

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672
2595 SCOMM 113: HOUSE SPEC. COMM ON ECON. DEV. & TOURISM, 1999-2000



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SCOMM 113: HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT AND
TOURISM, 1999-2000

MEMBERS:

REPRESENTATIVE GAIL PHILLIPS, CHAIR
REPRESENTATIVE RAMONA BARNES
REPRESENTATIVE SHARON CISSNA
REPRESENTATIVE FRED DYSON
REPRESENTATIVE ANDREW HALCRO
REPRESENTATIVE BETH KERTTULA
REPRESENTATIVE NORMAN ROKEBERG

Established by House Resolve No. 3, 1999.

Contents: 11 files. 16 cassettes are also available of meetings
held 3/3/99 - 8/18/00.

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MICROFICHE #

1. 3/3/99: OVERVIEW OF ECONOMIC DEVELOPMENT AND
TOURISM
2. 3/17/99: PFD INVESTMENT STRATEGIES AND
OVERVIEW
3. 4/28/99: TLINGIT AND HAIDA CENTRAL COUNCIL
PRESENTATION ON LOCAL HIRE PREFERENCES; ALASKA
SEAFOOD MARKETING PRESENTATION ON VALUE-ADDED
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4. 1/27/00: REVIEW OF TRANSPORTATION CORRIDOR
ISSUES
5. 2/8/00: NATIONAL MISSILE DEFENSE BRIEFING
6. 2/9/00: HB 265, AND COMPLETION OF REVIEW OF
TRANSPORTATION CORRIDOR ISSUES
7. 2/23/00: REVIEW OF MINING INDUSTRY IN ALASKA
8. 3/7/00: HB 384, LEGISLATIVE ROAD DEVELOPMENT
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9. 3/20/00: OVERVIEW: E-COMMERCE, PART 1
10. 3/22/00: OVERVIEW: E-COMMERCE, PART 2
11. 8/18/00: OVERVIEW OF RURAL AFFORDABLE HOUSING

SCOMM

113:1

Economic Development and Tourism Committee
Representative Gail Phillips
Chair

Committee Members

Representative	Aide	Phone/fax	Room
Rep. Gail Phillips - Chair	Scott Petsel	4078/2698	411/116
Rep. Romona Barnes	Mark Riehle	3438/4565	403
Rep. Sharon Cissna	Rob Earl	3875/4588	420
Rep. Fred Dyson	Gayle Keller	2199/4587	104
Rep. Andrew Halcro	Kevin Hand	4939/2418	418
Rep. Beth Kerttula	Karen Greeney	4766/4748	430
Rep. Norman Rokeburg	Janet Sietz	4968/2040	24

As of 1/26/00

sp



Official Business

Alaska State Legislature

ECONOMIC DEVELOPMENT & TOURISM COMMITTEE

Representative Gail Phillips, Chair
State Capitol, Room 411
Juneau, Alaska 99801-1182

(907) 465-2689; (800) 665-2689

FAX: (907) 465-3472

Email: Representative_Gail_Phillip@legis.state.ak.us

March 3, 1999 - 4:30 p.m.

Economic Development & Tourism Committee

Agenda: Overview – Economic Development & Tourism in Alaska

“Outlook for ’99”

Department of Commerce and Economic Development
Alaska Tourism Marketing Council

- Deborah Sedwick, Commissioner
- Greg Wolf, Director, Trade & Development
- Tom Garrett, Director, Division of Tourism
- Dave Karp, AK Tourism Marketing Council

House Resources, #124. (*Note: meeting starts at 4:30 PM*).

GP:ps

Tuesday, March 2, 1999

HOMER TRIBUNE

Alaska's tourism industry proposes overhaul

by Sarah Sanders
Tribune staff reporter

Under a new draft plan, Alaska's tourism industry is switching hands. The "New Millennium Plan" seeks to reorganize the state's tourism industry by consolidating the three main branches into one new private sector organization.

The new plan will consolidate the Alaska Visitor Association, Alaska Tourism Marketing Council, and the marketing arm of the state's Division of Tourism. The public nonprofit trade association, private/public corporation, and the state organization would be combined into one new statewide organization. "What we are really trying to do is consolidate marketing and streamline the organizations that we do have, deal with some of the decreases in state funding, and look for quite a bit more in funding from the private sector," said AVA's Executive Director Tina Lindgren.

One of the main reasons for the merger is the state's 60 percent drop in funding in the last decade. In 1990, the state spent \$15 million promoting visitors to come to Alaska. This

amount plummeted to \$6.6 million by 1998, and while the tourism industry ranked seventh in state spending in the nation in 1991, this year it fell to 27th place.

While overall visitor numbers have continued to rise, the rate of growth has slowed, said Lindgren.

Homer Chamber of Commerce Director Dorothea Ferraro reports that tourism in Homer hit a peak in the early 1990s, and for the rest of the decade, she said, tourism generally declined, with periodic

sprints of growth.

One reason for the decline is increasing competition both in the United

See TOURISM, page 14

cont

Post-It® Fax Note	7671	Date	10
To	Roy Phillips	From	Homer LIO
Co./Dept.	De. Tourism	Co.	Charles
Phone #		Phone #	
Fax #		Fax #	

Tuesday, March 2, 1999

HOMER-TRIBUNE

TOURISM, cont. from front page

States and worldwide. While state spending on tourism has declined, other states' budgets have increased tremendously. Lindgren reports that over the last five years, other states have increased their tourism spending by 24 percent. "There is increased competition and we are being less competitive out there when it comes to going after those visitors," she said.

Lindgren said that the new plan isn't really an option, it's a requirement. "Part of the reason for this comes from the Legislature who have said we expect and want the industry to come to the table with additional funds than they have in the past," she said. The organizations felt that the best way to increase tourism funding from within the industry was a voluntary program.

Homer's chamber is already looking at how they will contribute to the new statewide plan. Ferraro said that a committee has been established within the chamber to become familiar with the plan. "One priority of the committee will be to educate the membership and the community about the plan, and the other priority of the commit-

tee will be to explore ideas for the Homer financial contribution to the plan," she said.

Under the new plan, the state tourism industry will supplement state funding with money coming from the private sector. Individual businesses would participate at one level, while communities at a different level. The funding mechanism that is being proposed is made up of several components. Lindgren said the state will continue to be a large financial partner, although its contribution isn't expected to increase given the current status of its budget. The rest of the money will be the burden of Alaska's tourism industry, and large tourism companies.

Lindgren said contributions from individual businesses would be based on their size. However, it is the larger tourism companies that will be asked to support the organization in a much greater way. Lindgren said that the \$10 million plan calls for a \$1 million contribution from individual communities after a three-year phase-in of the program.

Lindgren said that the contribution would be based on visitor spending, so that larger communities would pay substantially more than smaller communities. "It's true that the smaller communities and the smaller businesses stand to leverage off of what those larger organizations are contributing," she said.

Under the new plan, a business's number of employees will determine their contribution. The membership for the smallest businesses would be \$200. Lindgren said that today most businesses would need to spend about \$500 to equal the same thing that they would get for the \$200 contribution to the program.

What are the benefits of laying down \$200? Lindgren said that businesses will be included on a membership listing in the State Vacation Planner, as well many other advertising and promotional opportunities.

By basing membership on the number of employees, as businesses grow, so would the cost to join. "It really

See State, page 15

STATE, continued from page 14

raises the contribution from the largest companies and lowers it for the smaller businesses," she said.

The plan is slated to be introduced before the Legislature this year for approval.

While the details of the consolidated organization hasn't been ironed out yet, Lindgren said that a transition team has drafted bylaws and have started to put the pieces in place. An updated version of the plan went out to more than 6,000 businesses affiliated with the visitor industry. Feedback is encouraged.

Lindgren said that overall, the plan is receiving very strong support. "People don't necessarily like the idea of having to contribute more than they are today - that's a tough thing to ask of people and change is always

difficult," Lindgren noted.

Lindgren believes that a strong Alaska marketing presence is needed to bring visitors to the state. "When people make the decision to come to Homer, as an example, generally, they first make a decision first about visiting Alaska," she said. "Individual businesses, like bed and breakfasts, really aren't in the position very often of doing national advertising, which will bring people to their doorstep.

The idea is that by pulling resources that everyone will win. That at the end of the day, everyone will stand to gain by having strong visitor industry," Lindgren said.

P. 02

FAX NO. 11

MAR-02-99 TUE 11:40 AM HOMER L10

House Special Committee on Economic Development and Tourism

Alaska Department of Commerce and Economic Development

Overview on Development and Tourism Activities

Commissioner Debby Sedwick

March 3, 1999

Members: Gail Phillips, chair; Ramona Barnes; Fred Dyson; Andrew Halcro; Norman Rokeberg; Sharon Cissna; and Beth Kertulla

Madame Chair, members of the committee: Thank you for this opportunity to meet with you. I look forward to constructively working with you to improve and expand Alaska's economic development and tourism opportunities. A special thanks to Madame Chair, Representative Barnes and Representative Rokeberg for their unwavering support of economic development, trade and tourism in the face of tough budget times. I look forward to the support of the other members of this committee, as we bring you up to date on our successes and our visions for the future.

As you know, the Alaska Department of Commerce and Economic Development has a diverse array of programs. I would like to give you a brief introduction to the Department and its economic development functions before I turn the presentation over to Tom Garrett, our director

of Tourism, ATMC Executive Director Dave Karp, to be followed by Greg Wolf, our director of the Division of Trade and Development.

The primary goal of the Department of Commerce and Economic Development is to promote an active, healthy and expanding business community. This goal is accomplished through two main tasks: consumer protection through regulation of business; and economic development through advocacy programs that develop, strengthen, and diversify Alaska's economic base, increase employment opportunities, and stimulate private enterprise. We are excited to present to you this afternoon some of the highlights of Alaska's economic development and tourism programs.

With the decline in Alaska's resource extraction industries, more Alaskans are turning to tourism as the industry offering them the greatest potential for growth. Tourism is now the second largest industry in Alaska, and the largest employer of Alaskans. Tourism offers tremendous potential for economic development in rural Alaska if it can be done in a planned, orderly and unobtrusive manner. Many of these smaller, locally owned businesses do not have the resources to conduct marketing or influence planning decisions. The Division of Tourism is an advocate for these small businesses that helps ensure their growth, expansion, and success. In addition, tourism is a key source of entry level employees and is a key player in reducing the state's welfare rolls.

I believe the State has an important responsibility for oversight of tourism marketing and development. Left entirely to the private sector, dominated by large out of state multinational companies, marketing will not be directed to benefit Alaska residents and tourism businesses. Lack of planning will result in continued congestion in already crowded areas in the summer and

insufficient dispersion of visitors to rural and less visited areas and during the non-summer season.

The Division of Trade and Development serves as a commercial liaison for the state and for private sector businesses that trade in international markets. The efforts of the Division of Trade and Development are part of the State of Alaska's overall economic development strategy to increase employment and diversify our economic base. The Division also works to strengthen Alaska's economy through the development of a diverse and self-sufficient private sector. The goal is to establish a positive business climate that is conducive to commercial and industrial investment and development.

During the last three years we reorganized what was once three separate Divisions of state government (Economic Development, Trade and Tourism) into one group. These units are now integrated into one with a common economic development mission and one administrative support staff. This integration allows for a streamlined approach in which development, trade and tourism staff and contractors work together to promote business and product development opportunities within Alaska, based on trade and tourism opportunities throughout the world. To further reduce costs and increase efficiencies, our overseas trade and tourism contracts share a common contractor in Japan, Korea, and Taiwan. Our tourism and trade development functions are closely tied, because as most of you know, trade tends to follow tourism.

Despite the obvious importance of these markets to Alaska and the volume of our trade and tourism sales, we have an extremely lean staff and budget. The small number of people involved

in trade, development and tourism for the state of Alaska including all support administration is very small. Since FY 95, the Divisions of Tourism and Trade and Development have experienced a 41% and 45% decreases, respectively, in general funds. We have three trade specialists for Japan, Korea, China, Taiwan, and Russia; six development specialists for seafood, timber, business development, mining, small business support and economic development; and two tourism specialists for North America, Asia and Europe. These staff work incredibly hard to cover a phenomenal amount of territory and opportunities.

SCOMM

113:2

MEMORANDUM OF UNDERSTANDING
BETWEEN THE ALASKA PERMANENT FUND
CORPORATION AND THE DEPARTMENT
OF COMMERCE & ECONOMIC DEVELOPMENT

I. PURPOSE:

The purpose of this Memorandum of Understanding is to express the willingness of the Alaska Permanent Fund Corporation (APFC) and the Department of Commerce and Economic Development (DCED) to share their knowledge, relationships and experience within the mandate, authority and budget of each organization in the marketing and promotion of Alaska's products and services by utilizing venues which exist in real estate owned by the APFC. This joint effort is hereafter known as "Celebrate Alaska!"

Cooperation between the parties includes the following:

- A. Exchanging information on activities in areas of common interest;
- B. Developing programs of mutual interest; and
- C. Establishing a working committee to review Celebrate Alaska! on a periodic basis.

II. RESPONSIBILITIES

The APFC will maintain a list of state agencies and organizations which are available to its Investment Managers as a resource for promotional material.

The DCED will identify suitable promotional materials for use by APFC Investment Managers and will facilitate their availability.

APFC Investment Managers are responsible for identifying opportunities and implementing Celebrate Alaska! in accordance with APFC Board Resolution 98-1 attached as Exhibit "1".

Memorandum of Understanding
Page 2

A working committee is established to assure success of Celebrate Alaska! This committee will review the program on a periodic basis and will provide a written report of this review to the Commissioner of Commerce and the Executive Director of the APFC.

This project will be undertaken by a working committee consisting of the following:

Alaska Permanent Fund Corporation

Jim Kelly, Director of Communications

Peter Naoroz, Manager of Real Estate Investments

Department of Commerce & Economic Development

Becky Beck, Small Business Development Specialist, Division of Trade and Development

Dave Karp, Executive Director, Tourism Marketing Council

Tom Garrett, Director, Division of Tourism

III. BACKGROUND:

The Board of Trustees of the APFC has adopted a strategic plan relating to real estate investments, which outlines an allocation to direct equity real estate. The strategic plan also sets forth an active Alaska investment plan with an Alaska outreach component.

The DCED is involved in marketing Alaska's products and services thereby enhancing image and increasing demand. In addition, the Department of Commerce and Economic Development acts as a liaison and advocate for Alaska businesses.

The APFC and DCED recognize that it is to their mutual benefit to cooperate on marketing Alaska products and services by utilizing venues which exist in real estate owned by APFC.

IV. PERIOD AND CONDITIONS:

This Memorandum of Understanding is intended to provide a continuous communication link between APFC Investment Managers and the DCED and a framework for evaluating the program on a periodic basis.

Memorandum of Understanding
Page 3

The Memorandum of Understanding adheres strictly to the guidelines of Resolution No. 98-1 adopted by the Alaska Permanent Fund Board of Trustees, Promoting Alaska through Utilization of Certain Real Estate Investments.

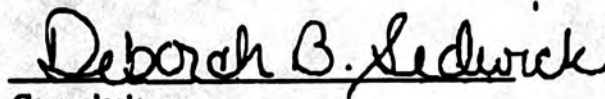
Nothing in this Memorandum of Understanding is intended to diminish or otherwise affect the authority of either organization to carry out its functions independently and in accordance with its existing authorities.

V. NAME AND SIGNATURE:

ALASKA PERMANENT
FUND CORPORATION


Executive Director
Alaska Permanent Fund Corporation
801 W 10th Street, Suite 302
Juneau, Alaska 99802

ALASKA DEPARTMENT OF COMMERCE
AND ECONOMIC DEVELOPMENT


Commissioner
Department of Commerce & Economic Development
3601 C Street, Suite 700
Anchorage, Alaska 99503

DATE: 6/10/98 ---

DATE: 10 June 1998

Memorandum of Understanding
Page 4

Exhibit "1"

Alaska Permanent Fund Corporation

**RESOLUTION OF THE BOARD OF TRUSTEES
RELATING TO PROMOTING ALASKA THROUGH THE
UTILIZATION OF CERTAIN REAL ESTATE INVESTMENTS**

RESOLUTION NO. 98-1

The Board of Trustees of the Alaska Permanent Fund Corporation (APFC) has adopted a strategic plan relating to real estate investments which outlines a substantial allocation to direct equity real estate. The strategic plan also sets forth an active Alaska investment plan with an Alaska outreach component.

Investment staff, working in conjunction with investment managers and agencies of the State of Alaska, has implemented several preliminary strategies in order to fully develop this policy. These strategies range broadly and include placing informational brochures in sitting areas, running video tape featuring Alaska scenery, working with retailers in outfitting kiosks and promoting Alaska with well publicized vacation giveaways.

Staff has identified numerous issues through out this process in order to articulate a policy for future outreach. Staff has determined that certain types of real estate investments may provide an opportunity to promote Alaska at minimal costs and in a way that the investment returns are not affected.

Guidelines:

- Staff and investment managers shall promote Alaska after consideration of all the facts and circumstances.

Facts and circumstances which will be considered in determining whether a promotional opportunity exists include, but are not limited to, the following:

1. Location should be available without displacing or disrupting tenants.

**Memorandum of Understanding
Page 5**

2. Existing tenants should benefit from promotion.
 3. Physical investment should be enhanced.
 4. Promotions should be easily maintained so as not to appear dated.
 5. Costs associated with promotion should be budgeted.
 6. Promotions should be demonstrably effective and verified by market research.
- List of state agencies and organizations which are available as a resource for promotional material shall be maintained at the APFC for investment manager consideration. Staff time and other APFC resources shall be minimized in the implementation of this policy. State agencies and organizations shall bear the appropriate costs associated with this promotional policy.
 - All promotion will be general in nature, sanctioned by the State of Alaska, and shall not identify ownership of the asset by the APFC.
 - Investment analysis (e.g. hold/sell, acquisition) by staff and investment managers shall be done in an appropriate fashion independent of any assessment of benefits associated with promoting Alaska.
 - Staff will not impose promotional policy on any co-investment partner through a vote of the APFC's interest relating to operational affairs of the investment.

BE IT RESOLVED:

That Board of Trustees hereby embraces the concept of utilizing APFC direct equity real estate assets to promote Alaska if it does not dilute in any way the investment return of these individual assets and in accordance with the above established guidelines.

PASSED AND APPROVED by the Board of Trustee's of the Alaska Permanent Fund Corporation this 29th day of January 1998.

***Chair, Board of Trustees
Alaska Permanent Fund Corporation***

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

P.O. BOX 110800
JUNEAU, ALASKA 99811-0800
PHONE: (907) 465-2500
FAX: (907) 465-5442
TDD: (907) 465-5437

March 17, 1999

Dear (CEO Name):
(Company Name)

The State of Alaska has confidence in your company and its potential in the future. As a result, we have invested \$(amount) in your stock through our holding in Alaska's Permanent Fund, a \$25 billion investment portfolio. We believe that (Company Name) will continue to do well under your leadership in today's economy.

As an investor with confidence in your company, I would like you to consider doing business in Alaska. It's an ideal place to do business that will help your company's bottom line. Here are some reasons:

Contrary to popular assumptions, Alaska has a bustling economy with a great wealth of fish, oil and gas, forest products, minerals, and coal. Alaska is at the center of the world's most active trading hemisphere, with ice-free, deep-water ports close to many major trade centers. Nearly equidistant from Tokyo, London and New York, Anchorage International Airport is the nation's busiest cargo airport, with more than 70 percent of all Asia to North America cargo setting down there. Alaska also has the fourth busiest seaport in the United States with an annual throughput of over 95 million tons.

We have a strong education system that supports business with excellent employees. In 1996, Alaska ranked second in per capita expenditures for education. As a result, Alaska led the nation in the percentage of our population that attained a high school diploma. In 1998, Expansion Management Magazine awarded blue ribbons to the school districts of our three largest cities.

Alaska's vast economic opportunity is only part of its appeal. This active economy is set in one of the world's most spectacular settings--a land of towering mountains and deep fjords, protected

inland waterways and rolling tundra plains. While Alaskans enjoy a wide variety of outdoor recreational activities, it does not mean that resident's sacrifice cultural and intellectual pursuits. Alaska's oil revenues enabled the creation of performing arts, convention, and educational infrastructure statewide.

Please contact me to discuss a move or expansion of your headquarters, operations or investment in Alaska. Our strong economy and high quality lifestyle appeal make it an ideal place to do business.

Sincerely,

Byron I. Mallott, Executive Director
Alaska Permanent Fund Corporation

Deborah B. Sedwick, Commissioner
Alaska Dept of Commerce and Economic Development

Visit us on our sites!

<http://www.commerce.state.ak.us/>

<http://www.apfc.org/>

NEW JOBS NEW MONEY

The people of Alaska have a very powerful economic tool at their finger tips. The Permanent Fund investment holdings in corporate America are approximately nine billion dollars, with an additional four and one half billion dollars in international stock holdings. The Permanent Fund list of companies is over a hundred pages in length and covers all areas of corporate America. There is one group that these businesses listen to, cater to, and otherwise want to make happy; that group is the corporate shareholder.

This means that our ability to attract economic development opportunities to Alaska just got easier. Using our Permanent Fund stock ownership will allow access to the corporate decision-makers. We would not be asking for a competitive edge, simply the ability to make a business presentation to the right people, a chance to demonstrate that Alaskan business is competitive and very sophisticated. We would be facilitating meetings between Alaskan business people and corporate America decision-makers.

While our stock holdings in companies will not force companies to do business in Alaska, they can be used as a tool for communications with the decision-makers. For instance, if all things are equal with businesses in several different areas of the country, and Alaskans own millions of dollars in stock in a particular company, don't you think Alaskans would have the advantage concerning that company's business decision?

Our wage structure is comparable to other areas; freight would be negligible in high value, low weight products. Communications, technology, and information retrieval are competitive with other locations. Plus, we have many advantages that other areas don't have. For instance, we have natural resources, energy, capitalization, land, strategic location between Asia, America and Europe, and a can-do attitude in the private sector and state government.

Alaskans own about \$200,000,000 (two hundred million dollars) worth of shares of General Electric. When General Electric was contacted and the Permanent Fund was explained, and we stressed that Alaskans were interested in finding out how they could outsource parts, supplies, services, or technology. GE assigned three people to determine what Alaskan business could do for General Electric and its 36 subsidiaries.

The Permanent Fund owns hundreds of millions of dollars of shares in grocery store chains and national food outlets. We should have the ability to talk to the people that buy seafood products or other goods that Alaskan businesses produce. Can you imagine the Alaskan business that would be created if we had the ability to secure two feet of shelf space in every Wal-Mart, Albertson or Safeway store in the U.S. for Alaskan products? How about talking to the buyer about Alaskan food products for the many fast foods chains in which we own corporate stock?

We have the ability to attract to Alaska decision-makers of the safe and clean industries that we want located here. Our hundreds of million of dollars in computer

manufacturing and software firms could very well entice new investments to open in many parts of Alaska. The magic is we don't necessarily need to attract a full-scale plant, but we can create a lot of new jobs by assisting the existing Alaskan businesses to expand to serve our potential new markets. With fiber optics communications, even Nome, Alaska is just a half a "nano-second" from East Coast markets.

Contacting corporate America by State Legislators has proven to be effective in facilitating dialog between Alaskan business and corporate America. The facilitator identifies a business opportunity, informs that Alaskan business, and facilitates a contact to the appropriate decision-maker in corporate America. The Alaskan business then follows up. This new program does not require much expense. A consultant assists the Legislator or Legislative Committee by making telephone calls, utilizing computer time, or by sending letters. Additionally there could be some instate and out of state travel.

When contacting corporate America, it is stressed that we are shareholders and make money when a company is profitable. All we ask is to be able to talk to the decision-makers, get to the right person to make presentations, or find out which subsidiaries would be more appropriate for Alaskans when conducting business. This program would not be effective if the corporate shares of stock were used to try to intimidate or force decisions.

However, corporations or their subsidiaries not finding a need for Alaskan services could be encouraged to have corporate board meetings, training programs, or retreats in Alaska. Additionally, many corporations offer grants through their foundations that could benefit Alaskan social programs or projects. With some of our larger holdings we should have an Alaskan sitting on their board of directors protecting Alaskan interests and voting shares of stock. Alaskans have tremendous access to corporate and financial America. In the attempt to diversify our economy, we have the perfect communication tool in our Permanent Fund holdings, an ownership basis in Corporate America.



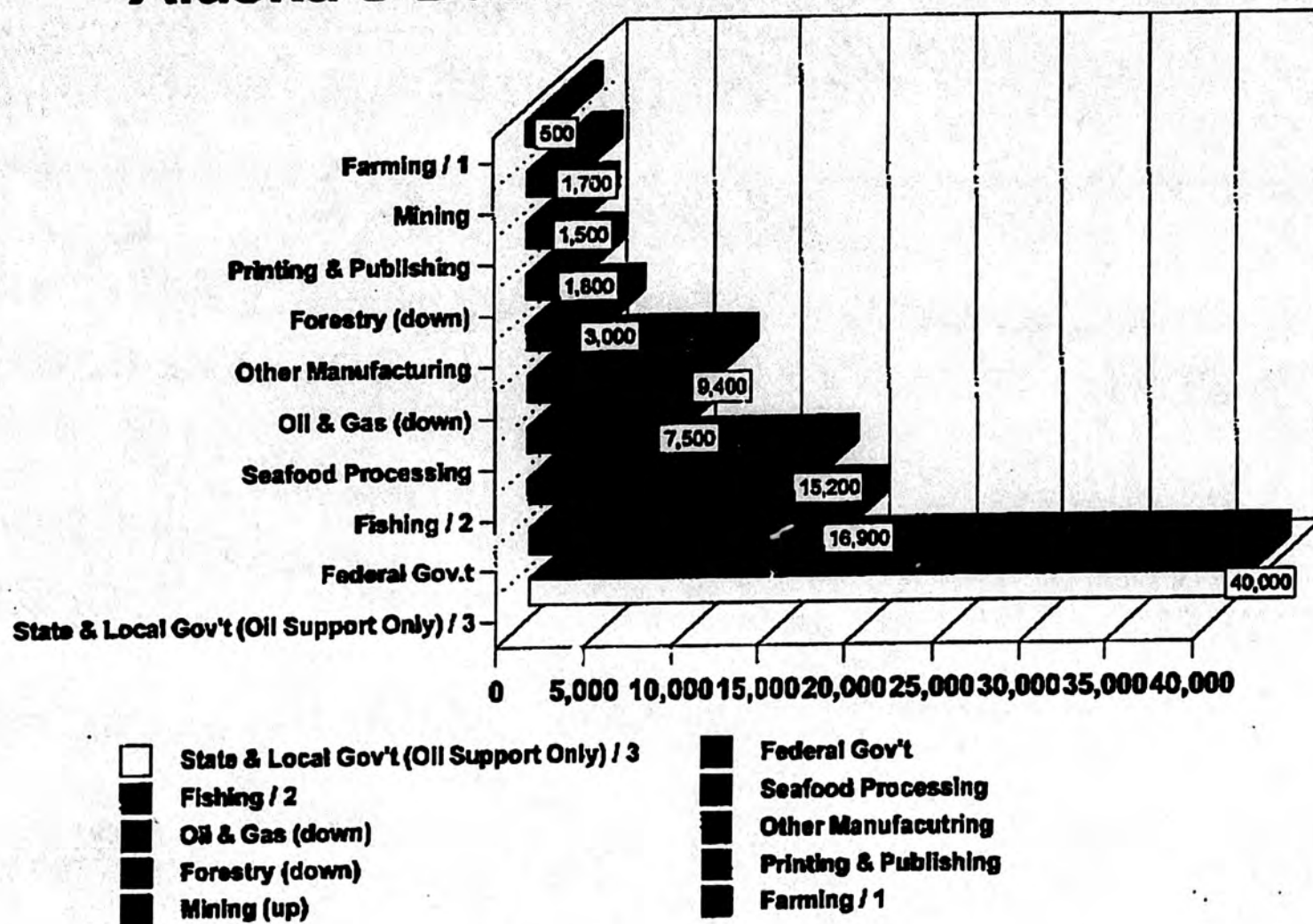
ALASKA SCIENCE & TECHNOLOGY FOUNDATION

Briefing on Long-term Economic Development Strategy

**Jamie Kenworthy
Executive Director**

Putting Innovation to Work for Alaska

Alaska's Base Industries Jobs 1999



1/ Estimate from July Summary

2/ Source: National Institute for Occupational Safety and Health and Alaska Seafood Industry Study, McDowell Corporation

3/ Represents 70% of total state and local employment

SOURCE: Alaska Department of Labor, Research and Analysis of 12/98 and footnote estimates

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CORRECTION

**THE FOLLOWING DOCUMENT(S)
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Rev. 6/98

Central Microfilm Services
Department of Education & Early Development
State of Alaska

**ALASKA SCIENCE &
TECHNOLOGY FOUNDATION**

**Briefing on Long-term Economic
Development Strategy**

**Jamie Kenworthy
Executive Director**

Putting Innovation to Work for Alaska



PURPOSE

Briefing

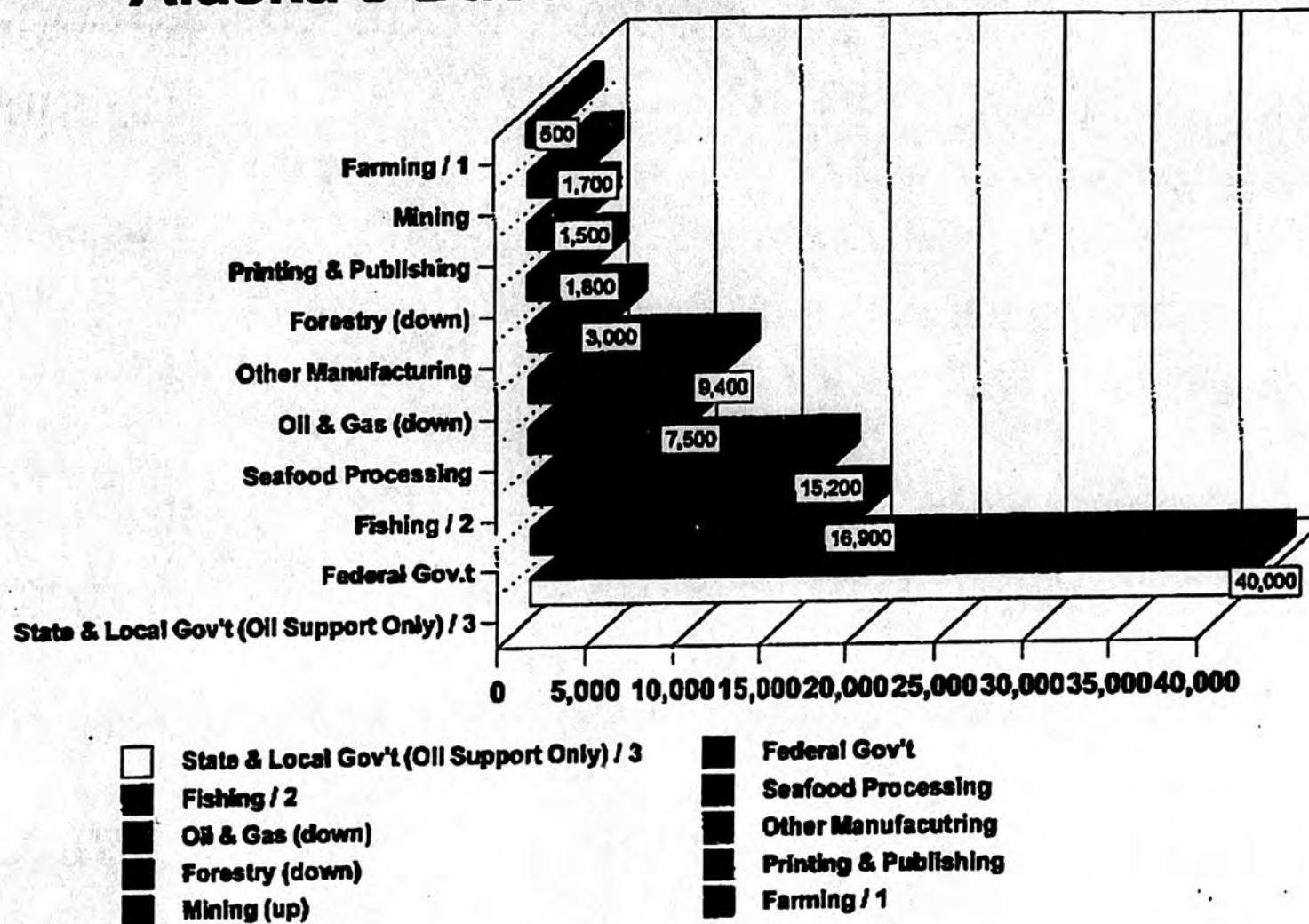
Focus on how to grow pie by replacing imports and expanding exports.

Overview of changes in state's economic base

Highlight key competitive issues in different sectors

Examine changes in industry structure, technology, global competition, and Alaska capability to provide a longer range view of economic development

Alaska's Base Industries Jobs 1999



1/ Estimate from July Summary

2/ Source: National Institute for Occupational Safety and Health and Alaska Seafood Industry Study, McDowell Corporation

3/ Represents 70% of total state and local employment

SOURCE: Alaska Department of Labor, Research and Analysis of 12/98 and footnote estimates

F:\DOCS\PRESENTATIONS\JOBS 1999.WPG

Purpose of Briefing, continued

Caveats

Not highlight ASTF role.

Not focus on short term issues or ones easiest to fix by public sector.

Some numbers somewhat out of date; plan to revise annually statewide data and different sectors if you find this helpful.

This report still in draft form; appreciate comments direct to me and limited circulation.

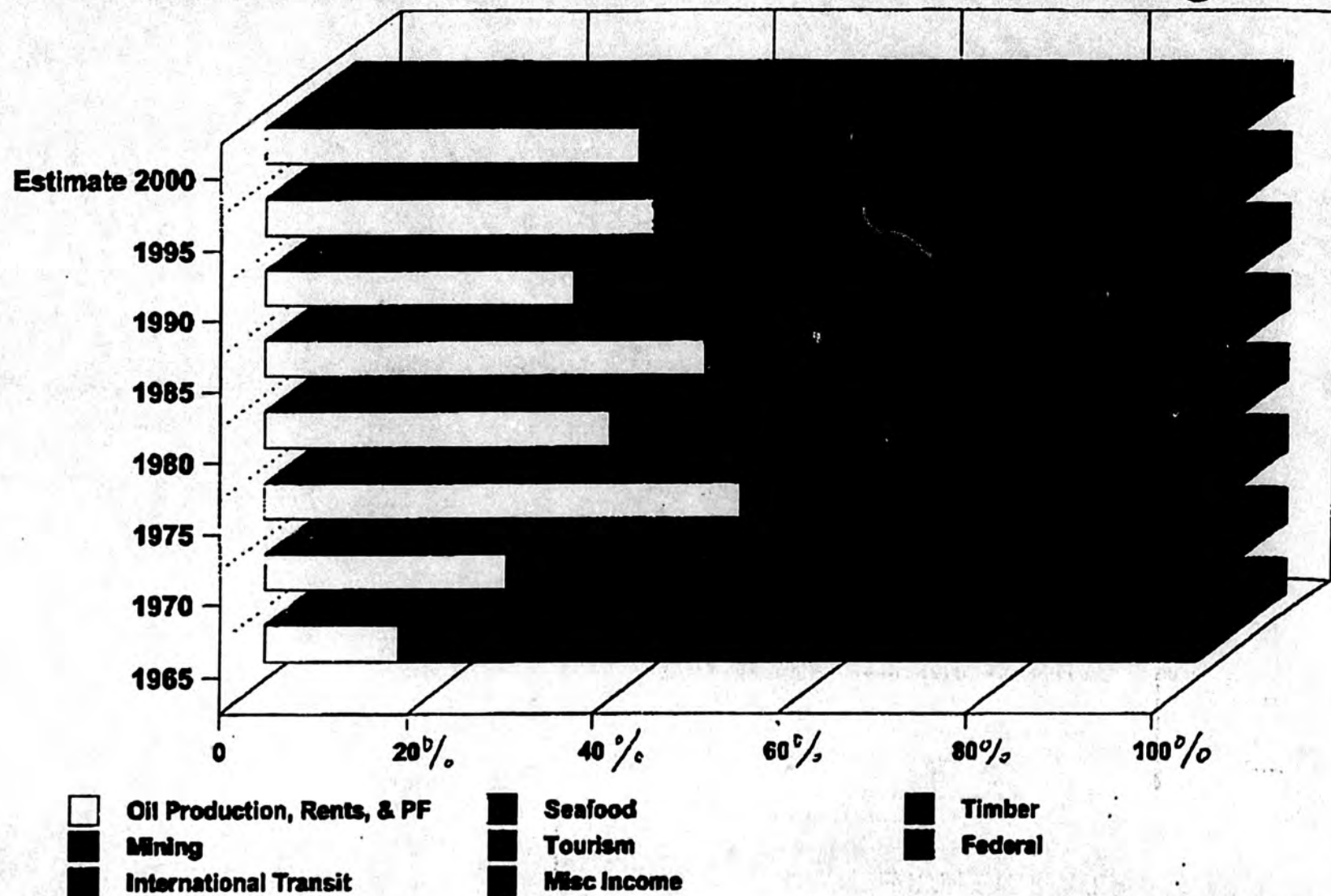
SHARES OF ALASKA PERSONAL INCOME ATTRIBUTABLE TO SECTOR

	1965	1970	1975	1980	1985	1990	1995	2000*
OIL PRODUCTION	1.8%	6.2%	30.5%	13.7%	14.3%	12.6%	11.5%	10%
OIL RENTS	12.5%	12.2%	15.5%	23.3%	29.2%	22.5%	23.9%	22%
PERMANENT FUND	0.0%	0.0%	0.0%	0.0%	3.5%	6.4%	6.1%	8%
SEAFOOD	8.2%	8.6%	5.6%	9.5%	6.7%	9.7%	7.4%	7%
TIMBER	5.0%	4.5%	3.1%	4.1%	2.3%	2.8%	1.8%	1%
MINING	3.5%	1.4%	0.9%	1.5%	1.4%	1.8%	1.7%	3%
TOURISM	1.4%	1.6%	2.0%	3.9%	3.9%	3.8%	4.8%	5%
FEDERAL CIVILIAN	33.0%	31.7%	24.3%	26.2%	22.7%	24.1%	27.6%	27%
FEDERAL MILITARY	32.8%	31.3%	16.0%	14.5%	11.5%	11.9%	10.0%	10%
INTERNATIONAL TRANSIT	0.6%	0.8%	1.0%	1.1%	1.1%	1.0%	1.2%	2%
AGRICULTURE	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	.2%
MISCELLANEOUS INCOME	1.2%	1.7%	1.2%	2.2%	3.2%	3.4%	3.9%	5%
	100%	100%	100%	100%	100%	100%	100%	100%

*Estimate

Source—Institute of Social & Economic Research, University of Alaska Anchorage

How Alaska's Economic Base has Changed



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MINING

Assets

Quality of resources and prospects

Unlike fish + timber, small share of value in final processing resource so higher share of value for resource.

Existing solid DNR geotechnical mapping program can be integrated with newly declassified radar tools to produce better maps.

Have current ability to co-finance near bankable projects (AIDEA-Comino) and develop science behind key regulatory issues (ASTF-Total Dissolved Solids project with Producers Council, ADEC, ADF&G)

CORRECTION

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Department of Education & Early Development
State of Alaska

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MINING

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MINING

Challenges

Dependent on world commodity prices for coal, gold, and other minerals

Small placer miners and majors have separate needs and capability.

State relatively unmapped geologically

AK higher cost environment competing for global investment

Perception of regulatory uncertainty

Headquarters and central evaluation staff for majors all out of state

Forest Products Challenges, continued

No supply chains in state; each mill must do it all and isn't organized to attack both high and low end of market

Low Canadian \$ + Asian flu

70-90 MMBF/year of graded lumber; almost all imported (McDowell report)

Historical perception of Alaska box stores of lower quality from Alaska mills.



Forest Products

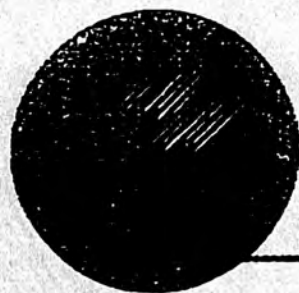
Challenges

Historically, value losing industry (increasing share of harvesters than processors) and steady decline of industry.

Few high throughput mills with modern kiln drying.

AK companies undercapitalized and most structured to export cants and intermediate products.

Ketchikan, Sitka mills closure took away both jobs and demand for low end timber use.



Forest Products

Assets

Local Market in non-SE Alaska which could compete with Seattle transportation costs.

2 Mills (Kenai and Ketchikan) approaching economic scale + prospect of Ketchikan veneer plant

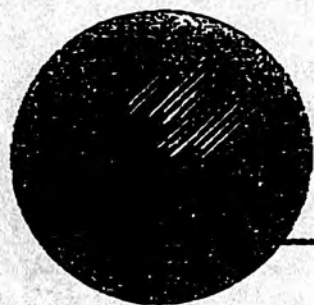
More state/private control of timber supply in Southcentral and Interior.

New grading program by WWPA at 9 mills to replace imported lumber. Technical assistance now available statewide.

Forest Products Assets, continued

Technical quality of AK white/Sitka spruce, yellow cedar, and hemlock far higher than SPF grade

New Forest Practices Act brings more regulatory certainty to permitting process.



Seafood

Challenges

Value/profit largely post-Alaska

AK salmon declining share of world market and now overtaken by farm fish in Japan. Chile and Norway have both increased share of domestic market and size of market.

Structure of industry with different gear groups and between harvestors and processors has added uncompetitive costs and weak chain of custody. Result is weak capitalization of AK firms and AK branch plants.

Seafood Challenges, continued

Domestic market perception of inconsistent quality of wild Alaska salmon. (Direct deals exception.)

No clear third party verification of quality to educate consumers ("Copper Rivers reds" exception?)

Seasonal supply of wall of fish vs. dependable quality and supply for farm fish.



SEAFOOD

ASSETS

When quality maintained, world class product.

AK now 60% of US seafood industry

Industry is statewide. 75% active commercial permits in Alaska. Anchorage home to 30 + processors.

ASMI has now adopted quality standards. Emerging industry consensus to attack quality issues and focus marketing. (Salmon Forum)

Seafood Assets, continued

Most jobs of any base industry (though lower wage and more seasonal than others.)

Shortfall in Chile production this summer provides a one-time opportunity.

A few healthy niches are shellfish production, salmon direct marketing, and surimi production.

Alaska Seafood International plant has scale to effect industry and demonstrate logic of strategy of Alaska direct to 48 supermarkets.

Industry consensus for harvesters and processors to work on quality and transport issues. (Salmon Forum)



Technology

Challenges

Far from cutting edge customers and suppliers

Low production of programmers and software engineers and other knowledge workers. (National shortage.)

To date high rates for high-speed Internet connections

Many procurement decisions for Alaska operations made outside.

Technology, continued

Assets

Growth in Internet has reduced location disadvantage.

Ak life style choice for certain type of techie entrepreneurs

At least one additional cable to Alaska will create excessive supply so rates will improve

Close to customers starting to do real time, digital technology to add efficiency

Fast growing sector in state at faster rate than national rate



Some Conclusions

Manufacturing Matters

Economic Development = Capital + Technology + Production skills + Business Know-how

Need to Focus Public and Private sector on growing the base because all other jobs in retail, service, commercial, and government dependent on health of base.

Private sector leads but need infrastructure to add value.

Need to grow our own economy and not just depend on outside investment in one time projects.

Increase business and R&D capability through local expansion of local firms.

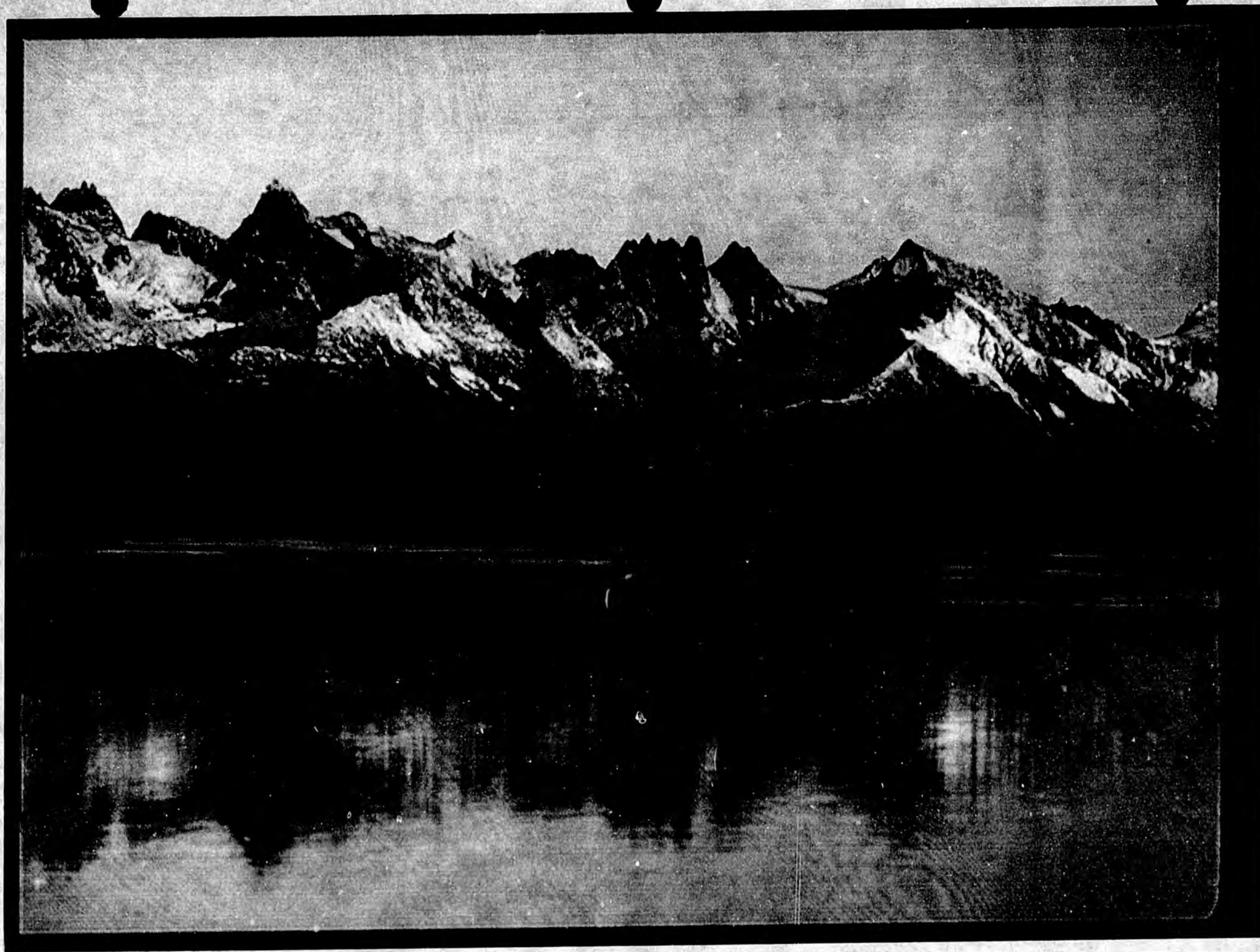


Celebrate Alaska!

Alaska Permanent Fund Corporation

Alaska Dept. of Commerce
& Economic Development

3/17/99



Celebrate Alaska!

- Use allure of Alaska to increase the value of APFC real estate investments for tenants
- Showcase Alaska businesses, products and artists

Opportunities to showcase
and share our rich cultural
heritage and diversity

- **Totem carving**
- **Chilkat blanket weaving**
- **Native Singing and dancing**

Celebrate **ALASKA**



Fiesta Mall
September 28 - October 4, 1998

Retail success
stories:

Fiesta Mall

**Tysons
Corner**











Native doll exhibit

Provided by Alaska State Council on the Arts









Opportunities

- Gift Baskets
- Food promotions
- Travel Fairs
- Art purchases and displays
- Cultural exhibits
- Historical displays



**Trade wall in
Anchorage,
Juneau, and
Washington
DC offices**

Working w/ the Offices & Apartments that we own to use Ak products in their business

Internet pages for information sharing and purchases for art and gift baskets

- all the pertinent information on *Celebrate Alaska!* readily available to managers
- easy to identify and purchase products and services via the Internet
- simplify the development of custom gift baskets to suit the needs and characteristics of individual properties

Other benefits:

- Annual events calendar and coordinated services for all pertinent PFC properties and *Celebrate Alaska!* promotions
- Greater understanding by Alaskans and other Americans of the Permanent Fund Corporation investments and their benefits
- Clear measurable increase in Alaska trade and tourism, growth in markets and appreciation of Alaska

Celebrate Alaska!

It's
good for
everybody



edt 3/17/99

DRAFT

Strategic Plan

March 25, 1998

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APPENDICES

- APPENDIX 1 — Structural Analysis of the Alaska Economy
APPENDIX 2 — Alaska After the Pipeline: A Shift-Share Analysis

Strategic Plan & Sector Analyses Executive Summary

The Need for a Long-term Economic Strategy for Alaska

The Alaska Science & Technology Foundation (ASTF), was not asked to draft a long-term economic strategy for Alaska. Yet, today, too much appropriate technology is not being deployed in Alaska, too many good ideas are not being turned into products and businesses, and too many new businesses are having to move manufacturing, R&D, and headquarters functions out of the state in order to grow. This strategy is the Foundation's first attempt to address more systematically the factors we believe are necessary for Alaska's economic growth. Three reasons led the ASTF Board to assign this admittedly immodest task to themselves.

First Reason—ASTF's Mission

First, the legislature, in creating and funding the Foundation, made the state's longer-term economic development a part of ASTF's mission. With state officials and the media naturally focused on current efforts to balance the state's budget and ameliorate the immediate dislocations caused by the decline of oil revenues, ASTF believed it important to turn its attention to the longer term and more fundamental issue of the state's economic development. While no one doubts that the state's economy will adjust to declining oil revenues, this report seeks to be an evidence-based constructed argument for why Alaska must also now take additional steps to grow a more competitive and healthy economy.

Put another way, in the short term the state may balance its budget but unless other steps are taken to grow the non-oil economic base of the state's economy, the state's economy will inevitably shrink. So, the first reason ASTF produced this report is our mission to take the longer view and start a discussion of what those steps must be to diversify and grow Alaska's economy.

Second Reason—Asset & Infrastructure Gaps

The second reason for undertaking an economic strategy for Alaska is ASTF's learned belief that there are a number of missing ingredients, or undeveloped assets, which must be put in place for the state's economic potential to be realized. The Foundation has funded a wide variety of science and technology projects from the most cutting edge fundamental science done by Ph.D.'s in university labs to the development of inventions by entrepreneurs in rural Alaska. ASTF is proud of its track record in funding projects and believes that their long-term economic benefits to Alaska will prove significantly larger than their cost.

This experience has reinforced ASTF's belief that technology is only one of a number of key ingredients that must be in place for economic development to happen. Just as necessary are the skills of the entrepreneur and the workers in a new business, the funds or capital needed to turn ideas into products, and the assets and resourcefulness of the local community to provide a know-how network of services and resources to draw upon. Alaska entrepreneurs face external problems in turning ideas into marketable products, just as Alaska researchers face external problems in translating their work into real world applications. These external problems, or limitations, are due to barriers in the state's economy and to the structure of the state's basic industries. Failing to address these limitations imperils the ability of the state to diversify its economy.