment to the attached work draft and then moved the amended work draft out committee. I've edited the work draft on page 2 to reflect the conceptual amendment. Could you please finalize the work draft as amended?

Thank you,
Margaret
465-6841

Representative_Jay_Ramras@legis.state.ak.us

26-LS1446\S
Cook
3/19/10

CS FOR HOUSE CONCURRENT RESOLUTION NO. 21( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

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